Civil Code of the PRC — Book III: Contracts

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

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Part I — General Provisions

Chapter I — General Rules

Article 463 — This Book regulates the civil relations arising from contracts.

Article 464 — A contract is an agreement between civil subjects that establishes, modifies, or terminates a civil legal relationship. Agreements on identity relationships such as marriage, adoption, and guardianship shall be governed by the provisions of laws on such identity relationships; in the absence of such provisions, the provisions of this Book may apply by reference according to their nature.

Article 465 — Contracts formed in accordance with law are protected by law. A contract formed in accordance with law is legally binding only on the parties thereto, unless otherwise provided by law.

Article 466 — Where the parties have a dispute on the interpretation of contractual terms, the meaning of the disputed terms shall be determined in accordance with the provisions of the first paragraph of Article 142 of this Code. Where a contract is made in two or more languages which are agreed to be equally authentic, the

words and phrases used in each language text are presumed to have the same meaning. Where the words and phrases used in different language texts are not identical, they shall be interpreted according to the purpose of the contract.

Article 467 — For contracts not explicitly provided for in this Code or other laws, the General Provisions of this Book shall apply and the provisions on the most similar typical contracts in Part II of this Book or other laws may apply by reference. The laws of the People's Republic of China on contracts involving foreign elements may provide otherwise.

Article 468 — For a non-contractual obligation, the relevant provisions of this Book shall apply, unless such obligation arises from an identity relationship.

Chapter II — Conclusion of Contracts

Article 469 — The parties may conclude a contract in writing, orally, or in other forms. "Writing" means any form that tangibly represents the content, such as a written instrument, letter, telegram, telex, fax, or the like. A data message that tangibly represents the content through electronic data interchange, email, or the like and is accessible for reference at any time shall be deemed a written form.

Article 470 — The content of a contract shall be agreed upon by the parties and generally includes the following clauses: (1) names or titles and domiciles of the parties; (2) subject matter; (3) quantity; (4) quality; (5) price or remuneration; (6) time, place, and manner of performance; (7) default liability; and (8) method of dispute resolution. The parties may conclude a contract by reference to various model contract templates.

Article 471 — The parties shall conclude a contract by means of offer and acceptance or by other means.

Article 472 — An offer is an expression of intent to conclude a contract with another person, which shall: (1) have specific and definite content; and (2) indicate that the offeror is bound by the expression of intent upon acceptance by the offeree.

Article 473 — An invitation to offer is an expression of intent inviting another person to make an offer. Auction announcements, bidding announcements, prospectuses, bond offering circulars, fund offering documents, commercial advertisements and promotions, price catalogs sent by mail, and the like are invitations to offer, unless the content of a commercial advertisement or promotion satisfies the requirements for an offer.

Article 474 — An offer becomes effective when it reaches the offeree. Where a contract is concluded by means of a data message and the recipient has designated a specific system for receiving the data message, the data message shall be deemed to have reached the recipient at the time it enters that specific system; where no specific system has been designated, the data message shall be deemed to have reached the recipient at the time the recipient first accesses the system.

Article 475 — An offer may be withdrawn. The notice of withdrawal of an offer must reach the offeree before or at the same time as the offer.

Article 476 — An offer may be revoked, unless under any of the following circumstances: (1) the offeror has specified an acceptance period or otherwise expressly indicated that the offer is irrevocable; or (2) the offeree has reason to believe that the offer is irrevocable and has made reasonable preparations for performance.

Article 477 — Where the expression of intent to revoke an offer is made through dialogue, the content of such expression of intent shall be known to the offeree at the time of the dialogue; where the expression of intent to revoke an offer is made not through dialogue, it shall reach the offeree before the offeree issues an acceptance.

Article 478 — An offer shall lapse under any of the following circumstances: (1) the offer is rejected; (2) the offer is revoked in accordance with law; (3) the acceptance period has expired and the offeree has not accepted the offer; or (4) the offeree materially modifies the content of the offer.

Article 479 — An acceptance is an expression of intent by the offeree to agree to the offer.

Article 480 — An acceptance shall be made by notification, unless acceptance may be made by conduct according to the transaction practices or as indicated in the offer.

Article 481 — An acceptance shall reach the offeror within the period specified in the offer. Where no period is specified in the offer, the acceptance shall reach the offeror in accordance with the following: (1) if the offer is made through dialogue, it shall be accepted immediately; (2) if the offer is made not through dialogue, the acceptance shall reach the offeror within a reasonable period.

Article 482 — Where the offer is made by telegram or letter, the acceptance period shall be calculated from the date indicated on the telegram or the date of dispatch indicated on the letter. If no such date is indicated, it shall be calculated from the postmark date. Where the offer is made by means of instantaneous communication such as telephone, fax, or email, the acceptance period shall be calculated from the time the offer reaches the offeree.

Article 483 — A contract is formed at the time the acceptance becomes effective, unless otherwise provided by law or agreed by the parties.

Article 484 — Where acceptance is made by notification, the contract is formed at the time the acceptance notification reaches the offeror. Where acceptance is made by conduct according to the transaction practices or as required by the offer, the contract is formed at the time the conduct of acceptance is performed. The place where the acceptance becomes effective is the place where the contract is formed, unless otherwise provided by law or agreed by the parties.

Article 485 — An acceptance may be withdrawn. The notice of withdrawal of acceptance shall reach the offeror before or at the same time as the notice of acceptance.

Article 486 — Where the offeree makes an acceptance beyond the acceptance period, or makes an acceptance within the acceptance period but the acceptance cannot reach the offeror within the acceptance period under normal circumstances, such acceptance shall constitute a new offer unless the offeror promptly notifies the offeree that the acceptance is effective.

Article 487 — Where the offeree makes an acceptance within the acceptance period, which would have reached the offeror in time under normal circumstances but reaches the offeror beyond the acceptance period for other reasons, such acceptance shall be effective unless the offeror promptly notifies the offeree that it does not accept the acceptance on the ground that it has exceeded the acceptance period.

Article 488 — The content of an acceptance shall be identical to the content of the offer. Where the offeree materially modifies the content of the offer, the acceptance shall constitute a new offer. A modification relating to the subject matter, quantity, quality, price or remuneration, time, place and manner of performance, default liability, method of dispute resolution, or the like is a material modification of the content of the offer.

Article 489 — Where an acceptance makes non-material modifications to the offer, the acceptance shall be effective unless the offeror objects promptly or the offer has indicated that no modification to the content of the offer is permitted, and the terms of the contract shall be those of the acceptance.

Article 490 — Where the parties conclude a contract in a written form, the contract is formed at the time both parties sign, affix their seals, or press their fingerprints on the contract. Before signature, affixation of seal, or pressing of fingerprint, if one party has performed its principal obligation and the other party has accepted such performance, the contract is formed. Where a contract is required by law or agreed by the parties to be

concluded in written form, if the parties fail to do so but one party has performed its principal obligation and the other party has accepted such performance, the contract is formed.

Article 491 — Where the parties conclude a contract by means of a letter, data message, or the like and require the execution of a confirmation instrument, the contract is formed at the time the confirmation instrument is executed. Where the information about goods or services published by one party through information network such as the internet satisfies the requirements for an offer, the contract is formed at the time the other party selects such goods or services and successfully submits the order, unless otherwise agreed by the parties.

Article 492 — The place where the acceptance becomes effective shall be the place where the contract is formed. Where a contract is concluded by means of a data message, the recipient's principal place of business shall be the place where the contract is formed; where the recipient has no principal place of business, its domicile shall be the place where the contract is formed, unless otherwise agreed by the parties.

Article 493 — Where the parties conclude a contract by means of a confirmation instrument, the place where the confirmation instrument is finally executed shall be the place where the contract is formed, unless otherwise agreed by the parties.

Article 494 — Where the State, according to needs such as emergency response, disaster relief, epidemic prevention and control, or the like, issues a mandatory state ordering task or a state procurement order, the relevant civil subjects shall conclude contracts in accordance with the rights and obligations prescribed by the relevant laws and administrative regulations. A party that has the obligation to conclude a contract in accordance with the provisions of laws and administrative regulations shall not refuse the reasonable request of the other party to conclude a contract.

Article 495 — A subscription letter, purchase order, reservation agreement, and the like, whereby the parties agree to conclude a contract within a certain period in the future, constitute a preliminary contract. If one party fails to conclude the formal contract in accordance with the preliminary contract, the other party may request it to bear liability for breach of the preliminary contract.

Article 496 — Standard terms are terms prepared by one party in advance for repeated use without negotiation with the other party at the time of concluding the contract. Where a contract is concluded using standard terms, the party providing the standard terms shall determine the rights and obligations of the parties in accordance with the principle of fairness and shall, by reasonable means, call the other party's attention to the terms that exclude or limit the liability of the providing party or are otherwise material to the other party, and explain such terms upon request of the other party. If the party providing the standard terms fails to perform the obligation of calling attention or explanation, thereby resulting in the other party's failure to note or understand the terms material to its interests, the other party may claim that such terms do not form part of the contract.

Article 497 — A standard term shall be void under any of the following circumstances: (1) it falls under the provisions on void civil juristic acts in Part I, Chapter VI, Section 3 of this Code, or the provisions on void exemption clauses in Article 506 of this Code; (2) the party providing the standard term unreasonably excludes or limits its own liability, increases the other party's liability, or restricts the other party's primary rights; or (3) the party providing the standard term excludes the other party's primary rights.

Article 498 — Where a dispute arises regarding the interpretation of a standard term, the term shall be interpreted in accordance with the common understanding. Where there are two or more interpretations of a standard term, an interpretation unfavorable to the party providing the standard term shall prevail. Where a standard term is inconsistent with a non-standard term, the non-standard term shall prevail.

Article 499 — Where a person makes an expression of intent to award a specific person who has accomplished a specific act by publishing an announcement or the like, the person who has accomplished the act may request the awardor to perform.

Article 500 — If, in the course of concluding a contract, a party engages in any of the following acts, causing loss to the other party, it shall bear liability for compensation: (1) conducting negotiations in bad faith under the pretext of concluding a contract; (2) intentionally concealing material facts related to the conclusion of the contract or providing false information; or (3) engaging in other acts contrary to the principle of good faith.

Article 501 — The parties shall not disclose or improperly use trade secrets or other confidential information learned in the course of concluding a contract, regardless of whether the contract is formed. If a party discloses or improperly uses such trade secrets or confidential information and thereby causes loss to the other party, it shall bear liability for compensation.

Chapter III — Effectiveness of Contracts

Article 502 — A contract formed in accordance with law shall become effective upon its formation, unless otherwise provided by law or agreed by the parties. Where laws or administrative regulations require a contract to be subject to approval or other procedures, such provisions shall apply. If the failure to complete approval or other procedures affects the effectiveness of a contract, it shall not affect the effectiveness of the clauses in the contract regarding the obligation to apply for approval or the like and other relevant clauses. If the party obligated to apply for approval or the like fails to perform such obligation, the other party may request it to bear liability for breach of such obligation. Where laws or administrative regulations require the modification, assignment, or termination of a contract to be subject to approval or other procedures, the provisions of the preceding paragraphs shall apply.

Article 503 — Where a person without authority to act as agent concludes a contract in the name of the principal, and the principal has commenced performance of the obligations under the contract or accepted the performance of the other party, the contract shall be deemed to have been ratified. If the principal fails to express any intent, it shall be deemed to have refused to ratify. Before ratification, the bona fide counterparty has the right to revoke. Revocation shall be made by notification.

Article 504 — Where the legal representative of a legal person or the responsible person of an unincorporated organization concludes a contract beyond the scope of its authority, such act of agency shall be effective and the contract shall be effective against the legal person or unincorporated organization, unless the counterparty knows or ought to know that the legal representative or responsible person has acted beyond the scope of authority.

Article 505 — Where the parties conclude a contract beyond their scope of business, the validity of the contract shall be determined in accordance with the relevant provisions of Part I, Chapter VI, Section 3 of this Code and this Book, and the contract shall not be deemed invalid solely on the ground that it exceeds the scope of business.

Article 506 — Exemption clauses in a contract for the following types of liability shall be void: (1) liability for personal injury caused to the other party; or (2) liability for property damage caused to the other party intentionally or through gross negligence.

Article 507 — If a contract is not effective, does not take effect, is void, is revoked, or is terminated, it shall not affect the validity of the dispute resolution clause in the contract.

Article 508 — Where this Book has no provision on the validity of a contract, the relevant provisions of Part I, Chapter VI of this Code shall apply.

Chapter IV — Performance of Contracts

Article 509 — The parties shall fully perform their respective obligations as agreed. The parties shall observe the principle of good faith and perform obligations such as notification, assistance, and confidentiality according to the nature and purpose of the contract and the transaction practices. In the course of performing the contract, the parties shall avoid wasting resources, polluting the environment, or damaging the ecology.

Article 510 — After the contract becomes effective, if the parties have not agreed or have not clearly agreed on matters such as quality, price or remuneration, or place of performance, they may agree on supplementary terms; if they are unable to reach a supplementary agreement, such matters shall be determined in accordance with the relevant contract terms or transaction practices.

Article 511 — Where the parties have not clearly agreed on the relevant content of the contract as set forth in the preceding Article and cannot determine it in accordance with the provisions of the preceding Article, the following provisions shall apply: (1) where quality requirements are not clearly agreed, performance shall be in accordance with mandatory state standards; in the absence of mandatory state standards, performance shall be in accordance with recommended state standards; in the absence of recommended state standards, performance shall be in accordance with industry standards; in the absence of state or industry standards, performance shall be in accordance with the usual standard or a specific standard consistent with the purpose of the contract; (2) where price or remuneration is not clearly agreed, performance shall be in accordance with the market price in the place of performance at the time of concluding the contract; where the law requires government-set prices or government-guided prices, performance shall be in accordance with such provisions; (3) where the place of performance is not clearly agreed, for payment of money, performance shall be at the place where the party receiving the payment is located; for delivery of immovable property, performance shall be at the place where the immovable property is located; for other subject matter, performance shall be at the place where the party performing the obligation is located; (4) where the time limit for performance is not clearly agreed, the obligor may perform at any time, and the obligee may request performance at any time, provided that the other party shall be given the necessary preparation time; (5) where the manner of performance is not clearly agreed, performance shall be in a manner conducive to realizing the purpose of the contract; and (6) where the allocation of expenses of performance is not clearly agreed, the expenses shall be borne by the party performing the obligation. Where additional expenses are incurred due to reasons attributable to the obligee, the obligee shall bear such expenses.

Article 512 — Where the subject matter of a contract concluded through information network such as the internet is the delivery of goods and the goods are delivered by express delivery service, the time of delivery shall be the time when the recipient signs for receipt. Where the subject matter of a contract concluded through information network such as the internet is the provision of services, the time of provision of services shall be the time indicated in the electronic voucher or physical voucher generated; where no time is indicated in any voucher or the time indicated is inconsistent with the actual time of provision of services, the actual time of provision of services shall prevail. Where the subject matter of a contract is delivered through information network such as the internet, the time of delivery shall be the time when the subject matter enters the specific system designated by the other party and is capable of being retrieved and identified. Where the parties to a contract concluded through information network such as the internet have otherwise agreed on the manner and time of delivery of goods or provision of services, such agreement shall prevail.

Article 513 — Where the government-set price or government-guided price is applied to a contract, if the government adjusts the price during the payment period agreed in the contract, the price shall be calculated according to the price at the time of payment. Where the subject matter is delivered later than the agreed delivery time and the price rises, the original price shall apply; if the price falls, the new price shall apply. Where the subject matter is picked up or the payment is made later than the agreed time, if the price rises, the new price shall apply; if the price falls, the original price shall apply.

Article 514 — Where an obligation is a payment of money, the obligee may request the obligor to pay in the currency of the place of actual performance, unless otherwise provided by law or agreed by the parties.

Article 515 — Where the subject matter consists of multiple items and the obligor is only required to perform one of them, the obligor has the right of choice, unless otherwise provided by law or agreed by the parties or otherwise determined by transaction practices. If the party with the right of choice fails to exercise the right within the agreed period or the performance period, and still fails to exercise the right within a reasonable period after being demanded, the right of choice shall pass to the other party.

Article 516 — A party exercising the right of choice shall promptly notify the other party, and the subject matter to be performed shall be determined at the time the notice reaches the other party. The subject matter to be performed, once determined, shall not be changed, unless otherwise agreed by the parties. If one of the selectable subject matter becomes impossible to perform, the party with the right of choice shall not choose the subject matter that has become impossible to perform, unless the impossibility to perform is caused by the other party.

Article 517 — Where there are two or more obligees of a divisible obligation and the object of the obligation is divisible, each obligee is entitled to the claim against the obligor in proportion to its respective share. Where there are two or more obligors of a divisible obligation and the object of the obligation is divisible, each obligor shall bear the obligation in proportion to its respective share. In the case of a divisible obligation, it is presumed that the obligees or obligors have equal shares, unless otherwise provided by law or agreed by the parties.

Article 518 — Where there are two or more obligees of a joint and several obligation, either or all of the obligees may request the obligor to perform the obligation. The obligor who has performed the obligation to one of the obligees is discharged from the obligation. Where there are two or more obligors of a joint and several obligation, the obligee may request either or all of the obligors to perform the obligation in whole or in part. A joint and several obligation shall be created by law or by agreement of the parties.

Article 519 — Where the shares of joint and several obligors are difficult to determine, the obligors shall be deemed to bear equal shares. A joint and several obligor who has actually performed the obligation in excess of its share is entitled to contribution from other joint and several obligors and shall enjoy the rights of the obligee accordingly, provided that the rights of the obligee shall not be prejudiced. The other joint and several obligors may raise defenses against the obligee against the obligor claiming contribution. Where a joint and several obligor subject to contribution cannot perform the share it is liable for, the other joint and several obligors shall be liable for the shortfall in proportion to their respective shares.

Article 520 — Where one of the joint and several obligors performs, offsets, or deposits the subject matter of the obligation, the obligation of the other obligors against the obligee is discharged to the corresponding extent. Where the obligee exempts one of the joint and several obligors from the obligation, the obligation of the other obligors is discharged to the extent of the share the exempted obligor should have been liable for. Where the obligations of one of the joint and several obligors and of the obligee merge, after deducting the share of such obligor, the obligee's claim against the other obligors continues to exist. Where the obligee delays acceptance of the performance by one of the joint and several obligors, the delay in acceptance takes effect against the other joint and several obligors as well.

Article 521 — Where the limitation period for a claim against one of the joint and several obligors has expired, the other joint and several obligors who should bear the share of such obligor may refuse to perform the corresponding obligation against the obligee. Where one of the joint and several obligors performs the obligation, the limitation period for the right of contribution of such obligor against the other joint and several obligors shall be recalculated in accordance with the provisions of this Code, unless otherwise provided by law.

Article 522 — Where the parties agree that the obligor shall perform an obligation to a third party, if the obligor fails to perform the obligation to the third party or the performance does not conform to the agreement, the obligor shall bear default liability against the obligee. Where the law or the parties agree that a third party may directly request the obligor to perform the obligation to it, if the third party fails to expressly refuse within a reasonable period and the obligor fails to perform the obligation to the third party or the performance does not conform to the agreement, the third party may request the obligor to bear default liability. The obligor's defenses against the obligee may be raised against the third party.

Article 523 — Where the parties agree that a third party shall perform the obligation to the obligee, and the third party fails to perform or the performance does not conform to the agreement, the obligor shall bear default liability against the obligee.

Article 524 — Where the obligor fails to perform an obligation and a third party has a lawful interest in the performance of the obligation, the third party has the right to perform the obligation to the obligee on behalf of the obligor, unless the obligation may only be performed by the obligor according to the nature of the obligation, as agreed by the parties, or as provided by law. After the third party performs the obligation, the obligee's claim against the obligor is assigned to the third party, unless otherwise agreed by the obligor and the third party.

Article 525 — Where the parties owe obligations to each other and there is no order of priority for performance, the parties shall perform simultaneously. Either party has the right to refuse the other party's request for performance before the other party performs. Either party has the right to refuse the other party's request for corresponding performance if the other party's performance does not conform to the agreement.

Article 526 — Where the parties owe obligations to each other and there is an order of priority for performance, if the party who shall perform first fails to perform, the party who shall perform later has the right to refuse the request for performance. If the performance of the party who shall perform first does not conform to the agreement, the party who shall perform later has the right to refuse the request for corresponding performance.

Article 527 — The party who shall perform first may suspend its performance if it has conclusive evidence that the other party falls under any of the following circumstances: (1) its business has seriously deteriorated; (2) it has transferred property or withdrawn funds to evade obligations; (3) it has lost business reputation; or (4) there are other circumstances indicating that it has lost or is likely to lose the ability to perform. If a party suspends performance without conclusive evidence, it shall bear default liability.

Article 528 — A party that suspends performance in accordance with the provisions of the preceding Article shall promptly notify the other party. If the other party provides an appropriate security, the party shall resume performance. After suspending performance, if the other party fails to restore its ability to perform and fails to provide an appropriate security within a reasonable period, the party that suspends performance may terminate the contract and request the other party to bear default liability.

Article 529 — Where the obligee splits, merges, or changes its domicile without notifying the obligor, thereby making it difficult for the obligor to perform the obligation, the obligor may suspend performance or deposit the subject matter.

Article 530 — The obligee may refuse the obligor's early performance of the obligation, unless the early performance does not prejudice the interests of the obligee. Where the early performance causes additional expenses to the obligee, such expenses shall be borne by the obligor.

Article 531 — The obligee may refuse the obligor's partial performance of the obligation, unless the partial performance does not prejudice the interests of the obligee. Where partial performance causes additional expenses to the obligee, such expenses shall be borne by the obligor.

Article 532 — After a contract becomes effective, the parties shall not refuse to perform their obligations on the ground that a party's name or title has changed or that the legal representative, responsible person, or person handling the contract has changed.

Article 533 — After the formation of a contract, if there is a material change in the basic conditions underlying the contract that could not have been foreseen by the parties at the time of conclusion of the contract and is not a commercial risk, rendering the continued performance of the contract manifestly unfair to one of the parties, the disadvantaged party may renegotiate with the other party; if the parties fail to reach an agreement within a reasonable period, either party may request the people's court or an arbitral tribunal to modify or terminate the contract. The people's court or arbitral tribunal shall modify or terminate the contract in accordance with the principle of fairness, taking into account the circumstances of the case.

Article 534 — Where the parties take advantage of the contract to commit acts endangering national interests or public interests, the market regulatory authorities and other relevant administrative authorities shall be responsible for handling such acts in accordance with the provisions of laws and administrative regulations.

Chapter V — Preservation of Contracts

Article 535 — Where the obligor is indolent in exercising its due claims or rights in rem accessory to such claims against a third party, thereby affecting the realization of the obligee's due claim, the obligee may request the people's court to allow it to exercise the obligor's claims against the third party in its own name by subrogation, unless the claim is personal to the obligor. The scope of the right of subrogation shall be limited to the obligee's due claim. The necessary expenses incurred by the obligee in exercising the right of subrogation shall be borne by the obligor. The counterparty's defenses against the obligor may be raised against the obligee.

Article 536 — Where the obligee's claim is not yet due, but the obligor's claim or right in rem accessory to the claim against a third party is about to expire under the statute of limitations or the obligor fails to timely declare its claim in bankruptcy proceedings, thereby affecting the realization of the obligee's claim, the obligee may request the people's court to allow it to exercise by subrogation the obligor's right to claim against the counterparty, file a declaration with the bankruptcy administrator, or take other necessary acts.

Article 537 — Where the people's court determines that the right of subrogation is established, the counterparty of the obligor shall perform the obligation to the obligee. After the obligee accepts the performance, the corresponding rights and obligations between the obligee and the obligor and between the obligor and the counterparty are extinguished. Where the obligor's claim or right in rem accessory to the claim against the counterparty is subject to preservation, enforcement measures, or the obligor enters bankruptcy, it shall be handled in accordance with the relevant provisions of the law.

Article 538 — Where the obligor gratuitously disposes of its property rights, or extends the period for performance of the obligation of a related party, maliciously extends the period for the obligor to exercise its claim, or otherwise disposes of property rights in a manner prejudicing the realization of the obligee's claim, the obligee may request the people's court to revoke the obligor's act.

Article 539 — Where the obligor transfers property at a manifestly unreasonable low price, acquires property of another at a manifestly unreasonable high price, or provides security for another's obligation, thereby affecting the realization of the obligee's claim, and the counterparty of the obligor knows or ought to know such circumstance, the obligee may request the people's court to revoke the obligor's act.

Article 540 — The scope of the right of revocation shall be limited to the obligee's claim. The necessary expenses incurred by the obligee in exercising the right of revocation shall be borne by the obligor.

Article 541 — The right of revocation shall be exercised within one year from the date on which the obligee knows or ought to know the cause of revocation. The right of revocation shall be extinguished if not exercised within five years from the date of the obligor's act.

Article 542 — Where the obligor's act affecting the realization of the obligee's claim is revoked, the act is void ab initio.

Chapter VI — Modification and Assignment of Contracts

Article 543 — The parties may modify the contract upon consensus through consultation.

Article 544 — Where the parties have not clearly agreed on the content of the modification of the contract, the contract shall be presumed not to have been modified.

Article 545 — The obligee may assign its claim in whole or in part to a third party, except in any of the following circumstances: (1) assignment is not permitted according to the nature of the claim; (2) assignment is not permitted according to the agreement of the parties; or (3) assignment is not permitted according to the provisions of law. Where the parties agree that a claim for payment of money shall not be assigned, such agreement shall not be asserted against a bona fide third party. Where the parties agree that a non-pecuniary claim shall not be assigned, such agreement shall not be asserted against a bona fide third party.

Article 546 — Where the obligee assigns a claim, the obligee shall notify the obligor. If the obligee fails to notify, the assignment shall not be effective against the obligor. The notice of assignment of a claim shall not be revoked, unless the assignee consents thereto.

Article 547 — Where the obligee assigns a claim, the assignee acquires the rights in rem accessory to the claim, unless the accessory right is personal to the obligee. The obligor's failure to receive the notice of assignment of a claim shall not affect the assignee's acquisition of the accessory right to the claim due to the failure to undergo registration or other formalities for the transfer of the accessory right.

Article 548 — After the obligor receives the notice of assignment of a claim, the obligor may assert against the assignee any defenses it has against the assignor.

Article 549 — The obligor may claim a set-off against the assignee under any of the following circumstances: (1) where, when the obligor receives the notice of assignment of a claim, the obligor has a claim against the assignor and the obligor's claim becomes due before or at the same time as the assigned claim; or (2) where the obligor's claim and the assigned claim arise from the same contract.

Article 550 — Where additional expenses in performance are caused to the obligor due to the assignment of a claim, the assignor shall bear such expenses.

Article 551 — Where the obligor assigns its obligation in whole or in part to a third party, the obligor shall obtain the consent of the obligee. The obligor or the third party may demand the obligee to grant consent within a reasonable period. If the obligee fails to express its intent, it shall be deemed to have refused to grant consent.

Article 552 — Where a third party agrees with the obligor to join the obligation and notifies the obligee, or a third party expresses to the obligee its intent to join the obligation, if the obligee fails to expressly refuse within a reasonable period, the third party shall bear joint and several obligations with the obligor within the scope of the obligation it has agreed to assume.

Article 553 — Where the obligor assigns an obligation, the new obligor may assert against the obligee the obligor's defenses. Where the original obligor has a claim against the obligee, the new obligor shall not claim a set-off against the obligee.

Article 554 — Where the obligor assigns an obligation, the new obligor shall bear the accessory obligations related to the principal obligation, unless the accessory obligation is personal to the original obligor.

Article 555 — Where one party assigns its contractual rights and obligations in a package to a third party with the consent of the other party, the provisions on assignment of claims and assignment of obligations shall apply.

Article 556 — Where contractual rights and obligations are assigned in a package, the provisions on assignment of claims shall apply to the assignment of claims, and the provisions on assignment of obligations shall apply to the assignment of obligations.

Chapter VII — Termination of Rights and Obligations

Article 557 — Contractual rights and obligations are terminated under any of the following circumstances: (1) the obligation has been performed; (2) the obligations are set off against each other; (3) the obligor deposits the subject matter in accordance with law; (4) the obligee exempts the obligor from the obligation; (5) the claim and the obligation merge in the same person; (6) the contract is rescinded; or (7) other circumstances as provided by law or agreed by the parties exist. The termination of a contractual relationship shall not affect the effectiveness of the contract clauses on settlement and winding up.

Article 558 — After the termination of contractual rights and obligations, the parties shall observe the principle of good faith and perform obligations such as notification, assistance, confidentiality, and return of used articles according to transaction practices.

Article 559 — Where the rights and obligations under a claim and an obligation are terminated, the accessory rights of the claim shall be extinguished simultaneously, unless otherwise provided by law or agreed by the parties.

Article 560 — Where the obligor owes multiple obligations of the same kind to the same obligee, and the obligor's performance is insufficient to discharge all of the obligations, the obligor shall designate which obligation is to be discharged at the time of performance, unless otherwise agreed by the parties. Where the obligor fails to make such designation, the due obligation shall be discharged first; where multiple obligations are all due, the obligation with the least security or the obligation that the obligor has the least interest in performing shall be discharged first; where none of the obligations has security or all have equal security, the obligation with the heavier burden on the obligor shall be discharged first; where the burdens are equal, the obligations shall be discharged in the order of their due dates; where the due dates are the same, the obligations shall be discharged in proportion.

Article 561 — Where the obligor's performance is insufficient to discharge all of the expenses, interest, and principal of the same obligation, the expenses of the obligee for realizing the claim shall be discharged first, followed by the interest, and then the principal, unless otherwise agreed by the parties.

Article 562 — The parties may rescind the contract upon consensus through consultation. The parties may agree on the causes for rescission of the contract. When the agreed causes for rescission arise, the party entitled to rescind may rescind the contract.

Article 563 — Either party may rescind the contract under any of the following circumstances: (1) the purpose of the contract cannot be achieved due to force majeure; (2) before the expiration of the performance period, either party expressly states or indicates by its conduct that it will not perform the principal obligation; (3) either party delays performance of the principal obligation and fails to perform within a reasonable period after being demanded; (4) either party delays performance of an obligation or commits other breach of contract, making it impossible to achieve the purpose of the contract; or (5) other circumstances as provided by law. For a contract with a continuous performance obligation where the content of the obligation is not fixed but is to be determined on a continuous basis, the parties may rescind

the contract at any time, provided that the contract shall be terminated at a reasonable time in advance. Where a contract is rescinded at any time under the preceding paragraph, the parties shall notify the other party before a reasonable period.

Article 564 — Where the law provides or the parties agree on a period for exercising the right of rescission, if the party fails to exercise the right upon expiration of the period, the right shall be extinguished. Where the law does not provide or the parties have not agreed on a period for exercising the right of rescission, the right shall be extinguished if not exercised within one year from the date on which the party entitled to rescind knows or ought to know the cause for rescission, or if not exercised within a reasonable period after being demanded by the other party.

Article 565 — Where a party claims to rescind the contract in accordance with law, it shall notify the other party. The contract is rescinded at the time the notice reaches the other party. If the notice states that the contract shall be rescinded if the obligor fails to perform the obligation within a certain period, and the obligor fails to perform within that period, the contract is rescinded at the time the period stated in the notice expires. If the other party objects to the rescission, either party may request the people's court or an arbitral tribunal to confirm the validity of the rescission. Where a party directly files a lawsuit or applies for arbitration to claim rescission of the contract without notifying the other party, and the people's court or arbitral tribunal confirms such claim, the contract is rescinded at the time a copy of the complaint or a copy of the arbitration application is served on the other party.

Article 566 — After a contract is rescinded, if the obligations have not been performed, performance shall cease. If the obligations have been performed, according to the circumstances of performance and the nature of the contract, the parties may request restoration to the original state or take other remedial measures, and have the right to claim compensation for losses. Where a contract is rescinded due to breach of contract, the party entitled to rescission may request the breaching party to bear default liability, unless otherwise agreed by the parties. After the principal contract is rescinded, the guarantor shall still be liable for the guarantee obligation, unless otherwise agreed in the guarantee contract.

Article 567 — The termination of contractual rights and obligations shall not affect the validity of the contract clauses on settlement and winding up.

Article 568 — Where the parties owe obligations to each other, the subject matter of the obligations is of the same kind and quality, and both obligations are due, either party may set off its own obligation against the other party's obligation, unless such set-off is not permitted according to the nature of the obligation, as agreed by the parties, or as provided by law. A party claiming a set-off shall notify the other party. The notice shall be effective upon reaching the other party. A set-off shall not be subject to conditions or time limits.

Article 569 — Where the parties agree to set off obligations against each other, the provisions of the preceding Article shall not apply.

Article 570 — Under any of the following circumstances where the obligation is difficult to perform, the obligor may deposit the subject matter: (1) the obligee refuses to accept performance without justifiable reasons; (2) the obligee cannot be located; (3) the obligee is deceased and the successor has not been determined, or the obligee has lost civil capacity and a guardian has not been determined; or (4) other circumstances as provided by law. Where the subject matter is not suitable for deposit or the cost of deposit is too high, the obligor may sell the subject matter by auction or sale in accordance with law and deposit the proceeds.

Article 571 — Where the obligor has deposited the subject matter in accordance with law, the obligation is discharged at the time the subject matter is deposited, unless the obligee is unable to accept. After the subject matter is deposited, the risk of damage or loss shall be borne by the obligee. During the period of deposit, the fruits of the subject matter shall belong to the obligee, and the cost of deposit shall be borne by the obligee.

Article 572 — After the obligor deposits the subject matter in accordance with law, the obligor shall promptly notify the obligee or the obligee's successor, guardian, or conservator.

Article 573 — The obligee may claim the deposited subject matter at any time, provided that if the obligee owes a due obligation to the obligor, the depository shall refuse the obligee's claim for the subject matter upon the request of the obligor before the obligee performs the obligation or provides security. The obligee's right to claim the deposited subject matter shall be extinguished if not exercised within five years from the date of deposit, and the deposited subject matter shall belong to the State after deducting the deposit expenses. However, if the obligee fails to perform the obligation to the obligor, or the obligee has given a written statement to the depository waiving the right to claim the deposited subject matter, the obligor has the right to recover the subject matter after bearing the deposit expenses.

Article 574 — The obligor may claim to recover the deposited subject matter. However, if the obligor's obligation has been secured by deposit and the obligee has not performed its due obligation, or the obligor has waived the right to recover the deposited subject matter in writing, the obligor shall not recover the deposited subject matter.

Article 575 — Where the obligee exempts the obligor from the obligation in whole or in part, the obligation is discharged in whole or in part. If the obligor refuses the exemption within a reasonable period, the exemption shall be deemed not to have been granted.

Article 576 — Where the claim and the obligation merge in the same person, the claim and the obligation shall be extinguished, unless the interests of a third party are prejudiced.

Chapter VIII — Default

Article 577 — Where a party fails to perform its contractual obligation or the performance does not conform to the agreement, it shall bear default liability by continuing to perform, taking remedial measures, compensating for losses, or otherwise.

Article 578 — Where a party expressly states or indicates by its conduct that it will not perform its contractual obligation, the other party may request it to bear default liability before the expiration of the performance period.

Article 579 — Where a party fails to pay money or fails to perform a non-pecuniary obligation, the other party may request it to perform.

Article 580 — Where a party fails to perform a non-pecuniary obligation or the performance of a non-pecuniary obligation does not conform to the agreement, the other party may request performance, except under any of the following circumstances: (1) performance is impossible in law or in fact; (2) the subject matter of the obligation is not suitable for compulsory performance or the cost of performance is excessive; or (3) the obligee fails to request performance within a reasonable period. Where one of the circumstances specified in the preceding paragraph exists, making it impossible to achieve the purpose of the contract, the people's court or an arbitral tribunal may terminate the contractual rights and obligations upon the request of a party, without affecting the default liability.

Article 581 — Where a party fails to perform an obligation or the performance does not conform to the agreement and the obligation, according to its nature, cannot be performed by a third party, the other party may request the defaulting party to bear the expenses incurred by a third party's performance.

Article 582 — Where the performance does not conform to the agreement, the default liability shall be borne in accordance with the agreement of the parties. Where there is no agreement on default liability or the agreement is unclear and cannot be determined in accordance with the provisions of Article 510 of this Code, the injured party may, according to the nature of the subject matter and the extent of the loss, reasonably choose to request the other party to bear default liability such as repair, redoing, replacement,

return, reduction in price or remuneration, or the like.

Article 583 — Where a party fails to perform its contractual obligation or the performance does not conform to the agreement, and the other party suffers other losses after the performance of the obligation or taking of remedial measures, the defaulting party shall compensate for such losses.

Article 584 — Where a party fails to perform its contractual obligation or the performance does not conform to the agreement, thereby causing loss to the other party, the amount of compensation for the loss shall be equal to the loss caused by the breach of contract, including the benefits obtainable after the performance of the contract, provided that it shall not exceed the loss that the breaching party, at the time of concluding the contract, foresaw or ought to have foreseen as a probable result of the breach of contract.

Article 585 — The parties may agree that if a party breaches the contract, it shall pay liquidated damages to the other party according to the circumstances of the breach, and they may also agree on the method of calculating the amount of compensation for the losses arising from the breach. Where the agreed liquidated damages are lower than the losses caused, the people's court or an arbitral tribunal may increase them upon the request of a party; where the agreed liquidated damages are excessively higher than the losses caused, the people's court or an arbitral tribunal may reduce them appropriately upon the request of a party. Where the parties agree on liquidated damages for delayed performance, the defaulting party shall still perform the obligation 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 claim. A deposit contract is formed at the time the deposit is actually delivered. The amount of the deposit shall be agreed upon by the parties, provided that it shall not exceed 20% of the value of the subject matter of the principal contract, and the excess part shall not have the effect of a deposit. Where the amount of deposit actually delivered is more or less than the agreed amount, the agreed amount shall be deemed to have been changed. If the party receiving the deposit objects to the amount of deposit actually delivered and refuses to accept it, the deposit contract shall not be formed.

Article 587 — After the obligor performs the obligation, the deposit shall be set off against the price or recovered. If the party that paid the deposit fails to perform the obligation or the performance does not conform to the agreement, thereby making it impossible to achieve the purpose of the contract, the party shall not be entitled to demand the return of the deposit. If the party that received the deposit fails to perform the obligation or the performance does not conform to the agreement, thereby making it impossible to achieve the purpose of the contract, the party shall return double the deposit.

Article 588 — Where the parties agree on both liquidated damages and a deposit, when one party breaches the contract, the other party may choose to apply either the liquidated damages clause or the deposit clause. Where the deposit is insufficient to compensate for the losses caused by the breach of contract, the breaching party shall compensate for the excess losses.

Article 589 — Where the obligor performs the obligation in accordance with the agreement and the obligee refuses to accept without justifiable reasons, the obligor may request the obligee to compensate for the additional expenses incurred. Before the obligee delays acceptance, the obligor shall not bear liability for damage to or loss of the subject matter caused by the obligor's intentional act or gross negligence.

Article 590 — Where a party is unable to perform the contract due to force majeure, the party shall be exempted from liability in whole or in part according to the impact of the force majeure, unless otherwise provided by law. If the force majeure occurs after a party delays performance, the defaulting party shall not be exempted from default liability. "Force majeure" means objective circumstances that are unforeseeable, unavoidable, and insurmountable. A party affected by force majeure shall promptly notify the other party so as to mitigate the losses likely to be caused to the other party and shall provide evidence within a reasonable period.

Article 591 — After a party breaches the contract, the other party shall take appropriate measures to prevent the aggravation of the loss. The breaching party shall not be liable for the aggravated loss. The reasonable expenses incurred by the other party in preventing the aggravation of the loss shall be borne by the breaching party.

Article 592 — Where both parties breach the contract, each party shall bear the corresponding liability. Where one party's breach of contract causes loss to the other party, and the other party has contributed to the occurrence of such loss, the amount of compensation may be reduced accordingly.

Article 593 — Where a party breaches the contract due to a third party, it shall bear default liability against the other party in accordance with law. The dispute between the party and the third party shall be resolved in accordance with the provisions of law or their agreement.

Article 594 — Where an international sales contract for goods or a technology import and export contract is in dispute, the limitation period for filing a lawsuit or applying for arbitration shall be four years.

Part II — Typical Contracts

Chapter IX — Sales Contracts

Article 595 — A sales contract is a contract whereby the seller transfers the ownership of the subject matter to the buyer, and the buyer pays the price.

Article 596 — A sales contract generally includes clauses specifying the name, quantity, quality, and price of the subject matter, the time limit, place, and method of performance, packaging methods, inspection standards and methods, settlement methods, the language of the contract, and the effectiveness thereof.

Article 597 — Where the ownership of the subject matter cannot be transferred due to the seller's failure to acquire the right to dispose of the subject matter, the buyer may rescind the contract and request the seller to bear default liability. Where the law or administrative regulations prohibit or restrict the assignment of the subject matter, such provisions shall apply.

Article 598 — The seller shall perform the obligation to deliver the subject matter or the documents for taking delivery of the subject matter and to transfer the ownership to the buyer.

Article 599 — The seller shall deliver to the buyer, in accordance with the agreement or transaction practices, the documents and materials other than the documents for taking delivery of the subject matter.

Article 600 — Where the subject matter sold involves intellectual property rights, unless otherwise provided by law or agreed by the parties, the intellectual property rights in such subject matter shall not belong to the buyer.

Article 601 — The seller shall deliver the subject matter at the time as agreed. Where a delivery period is agreed, the seller may deliver at any time within that period.

Article 602 — Where the parties have not agreed on the time of delivery of the subject matter or the agreement is unclear, the provisions of Article 510 and Article 511(4) of this Code shall apply.

Article 603 — The seller shall deliver the subject matter at the place as agreed. Where the parties have not agreed on the place of delivery or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the following provisions shall apply: (1) if the subject matter needs to be transported, the seller shall deliver the subject matter to the first carrier for transmission to the buyer; (2) if the subject matter does not need to be transported and the seller and the buyer knew the place where the subject matter was located at the time of concluding the contract, the seller shall deliver the subject matter at that place; if the place where the subject matter was located was not known, the seller shall deliver the subject matter at the seller's place of business at the time of concluding the contract.

Article 604 — The risk of damage to or loss of the subject matter shall be borne by the seller before delivery and by the buyer after delivery, unless otherwise provided by law or agreed by the parties.

Article 605 — Where the subject matter cannot be delivered within the agreed time limit due to reasons attributable to the buyer, the buyer shall bear the risk of damage to or loss of the subject matter from the date the buyer breaches the agreement.

Article 606 — Where the seller sells the subject matter that has been delivered to a carrier for transport and is in transit, the risk of damage to or loss of the subject matter shall be borne by the buyer from the time the contract is formed, unless otherwise agreed by the parties.

Article 607 — Where the seller transports the subject matter to a place other than the place of business designated by the buyer in accordance with the agreement, the risk of damage to or loss of the subject matter shall pass to the buyer at the time the seller delivers the subject matter to the first carrier. Where the seller delivers the subject matter to the carrier at the place of delivery in accordance with the agreement or the provisions of Article 603(1) of this Code, the risk of damage to or loss of the subject matter shall pass to the buyer at the time the seller delivers the subject matter to the carrier, unless otherwise agreed by the parties.

Article 608 — Where the buyer fails to collect the subject matter in accordance with the agreement, the risk of damage to or loss of the subject matter shall pass to the buyer from the date the buyer breaches the agreement.

Article 609 — The seller's failure to deliver the documents and materials related to the subject matter in accordance with the agreement shall not affect the passing of the risk of damage to or loss of the subject matter.

Article 610 — Where 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 rescind the contract. Where the buyer refuses to accept the subject matter or rescinds the contract, the risk of damage to or loss of the subject matter shall be borne by the seller.

Article 611 — Where the seller has assumed the risk of damage to or loss of the subject matter, it shall not affect the buyer's claim against the seller for default liability if the seller has breached the contract.

Article 612 — The seller has the obligation to ensure that no third party may claim any right in the subject matter delivered, unless otherwise provided by law.

Article 613 — If the buyer knew or ought to have known that a third party has a right to the subject matter at the time of concluding the contract, the seller shall not bear the obligation specified in the preceding Article.

Article 614 — Where the buyer has conclusive evidence that a third party has a right to the subject matter, the buyer may suspend payment of the price, unless the seller provides an appropriate security.

Article 615 — The seller shall deliver the subject matter in accordance with the agreed quality requirements. Where the seller provides quality specifications for the subject matter, the subject matter delivered shall conform to the quality requirements specified.

Article 616 — Where the parties have not agreed on the quality requirements of the subject matter or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the provisions of Article 511(1) of this Code shall apply.

Article 617 — Where the subject matter delivered by the seller does not conform to the quality requirements, the buyer may request the seller to bear default liability in accordance with the provisions of Articles 582 to 584 of this Code.

Article 618 — Where the parties agree to reduce or exempt the seller's liability for defects in the subject matter, if the seller intentionally or through gross negligence fails to inform the buyer of the defects in the subject matter, the seller shall not claim such reduction or exemption of liability.

Article 619 — The seller shall deliver the subject matter in accordance with the agreed packaging method. Where the packaging method is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the subject matter shall be packaged in a general manner, or in a special manner sufficient to protect the subject matter and conducive to resource conservation and ecological environment protection if there is no general manner.

Article 620 — After the buyer receives the subject matter, the buyer shall inspect the subject matter within the agreed inspection period. If no inspection period is agreed, the buyer shall inspect the subject matter in a timely manner.

Article 621 — Where the parties have agreed on an inspection period, the buyer shall notify the seller of the non-conformity of the quantity or quality of the subject matter within the inspection period. If the buyer is indolent in giving such notice, the quantity or quality of the subject matter shall be deemed to conform to the agreement. Where the parties have not agreed on an inspection period, the buyer shall notify the seller of the non-conformity of the quantity or quality of the subject matter within a reasonable period after discovering or ought to have discovered such non-conformity. If the buyer fails to notify within a reasonable period or within two years from the date of receipt of the subject matter, the quantity or quality of the subject matter shall be deemed to conform to the agreement, provided that if there is a quality warranty period for the subject matter, the quality warranty period shall apply instead of the two-year provision. Where the seller knew or ought to have known that the subject matter delivered does not conform to the agreement, the buyer shall not be subject to the time limits specified in the preceding two paragraphs.

Article 622 — Where the inspection period agreed by the parties is too short and it is difficult to complete a comprehensive inspection of the subject matter according to the nature of the subject matter and the transaction practices, such period shall be deemed only as a period for the buyer to raise objections to patent defects in the subject matter. Where the agreed inspection period or quality warranty period is shorter than the period specified by laws or administrative regulations, such period shall be the period specified by laws or administrative regulations.

Article 623 — Where the seller and the buyer jointly inspect the subject matter and the buyer fails to raise any objection, the quantity and quality of the subject matter shall be deemed to conform to the agreement. Where the seller has issued an inspection certificate, the buyer has signed to confirm, and the buyer subsequently raises an objection, unless there is evidence to the contrary that the subject matter does not meet the quality requirements, the quantity and quality of the subject matter shall be deemed to conform to the agreement as certified by the inspection certificate.

Article 624 — Where the seller delivers the subject matter to the buyer in accordance with the agreement and the buyer receives the subject matter, but the buyer raises an objection to the subject matter quantity or quality, the buyer may refuse to pay the corresponding portion of the price.

Article 625 — The buyer shall pay the price at the time as agreed. Where the time of payment is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the buyer shall pay at the time of receiving the subject matter or the documents for taking delivery of the subject matter.

Article 626 — The buyer shall pay the price at the place as agreed. Where the place of payment is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the buyer shall pay at the seller's place of business; however, if the price is to be paid against delivery of the subject matter or the documents for taking delivery of the subject matter, the payment shall be made at the place where the subject matter or the documents for taking delivery of the subject matter are delivered.

Article 627 — The buyer shall pay the price in accordance with the agreed method. Where the method of payment is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the buyer shall pay in a manner conducive to the realization of the interests of both parties.

Article 628 — If the seller delivers extra quantity of the subject matter, the buyer may accept or refuse to accept the extra quantity. Where the buyer accepts the extra quantity, it shall pay the price at the price agreed in the contract; where the buyer refuses to accept the extra quantity, it shall promptly notify the seller.

Article 629 — The fruits of the subject matter shall belong to the seller before delivery and to the buyer after delivery, unless otherwise agreed by the parties.

Article 630 — Where the subject matter delivered by the seller does not conform to the agreement and the buyer elects to return the subject matter, the seller shall bear the expenses of return.

Article 631 — Where the buyer suffers losses due to multiple deliveries of the subject matter, if the parties have agreed on a warranty period, such warranty period shall apply, and the seller shall be liable for the losses caused by the subject matter failing to meet the quality requirements before the subject matter is delivered.

Article 632 — Where the parties agree that the seller shall be responsible for the use of the subject matter, the seller shall provide guidance on the use of the subject matter in accordance with the agreement. If the seller fails to do so, the buyer may claim compensation for any losses caused thereby.

Article 633 — Where the seller delivers the subject matter in batches and the seller fails to deliver one batch of the subject matter or the delivery does not conform to the agreement, making the purpose of that batch of the subject matter impossible to achieve, the buyer may rescind the contract in respect of that batch. If the seller fails to deliver one batch of the subject matter or the delivery does not conform to the agreement, making it impossible to achieve the purpose of the subsequent batches of the subject matter, the buyer may rescind the contract in respect of that batch and the subsequent batches. If the buyer has rescinded the contract in respect of a batch of the subject matter and that batch and the other batches of the subject matter are interdependent, the buyer may rescind the contract in respect of all batches already delivered and to be delivered.

Article 634 — Where the buyer purchases the subject matter by installments and the unpaid installment amount reaches one-fifth of the total price, and the buyer still fails to pay the due installment amount within a reasonable period after being demanded, the seller may request the buyer to pay the full price or may rescind the contract. If the seller rescinds the contract, the seller may request the buyer to pay a fee for the use of the subject matter.

Article 635 — Where the parties purchase goods by sample, the parties shall seal up the samples and may specify the quality of the samples. The quality of the subject matter delivered by the seller shall be identical to the quality of the samples and the specifications.

Article 636 — Where the buyer of goods by sample does not know that the sample has a hidden defect, even if the subject matter delivered is identical to the sample, the quality of the subject matter delivered by the seller shall still conform to the usual standard for the same kind of goods.

Article 637 — Where the parties agree on a trial sale, but fail to agree on or clearly agree on the trial period or the trial fees and cannot determine them in accordance with Article 510 of this Code, the trial period shall be determined by the seller and the trial fees shall be borne by the seller.

Article 638 — The buyer of a trial sale may purchase or refuse to purchase the subject matter within the trial period. At the expiration of the trial period, if the buyer fails to indicate whether or not it will purchase the subject matter, the buyer shall be deemed to have purchased. Where the buyer of a trial sale has paid part of the price, sold, leased, created a security interest in the subject matter, or otherwise disposed of the subject matter within the trial period, the buyer shall be deemed to have agreed to purchase.

Article 639 — Where the parties agree that the seller shall deliver the subject matter to the buyer for trial use, and the buyer may return the subject matter or purchase it within a certain period, if the buyer returns the subject matter within the trial period, the seller shall refund the price. If the buyer fails to return and fails to express the intent to purchase within the trial period, the buyer shall be deemed to have purchased.

Article 640 — The risk of damage to or loss of the subject matter during the trial period shall be borne by the seller, unless otherwise agreed by the parties.

Article 641 — The parties may agree in a sales contract that if the buyer fails to perform its obligations such as payment of the price, the ownership of the subject matter shall remain with the seller. The seller's retention of ownership of the subject matter shall not affect the buyer's right to possess, use, and benefit from the subject matter, unless otherwise agreed by the parties. Where the seller retains ownership of the subject matter, the seller may take back the subject matter by reference to the provisions on security interests and other relevant provisions, unless otherwise agreed by the parties. Where the seller takes back the subject matter, the parties may agree on a reasonable redemption period. If the buyer fails to redeem the subject matter within the redemption period, the seller may sell the subject matter by reasonable means, and the proceeds from the sale, after deducting the expenses incurred from taking back and selling the subject matter, shall be returned to the buyer; if the proceeds are insufficient to cover the expenses, the buyer shall pay the shortfall.

Article 642 — Where the parties agree that the seller has the right of redemption for the subject matter sold, and the seller exercises the right of redemption, the seller shall have the right to request the buyer to return the subject matter. The redemption period agreed by the parties shall not exceed two years. Where the parties have not agreed on a redemption period or the agreement is unclear, it shall be handled in accordance with the laws, administrative regulations, and relevant provisions.

Article 643 — Where the seller exercises the right of redemption, the seller shall pay the buyer the price paid by the buyer, the expenses incurred in purchasing the subject matter, and related expenses.

Article 644 — Where the parties agree on a sale by tender, the relevant provisions of the Law on Bidding and Tendering shall apply.

Article 645 — Where the parties agree on an auction sale, the relevant provisions of the Auction Law shall apply.

Article 646 — For other types of contracts for value, where the law has relevant provisions, such provisions shall apply; in the absence of such provisions, the relevant provisions on sales contracts shall apply by reference.

Article 647 — Where the parties agree on a barter trade contract, whereby the parties transfer the ownership of the subject matter to each other, the relevant provisions on sales contracts shall apply by reference.

Chapter X — Supply of Electricity, Water, Gas and Heat

Article 648 — A contract for the supply and use of electricity is a contract whereby the supplier of electricity supplies electricity to the user, and the user pays the electricity fee. A supplier of electricity providing electricity to the public shall not refuse a reasonable request of a user to conclude a contract.

Article 649 — A contract for the supply and use of electricity generally includes clauses specifying the method, quality, and time of electricity supply, the capacity for use, address, and nature of use, the method of metering, the settlement method of the electricity price and electricity fee, and the responsibility for the maintenance of electricity supply and use facilities.

Article 650 — The place of performance of a contract for the supply and use of electricity shall be the place designated in the contract; where the contract does not designate a place or the designation is unclear, the place of performance shall be the boundary point of property rights of the electricity supply facilities.

Article 651 — The supplier of electricity shall supply electricity safely in accordance with the quality standards prescribed by the State and as agreed. If the supplier of electricity fails to supply electricity safely in accordance with the quality standards prescribed by the State and as agreed, causing loss to the user, the supplier shall bear liability for compensation.

Article 652 — Where the supplier of electricity needs to interrupt the supply of electricity due to reasons such as planned maintenance, provisional inspection and repair, lawful power rationing, or the user's illegal use of electricity, the supplier shall notify the user in advance in accordance with the relevant provisions of the State. If the supplier fails to notify the user and interrupts the supply of electricity, thereby causing loss to the user, the supplier shall bear liability for compensation. Where the supplier of electricity interrupts the supply of electricity due to force majeure such as natural disasters, the supplier shall promptly make emergency repairs and notify the user. If the supplier fails to do so, thereby causing loss to the user, the supplier shall bear liability for compensation.

Article 653 — Where the user needs to exceed the agreed capacity for electricity use due to special needs, the user shall apply to the supplier of electricity. If the user exceeds the agreed capacity without applying, the user shall pay the corresponding electricity fee and bear default liability in accordance with the agreement. If the user refuses to pay, the supplier of electricity may interrupt the supply of electricity in accordance with the procedure prescribed by the State.

Article 654 — The user shall pay the electricity fee in a timely manner in accordance with the relevant provisions of the State and the agreement of the parties. If the user fails to pay the electricity fee within the time limit, the user shall pay liquidated damages in accordance with the agreement. If the user still fails to pay the electricity fee and liquidated damages within a reasonable period after being demanded, the supplier of electricity may interrupt the supply of electricity in accordance with the procedure prescribed by the State. Where the supplier of electricity interrupts the supply of electricity in accordance with the provisions of the preceding paragraph, the supplier shall notify the user in advance.

Article 655 — The user shall use electricity safely, economically, and in a planned manner in accordance with the relevant provisions of the State and the agreement of the parties. If the user fails to use electricity in accordance with the relevant provisions of the State and the agreement of the parties, causing loss to the supplier of electricity, the user shall bear liability for compensation.

Article 656 — The provisions on contracts for the supply and use of electricity shall apply by reference to contracts for the supply and use of water, gas, and heat.

Chapter XI — Gift Contracts

Article 657 — A gift contract is a contract whereby the donor gives its own property to the donee gratuitously, and the donee expresses its acceptance of the gift.

Article 658 — The donor may revoke the gift before the transfer of the right in the gifted property. The preceding paragraph shall not apply to a notarized gift contract or a gift contract of a public welfare or moral obligation nature that may not be revoked according to law.

Article 659 — Where the delivered gifted property requires going through registration or other formalities according to law, the relevant formalities shall be completed.

Article 660 — For a notarized gift contract or a gift contract of a public welfare or moral obligation nature that may not be revoked according to law, if the donor fails to deliver the gifted property, the donee may request delivery. Where the gifted property that should be delivered in accordance with the preceding paragraph is damaged or lost due to the donor's intentional act or gross negligence, the donor shall bear liability for compensation.

Article 661 — A gift may be subject to an obligation. If the gift is subject to an obligation, the donee shall perform the obligation as agreed.

Article 662 — The donor shall not bear liability for defects in the gifted property. If the gift is subject to an obligation, and the gifted property has defects, the donor shall bear the same liability as the seller within the scope of the obligation. If the donor intentionally fails to inform the donee of the defects or warrants that there are no defects, thereby causing loss to the donee, the donor shall bear liability for compensation.

Article 663 — The donor may revoke the gift under any of the following circumstances: (1) the donee seriously infringes upon the lawful rights and interests of the donor or the donor's close relatives; (2) the donee has an obligation to support the donor but fails to perform it; or (3) the donee fails to perform the obligation under the gift contract. The donor's right of revocation shall be exercised within one year from the date on which the donor knows or ought to know the cause for revocation.

Article 664 — Where the donor dies or loses civil capacity due to the donee's illegal act, the donor's successor or legal agent may revoke the gift. The right of revocation of the donor's successor or legal agent shall be exercised within six months from the date on which the successor or legal agent knows or ought to know the cause for revocation.

Article 665 — Upon revocation of a gift, the person with the right of revocation may request the donee to return the gifted property.

Article 666 — Where the donor's financial situation significantly deteriorates, seriously affecting its production and business operations or family life, the donor may cease to perform the gift obligation.

Chapter XII — Loan Contracts

Article 667 — A loan contract is a contract whereby the borrower borrows money from the lender, repays the loan when due, and pays interest.

Article 668 — A loan contract shall be in written form, unless the loan is between natural persons who have agreed otherwise. The content of a loan contract generally includes clauses specifying the type of loan, currency, purpose, amount, interest rate, term, and method of repayment. A model loan contract template shall be used for a loan contract when the lender is a financial institution.

Article 669 — When concluding a loan contract, the borrower shall, in accordance with the requirements of the lender, provide the true information on its business activities and financial condition related to the loan, unless otherwise agreed by the parties or otherwise provided by transaction practices.

Article 670 — The interest on a loan shall not be deducted from the principal in advance. If the interest is deducted from the principal in advance, the loan shall be repaid and the interest shall be calculated according to the actual amount of the loan.

Article 671 — Where the lender fails to provide the loan on the agreed date and in the agreed amount, thereby causing loss to the borrower, the lender shall compensate for the loss. Where the borrower fails to collect the loan on the agreed date and in the agreed amount, the borrower shall still pay interest on the agreed date and in the agreed amount.

Article 672 — The lender may inspect and supervise the use of the loan in accordance with the agreement. The borrower shall regularly provide the lender with relevant financial and accounting statements or other materials in accordance with the agreement.

Article 673 — Where the borrower fails to use the loan for the purpose agreed, the lender may cease providing the loan, recall the loan in advance, or rescind the contract.

Article 674 — The borrower shall pay interest within the agreed period. Where the period for payment of interest is not agreed or the agreement is unclear and cannot 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 repayment of the principal; if the loan period is one year or more, the interest shall be paid at the end of each year, and if the remaining period is less than one year, the interest shall be paid together with the repayment of the principal.

Article 675 — The borrower shall repay the loan within the agreed period. Where the loan period is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the borrower may repay at any time; the lender may demand the borrower to repay within a reasonable period.

Article 676 — Where the borrower fails to repay the loan within the agreed period, the borrower shall pay overdue interest in accordance with the agreement or the relevant provisions of the State.

Article 677 — Where the borrower repays the loan in advance, unless otherwise agreed by the parties, the interest shall be calculated according to the actual period of the loan.

Article 678 — The borrower may apply to the lender for an extension of the loan period before the expiration of the loan period. If the lender agrees, the loan period may be extended.

Article 679 — A loan contract between natural persons shall be formed at the time the lender provides the loan.

Article 680 — Usurious lending is prohibited, and the interest rate for a loan shall not violate the relevant provisions of the State. Where the loan contract does not stipulate payment of interest, the loan shall be deemed to be interest-free. Where the loan contract has an unclear agreement on payment of interest and the parties cannot reach a supplementary agreement, the interest shall be determined according to the local or the parties' transaction methods, transaction practices, market interest rates, and other factors; for a loan between natural persons, it shall be deemed to be interest-free.

Chapter XIII — Guaranty Contracts

Section 1 — General Provisions

Article 681 — A guaranty contract is a contract whereby the guarantor and the obligee agree that the guarantor shall perform the obligation or bear liability when the obligor fails to perform its due obligation or a circumstance agreed by the parties occurs.

Article 682 — A guaranty contract is an accessory contract to the principal claim-obligation contract. If the principal claim-obligation contract is void, the guaranty contract shall be void, unless otherwise provided by law. Where a guaranty contract is confirmed to be void, if the obligor, guarantor, and obligee are at fault, they shall each bear the corresponding civil liability according to their respective fault.

Article 683 — State organs shall not serve as guarantors, except where they provide guarantee for loans granted by foreign governments or international economic organizations with the approval of the State Council. Public welfare-oriented non-profit legal persons and unincorporated organizations such as schools, kindergartens, and medical institutions shall not serve as guarantors.

Article 684 — A guaranty contract generally includes clauses specifying the type and amount of the principal claim secured, the time limit for the obligor's performance of the obligation, and the method, scope, and period of the guarantee.

Article 685 — A guaranty contract may be a separate written contract or a guarantee clause in a principal claim-obligation contract. Where a third party unilaterally provides a written guarantee to the obligee and the obligee accepts it without raising any objection, the guarantee contract is formed.

Article 686 — Guarantee shall be classified into general guarantee and joint and several liability guarantee. Where the parties have not agreed on the method of guarantee or the agreement is unclear, the guarantee

shall be a general guarantee.

Article 687 — In a general guarantee, where the parties agree that the guarantor shall bear guarantee liability when the obligor is unable to perform the obligation, the guarantor may refuse to bear guarantee liability to the obligee before a dispute arising from the principal contract has been tried or arbitrated and the property of the obligor has been enforced in accordance with law and the obligor is still unable to perform the obligation, unless under any of the following circumstances: (1) the obligor's whereabouts are unknown and there is no property available for enforcement; (2) the people's court has accepted the obligor's bankruptcy case; (3) the obligee has evidence to prove that the obligor's property is insufficient to perform all obligations or has lost the ability to perform; or (4) the guarantor has waived the right specified in this Article in writing.

Article 688 — In a joint and several liability guarantee, where the parties agree in the guarantee contract that the guarantor and the obligor shall bear joint and several liability for the obligation, the obligee may request the obligor to perform the obligation or directly request the guarantor to bear the guarantee liability within the scope of the guarantee when the obligor fails to perform its due obligation or a circumstance agreed by the parties occurs.

Article 689 — The guarantor may request the obligor to provide a counter-guarantee. The provisions on guarantee in this Book shall apply to the counter-guarantee.

Article 690 — Where a guarantee is provided at the highest amount, it is a contract whereby the guarantor and the obligee agree to provide guarantee for the obligee's claims arising from continuous transactions with the obligor within a certain period up to a maximum amount. The provisions of Part II, Chapter XVII of this Code shall apply by reference to a guarantee at the highest amount if such guarantee is a security for claims that will arise in the future.

Section 2 — Guaranty Liability

Article 691 — The scope of a guarantee includes the principal claim and the interest thereon, liquidated damages, damages, and the expenses for realizing the claim, unless otherwise agreed by the parties.

Article 692 — The guarantee period is the period during which the guarantor bears guarantee liability, which shall not be suspended, interrupted, or extended. Where the obligee and the guarantor have agreed on a guarantee period, such agreement shall apply. Where the obligee and the guarantor have not agreed on a guarantee period or the agreement is unclear, the guarantee period shall be six months from the due date of the principal obligation. Where the obligee and the guarantor agree that the guarantee period shall end when the principal obligation is fully performed, such agreement shall be deemed unclear, and the guarantee period shall be six months from the due date of the principal obligation. Where the obligee and the obligor have not agreed on the time limit for performance of the principal obligation or the agreement is unclear, the guarantee period shall be calculated from the date on which the obligee requests the obligor to perform the obligation.

Article 693 — In a general guarantee, if the obligee fails to file a lawsuit or apply for arbitration against the obligor within the guarantee period, the guarantor shall no longer bear guarantee liability. In a joint and several liability guarantee, if the obligee fails to request the guarantor to bear guarantee liability within the guarantee period, the guarantor shall no longer bear guarantee liability.

Article 694 — In a general guarantee, the limitation period for the obligee's claim against the guarantor shall be calculated from the date on which the guarantor's right to refuse to bear guarantee liability is extinguished. In a joint and several liability guarantee, the limitation period for the obligee's claim against the guarantor shall be calculated from the date on which the obligee requests the guarantor to bear guarantee liability.

Article 695 — Where the obligee and the obligor change the content of the principal claim-obligation contract without the written consent of the guarantor, if the obligor's obligation is reduced, the guarantor shall

continue to bear guarantee liability for the changed obligation; if the obligor's obligation is increased, the guarantor shall not bear guarantee liability for the increased part. Where the obligee and the obligor change the time limit for performance of the principal claim-obligation contract without the written consent of the guarantor, the guarantee period shall not be affected.

Article 696 — Where the obligee assigns its claim without notifying the guarantor, such assignment shall not be effective against the guarantor. Where the obligee, the assignor of the claim, and the guarantor agree to prohibit the assignment of the claim, and the obligee assigns the claim without the written consent of the guarantor, the guarantor shall no longer bear guarantee liability against the assignee. Where the obligor assigns its obligation without the written consent of the guarantor, the guarantor shall no longer bear guarantee liability for the assigned obligation, unless otherwise agreed by the obligee and the guarantor. Where a third party joins the obligation, the guarantor's guarantee liability shall not be affected.

Article 697 — In a general guarantee, if the obligee and the obligor change the principal claim-obligation contract without the written consent of the guarantor and such change aggravates the obligor's obligation, the guarantor shall not bear guarantee liability for the aggravated part. Where the obligee permits the obligor to assign the obligation without the written consent of the guarantor, the guarantor shall no longer bear guarantee liability for the assigned obligation, unless otherwise agreed by the obligee and the guarantor.

Article 698 — Where, after the due date of the principal obligation, the guarantor provides the obligee with information on the obligor's property available for enforcement and the obligee fails to exercise its rights or delays in exercising its rights, thereby causing the loss of such property, the guarantor shall not bear guarantee liability within the scope of the value of the property that could have been enforced.

Article 699 — Where two or more guarantors provide guarantee for the same obligation, the guarantee liability shall be borne in accordance with the share of guarantee agreed by the guarantors with the obligee. If the share is not agreed, the obligee may request any of the guarantors to bear liability within the scope of its guarantee.

Article 700 — After the guarantor bears the guarantee liability, the guarantor shall be entitled to claim indemnification from the obligor within the scope of the liability borne, unless otherwise agreed by the parties. The guarantor shall enjoy the obligee's rights against the obligor but shall not prejudice the interests of the obligee.

Article 701 — The guarantor may assert the obligor's defenses against the obligee. Even if the obligor waives the right of defense, the guarantor shall still have the right to assert such defenses against the obligee.

Article 702 — Where the obligor has a right of set-off or revocation against the obligee, the guarantor may refuse to bear guarantee liability within the corresponding scope.

Chapter XIV — Lease Contracts

Article 703 — A lease contract is a contract whereby the lessor delivers the leased property to the lessee for use and benefit, and the lessee pays the rent.

Article 704 — A lease contract generally includes clauses specifying the name, quantity, purpose, lease term, rent, time limit and method of payment of the rent, and maintenance of the leased property.

Article 705 — The lease term shall not exceed twenty years. If it exceeds twenty years, the excess part shall be void. At the expiration of the lease term, the parties may renew the lease contract, provided that the agreed lease term upon renewal shall not exceed twenty years from the date of renewal.

Article 706 — The parties' failure to go through the registration and filing formalities for the lease contract in accordance with the provisions of laws and administrative regulations shall not affect the validity of the contract.

Article 707 — The parties shall conclude a lease contract of a term of six months or more in writing. If the parties fail to use a written form and cannot determine the lease term, the lease shall be deemed to be a non-fixed-term lease.

Article 708 — The lessor shall deliver the leased property to the lessee in accordance with the agreement and keep the leased property in a condition fit for use in accordance with the agreement during the lease term.

Article 709 — The lessee shall use the leased property in the agreed manner. If the manner of use is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the lessee shall use the leased property 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 and thereby causes wear and tear to the leased property, the lessee shall not bear liability for compensation.

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 the leased property, the lessor may rescind the contract and claim compensation for the loss.

Article 712 — The lessor shall perform the obligation to repair the leased property, unless otherwise agreed by the parties.

Article 713 — Where the leased property needs to be repaired, the lessee may request the lessor to repair it within a reasonable period. If the lessor fails to perform the repair obligation, the lessee may repair it on its own, and the repair expenses shall be borne by the lessor. If the repair of the leased property affects the lessee's use, the rent shall be reduced accordingly or the lease term shall be extended. Where the leased property needs to be repaired due to the lessee's fault, the lessor shall not bear the repair obligation specified in the preceding paragraph.

Article 714 — The lessee shall properly keep the leased property. If the leased property is damaged or lost due to the lessee's failure to properly keep it, the lessee shall bear liability for compensation.

Article 715 — The lessee may, with the consent of the lessor, make improvements to or attach accessories to the leased property. If the lessee makes improvements to or attaches accessories to the leased property without the consent of the lessor, the lessor may request the lessee to restore the leased property to its original condition or compensate for the loss.

Article 716 — The lessee may, with the consent of the lessor, sublease the leased property to a third party. The sublease term shall not exceed the lessee's remaining lease term. If the lessee subleases the leased property without the consent of the lessor, the lessor may rescind the contract. Where the lessee subleases the leased property to a third party, the lease contract between the lessor and the lessee shall continue to be valid. If the third party causes loss to the leased property, the lessee shall compensate for the loss. If the lessee subleases without the lessor's consent, and the lessor fails to raise an objection within six months after knowing or ought to know of the sublease, the lessor shall not claim rescission of the contract or claim that the sublease contract is void on that ground.

Article 717 — Where the lessee subleases the leased property with the consent of the lessor and the sublease term agreed between the lessee and the sublessee exceeds the lessee's remaining lease term, the excess part shall not be legally binding on the lessor, unless otherwise agreed by the lessor and the lessee.

Article 718 — Where the lessor knew or ought to have known that the lessee subleased the leased property but failed to raise an objection within six months, the lessor's claim to rescind the contract or claim that the sublease contract is void on the ground that the lessee subleased without consent shall not be supported by the people's court. Where the lessor subleases the leased property to a third party, the sublease contract shall be binding on the lessee only after the lessee's consent is obtained, unless the sublease contract is

entered into due to the lessee's breach of contract.

Article 719 — Where the lessee defaults on payment of the rent and the sublessee requests to pay the rent and liquidated damages on behalf of the lessee to resist the lessor's right to rescind the contract, the people's court shall support such request, unless the sublease contract is void or the parties otherwise agree. The rent and liquidated damages paid by the sublessee on behalf of the lessee may be used to set off the rent payable by the sublessee to the lessee. If the amount exceeds the rent payable by the sublessee, the sublessee may claim indemnification from the lessee.

Article 720 — The fruits derived from the possession or use of the leased property during the lease term shall belong to the lessee, unless otherwise agreed by the parties.

Article 721 — The lessee shall pay the rent within the agreed period. Where the period for payment of the rent is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, if the lease term is less than one year, the rent shall be paid at the expiration of the lease term; if the lease term is one year or more, the rent shall be paid at the end of each year, and if the remaining period is less than one year, the rent shall be paid at the expiration of the lease term.

Article 722 — Where the lessee fails to pay or delays in paying the rent without justifiable reasons, the lessor may request the lessee to pay within a reasonable period. If the lessee fails to pay within the period, the lessor may rescind the contract.

Article 723 — Where a third party claims rights, thereby preventing the lessee from using or benefiting from the leased property, the lessee may request a reduction in rent or refuse to pay the rent. Where a third party claims rights, the lessee shall promptly notify the lessor.

Article 724 — The lessee may rescind the contract under any of the following circumstances: (1) the leased property is sealed up by a judicial authority or administrative authority in accordance with law; (2) the ownership of the leased property is disputed; or (3) the leased property has material defects in violation of the mandatory provisions of laws and administrative regulations on conditions of use.

Article 725 — A change in the ownership of the leased property during the lease term shall not affect the validity of the lease contract.

Article 726 — Where the lessor intends to sell the leased house, the lessor shall notify the lessee within a reasonable period before the sale, and the lessee shall have the right of first refusal to purchase the house under the same conditions, unless the lessee who is a co-owner by shares exercises the right of first refusal or the lessor sells the house to a close relative. If the lessee fails to expressly state its intent to purchase within 15 days after being notified by the lessor, the lessee shall be deemed to have waived the right of first refusal. Where the lessor fails to notify the lessee or otherwise hinders the lessee from exercising the right of first refusal, the lessee may claim compensation from the lessor. However, the validity of the house sale contract between the lessor and a third party shall not be affected.

Article 727 — Where the lessor entrusts an auctioneer to sell the leased house by auction, the lessor shall notify the lessee five days before the auction. If the lessee fails to participate in the auction, the lessee shall be deemed to have waived the right of first refusal.

Article 728 — Where the lessor fails to notify the lessee or otherwise hinders the lessee from exercising the right of first refusal, the lessee may request the lessor to bear liability for compensation. However, the validity of the house sale contract between the lessor and a third party shall not be affected.

Article 729 — Where the leased property is partially or wholly damaged or lost not due to the lessee's fault, the lessee may request a reduction in rent or refuse to pay the rent. Where the leased property is partially or wholly damaged or lost, making it impossible to achieve the purpose of the contract, the lessee may rescind the contract.

Article 730 — Where the lease term is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the lease shall be deemed to be a non-fixed-term lease, and either party may rescind the contract at any time, provided that the other party shall be notified before a reasonable period.

Article 731 — Where the leased property endangers the lessee's safety or health, even if the lessee knew the quality of the leased property was defective at the time of concluding the contract, the lessee may still rescind the contract at any time.

Article 732 — Where the lessee dies during the lease term of a house, a person who lived together with the lessee before the lessee's death may continue to lease the house in accordance with the original lease contract. Where the lessee dies during the lease term of a house, the co-lessee may continue to lease the house in accordance with the original lease contract.

Article 733 — At the expiration of the lease term, the lessee shall return the leased property. The leased property returned shall be in a condition consistent with its use in accordance with the agreement or its nature after use.

Article 734 — At the expiration of the lease term, if the lessee continues to use the leased property and the lessor does not raise any objection, the original lease contract shall continue to be valid, but the lease term shall become non-fixed. At the expiration of the lease term, the lessee of a house shall have the right of first refusal to lease under the same conditions.

Chapter XV — Financial Leasing Contracts

Article 735 — A financial leasing contract is a contract whereby the lessor, according to the lessee's choice of the seller and the leased property, purchases the leased property from the seller and provides it to the lessee for use, and the lessee pays the rent.

Article 736 — A financial leasing contract generally includes clauses specifying the name, quantity, specifications, technical performance, and inspection method of the leased property, the lease term, the composition of the rent, the time limit, method, and currency of payment of the rent, and the ownership of the leased property at the expiration of the lease term. A financial leasing contract shall be in writing.

Article 737 — A financial leasing contract concluded by the parties in the form of a sham lease intended to conceal a loan or other legal relationship shall be handled in accordance with the provisions of Article 146 of this Code.

Article 738 — The parties shall determine the content of the financial leasing contract in accordance with the provisions of laws and administrative regulations. Where the leased property is subject to administrative licensing, the lessor shall not be required to obtain the administrative license unless the financial leasing contract is used to circumvent the provisions on administrative licensing.

Article 739 — Where the lessor concludes a sales contract based on the lessee's choice of the seller and the leased property, the seller shall deliver the subject matter to the lessee in accordance with the agreement, and the lessee shall enjoy the rights of the buyer relating to the subject matter received.

Article 740 — Where the lessor, the seller, and the lessee agree that if the seller fails to perform the obligations under the sales contract, the lessee shall exercise the right to claim compensation, the lessor shall provide assistance.

Article 741 — The lessor's right of ownership in the leased property shall not be asserted against a bona fide third party.

Article 742 — The lessor shall not be liable for any personal injury or property damage caused to the lessee by the leased property during the period of possession of the leased property by the lessee, unless the

lessee relied on the lessor's skill in determining the leased property or the lessor interfered with the lessee's choice of the leased property.

Article 743 — Where the lessor is under any of the following circumstances, the lessor shall bear liability for compensation: (1) the lessor interferes with the lessee's choice of the seller or the leased property; (2) the lessor changes the leased property without the lessee's consent; or (3) the lessor designs or determines the leased property. Where the lessor knew that the leased property had quality defects and failed to inform the lessee, or the lessee exercises the right to claim compensation against the seller and the lessor fails to provide necessary assistance, the lessor shall bear the corresponding liability for compensation.

Article 744 — Where the lessor concludes a sales contract based on the lessee's choice of the seller and the leased property, the lessor shall not, without the lessee's consent, modify any content of the contract that is related to the lessee.

Article 745 — The lessor's right of ownership in the leased property shall not be affected by the bankruptcy of the lessor or the lessee. The lessor shall have the right to take back the leased property if the lessee is subject to bankruptcy liquidation.

Article 746 — The composition of the rent in a financial leasing contract shall, unless otherwise agreed by the parties, be determined based on all or most of the cost of purchasing the leased property and the lessor's reasonable profit.

Article 747 — Where the leased property does not conform to the agreement or the purpose of use, the lessor shall not bear liability, unless the lessee relied on the lessor's skill in determining the leased property or the lessor interfered with the lessee's choice of the leased property. Where the lessor is liable under the preceding paragraph, the lessee may request a corresponding reduction in rent.

Article 748 — Where the lessor fails to deliver the leased property or delays delivery without justifiable reasons, the lessor shall bear liability for compensation. Where the lessor breaches the lessee's right to peaceful possession, the lessor shall bear liability for compensation.

Article 749 — Where the leased property causes personal injury or property damage to a third party during the period of possession of the leased property by the lessee, the lessor shall not bear liability.

Article 750 — The lessee shall properly keep and use the leased property. The lessee shall perform the obligation to maintain the leased property during the period of possession of the leased property.

Article 751 — Where the leased property is damaged or lost during the period of possession of the leased property by the lessee, the lessor shall have the right to request the lessee to continue to pay the rent, unless otherwise provided by law or agreed by the parties.

Article 752 — The lessee shall pay the rent in accordance with the agreement. If the lessee fails to pay the rent within a reasonable period after being demanded, the lessor may request payment of all the rent; the lessor may also rescind the contract and take back the leased property.

Article 753 — Where the lessee transfers, mortgages, pledges, invests as capital contribution, or otherwise disposes of the leased property without the lessor's consent, the lessor may rescind the financial leasing contract.

Article 754 — A financial leasing contract shall be terminated under any of the following circumstances: (1) the sales contract between the lessor and the seller is rescinded, confirmed void, or revoked, and a new sales contract cannot be concluded; (2) the leased property is accidentally damaged or lost and cannot be repaired or replaced; or (3) the purpose of the financial leasing contract cannot be achieved due to reasons attributable to the seller.

Article 755 — Where a financial leasing contract is terminated due to the rescission of the sales contract, or is confirmed void or revoked, and the lessor is at fault, the lessee may claim compensation from the lessor,

unless the lessor interferes with the lessee's choice of the seller or the leased property.

Article 756 — Where a financial leasing contract is terminated due to accidental damage to or loss of the leased property after the lessor has delivered the leased property and the parties have not agreed on the handling method, the lessor may request the lessee to compensate according to the depreciation of the leased property.

Article 757 — Where the lessor and the lessee agree that the lessee shall acquire the ownership of the leased property at the expiration of the lease term, and the lessee has paid all the rent but fails to acquire the ownership of the leased property, the lessee may request the lessor to compensate for the loss. Where the parties agree that the leased property shall belong to the lessor at the expiration of the lease term, and the leased property has salvage value, the lessee may request the lessor to return part of the rent.

Article 758 — Where the lessor and the lessee agree that the lessee shall acquire the ownership of the leased property at the expiration of the lease term, and the lessee has paid most of the rent but is unable to pay the remaining rent, and the lessor rescinds the contract and takes back the leased property, the lessee may request the lessor to return the excess amount after the value of the leased property taken back exceeds the lessee's unpaid rent and other expenses. Where the parties agree that the leased property shall belong to the lessor at the expiration of the lease term, the lessee may request the lessor to compensate for the loss if the lessee is unable to return the leased property and the lessor demands reasonable compensation.

Article 759 — Where the parties agree that the lessee shall only pay a symbolic price to acquire the ownership of the leased property at the expiration of the lease term, the ownership of the leased property shall be deemed to belong to the lessee at the expiration of the lease term after the lessee has paid all the rent.

Article 760 — The provisions on financial leasing contracts shall apply by reference to sale and leaseback contracts, unless they are sham contracts entered into to conceal other legal relationships.

Chapter XVI — Factoring Contracts

Article 761 — A factoring contract is a contract whereby the assignor of accounts receivable assigns its existing or future accounts receivable to the factor, and the factor provides the assignor with services such as financing, management or collection of accounts receivable, and guarantee of payment by the account debtor.

Article 762 — A factoring contract generally includes clauses specifying the type of business, service scope, term of service, basic transaction contract information, information on the accounts receivable, factoring financing funds and service remuneration, and method of assignment of accounts receivable. A factoring contract shall be in writing.

Article 763 — Where the assignor and the account debtor fabricate accounts receivable as the subject matter of assignment and the factor enters into a factoring contract based thereon, the account debtor shall not assert against the factor that the accounts receivable do not exist, unless the factor knew of the fabrication.

Article 764 — Where the factor notifies the account debtor of the assignment of accounts receivable, the factor shall indicate its identity as a factor and attach the necessary documents.

Article 765 — Where the account debtor, after receiving the notice of assignment of accounts receivable, agrees with the assignor to modify or terminate the basic transaction contract without justifiable reasons and such modification or termination has an adverse impact on the factor, it shall not be effective against the factor.

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Article 766 — Where the parties agree on factoring with recourse, the factor may claim against the assignor for return of the factoring financing funds or redemption of the accounts receivable, or claim against the account debtor. Where the factor claims against the account debtor, after deducting the factoring financing funds and interest and other related expenses, the remaining amount shall be returned to the assignor.

Article 767 — Where the parties agree on factoring without recourse, the factor shall claim against the account debtor, and the amount obtained by the factor in excess of the factoring financing funds and interest and other related expenses shall not be returned to the assignor.

Article 768 — Where the assignor assigns the same accounts receivable to multiple factors and several factors claim rights, the factor that has registered the assignment shall have priority over the factor that has not registered; if all have registered, priority shall be determined in the order of registration; if none have registered, the factor indicated in the notice of assignment of accounts receivable that first reaches the account debtor shall have priority; if none have registered and no notice has been given, priority shall be determined in proportion to the factoring financing funds or service remuneration.

Article 769 — For matters not provided for in this Chapter, the relevant provisions of Part I, Chapter VI of this Code on assignment of claims shall apply.

Chapter XVII — Contracts for Work

Article 770 — A contract for work is a contract whereby the contractor completes the work in accordance with the requirements of the client and delivers the work product, and the client pays the remuneration. "Work" includes processing, ordering, repair, reproduction, testing, inspection, and the like.

Article 771 — A contract for work generally includes clauses specifying the subject matter of the work, quantity, quality, remuneration, method of work, provision of materials, time limit for performance, and inspection standards and methods. A contract for work shall be in writing where the parties agree to use a written form or where laws and administrative regulations so require.

Article 772 — The contractor shall complete the principal part of the work with its own equipment, technology, and labor, unless otherwise agreed by the parties. Where the contractor entrusts the principal work it has undertaken to a third party for completion, the contractor shall be responsible to the client for the work product completed by the third party; if the client does not consent, the client may rescind the contract. Where the contractor entrusts auxiliary work it has undertaken to a third party for completion, the contractor shall be responsible to the client for the work product completed by the third party.

Article 773 — Where the contractor entrusts auxiliary work to a third party in accordance with the agreement, the contractor shall be responsible to the client for the work product completed by the third party.

Article 774 — Where the contractor provides materials, the contractor shall select and use materials in accordance with the agreement and accept inspection by the client. Where the contract requires the contractor to provide materials, the contractor shall complete the work with the materials provided by the client in accordance with the agreement, unless the contractor discovers that the materials provided by the client do not conform to the agreement and promptly notifies the client to replace, supplement, or otherwise handle them. The contractor shall not replace without authorization the materials provided by the client and shall not replace components and parts that do not need to be repaired.

Article 775 — Where the client provides materials, the client shall provide materials in accordance with the agreement. Where the contractor discovers that the materials provided by the client do not conform to the agreement, the contractor shall promptly notify the client to replace, supplement, or take other remedial measures. The contractor shall not replace without authorization the materials provided by the client and shall not replace components and parts that do not need to be repaired.

Article 776 — Where the contractor discovers that the drawings or technical requirements provided by the client are unreasonable, the contractor shall promptly notify the client. If the contractor suffers loss due to the client's indolence in responding or the like, the client shall compensate for the loss.

Article 777 — Where the client changes the requirements for the work product during the performance of the contract for work, thereby causing loss to the contractor, the client shall compensate for the loss.

Article 778 — Where the work product needs to be completed with the assistance of the client, and the client fails to perform its obligation of assistance, thereby making it impossible to complete the work product, the contractor may demand the client to perform within a reasonable period and may extend the time limit for performance. If the client fails to perform within the period, the contractor may rescind the contract.

Article 779 — The contractor shall accept necessary supervision and inspection by the client during the period of work. The client's supervision and inspection shall not hinder the contractor's normal work.

Article 780 — After the contractor completes the work, the contractor shall deliver the work product to the client and submit necessary technical materials and relevant quality certificates. The client shall inspect the work product.

Article 781 — Where the work product delivered by the contractor does not conform to the quality requirements, the client may reasonably choose to request the contractor to bear default liability such as repair, redoing, reduction of remuneration, or compensation for loss.

Article 782 — The client shall pay remuneration within the agreed period. Where the period for payment of remuneration is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the client shall pay at the time of delivery of the work product; if the work product is only partially delivered, the client shall pay the corresponding remuneration.

Article 783 — Where the client fails to pay remuneration, materials fees, or other expenses to the contractor, the contractor shall have a lien on the completed work product, or have the right to refuse to deliver, unless otherwise agreed by the parties.

Article 784 — The contractor shall properly keep the materials provided by the client and the completed work product. If the materials or the completed work product is damaged or lost due to the contractor's failure to properly keep them, the contractor shall bear liability for compensation.

Article 785 — The contractor shall keep confidential the relevant information in accordance with the requirements of the client. Without the client's permission, the contractor shall not retain copies or technical materials.

Article 786 — Co-contractors shall bear joint and several liability against the client, unless otherwise agreed by the parties.

Article 787 — The client may rescind the contract for work at any time before the contractor has completed the work, but shall compensate the contractor for the loss caused thereby.

Chapter XVIII — Construction Contracts

Article 788 — A construction contract is a contract whereby the contractor carries out the construction of the project, and the contract letting party pays the price. Construction contracts include contracts for project survey, design, and construction.

Article 789 — A construction contract shall be in writing.

Article 790 — The bidding and tendering activities for construction projects shall be conducted in accordance with the provisions of relevant laws in an open, fair, and impartial manner.

Article 791 — The contract letting party may enter into a construction contract with the general contractor, or enter into separate contracts for survey, design, and construction with the surveyor, designer, and constructor. The contract letting party shall not break down one construction project that should be completed by one contractor into several parts and let them to several contractors. The general contractor or the survey, design, and construction contractors may, with the consent of the contract letting party, subcontract part of the work they have undertaken to third parties. The third party shall bear joint and several liability to the contract letting party together with the general contractor or the survey, design, or construction contractors for the work product completed by the third party. The contractor shall not subcontract the entire construction project it has undertaken to a third party or subcontract the entire construction project it has undertaken by breaking it down into parts and subcontracting them in the name of subcontracting. The contractor shall not subcontract the project to entities without the corresponding qualifications. The subcontractor shall not further subcontract the project. The construction of the principal structure of the construction project must be completed by the contractor itself.

Article 792 — Where a major State construction project contract or a construction project contract in respect of which the parties agree shall be subject to approval or other procedures in accordance with the procedures and authority prescribed by the State, the contract shall be concluded in accordance with such procedures and authority.

Article 793 — Where a construction contract is void but the construction project has passed the acceptance inspection, the contractor may request the contract letting party to pay the project price by reference to the agreement on the project price in the contract. Where a construction contract is void and the construction project fails to pass the acceptance inspection, it shall be handled in accordance with the following provisions: (1) if the repaired construction project passes the acceptance inspection, the contract letting party may request the contractor to bear the repair costs; or (2) if the repaired construction project fails to pass the acceptance inspection, the contractor shall not request payment of the project price. Where the contract letting party is at fault for the failure of the construction project to pass the acceptance inspection, the contract letting party shall bear the corresponding liability.

Article 794 — A survey or design contract generally includes clauses specifying the time limit for submission of relevant basic materials and budget estimates, quality requirements, costs, and other conditions of cooperation.

Article 795 — A construction contract generally includes clauses specifying the scope of the project, the construction period, the time for commencement and completion of the intermediate works, the quality of the project, the project cost, the time of delivery of technical materials, the supply of materials and equipment, the appropriation and settlement of funds, the acceptance inspection upon completion, the scope and period of quality warranty, and mutual cooperation.

Article 796 — Where a construction project is subject to supervision, the contract letting party shall conclude a supervision contract in writing with the supervisor. The rights and obligations and legal liability of the contract letting party and the supervisor shall be in accordance with the provisions of this Part on entrustment contracts and the provisions of other relevant laws and administrative regulations.

Article 797 — The contract letting party may inspect the progress and quality of the work at any time, provided that it does not hinder the normal operations of the contractor.

Article 798 — Before the concealment of a concealed work, the contractor shall notify the contract letting party to conduct an inspection. If the contract letting party fails to conduct the inspection in a timely manner, the contractor may extend the project period and claim compensation for losses such as work stoppage and work idling.

Article 799 — After the construction project is completed, the contract letting party shall, in accordance with the construction drawings and specifications, the construction inspection rules, and the quality inspection

standards issued by the State, conduct the acceptance inspection in a timely manner. If the project passes the acceptance inspection, the contract letting party shall pay the price and receive the construction project in accordance with the agreement. After the completion of a construction project, if it passes the acceptance inspection, the contract letting party may put it into use; if it fails to pass the acceptance inspection without justifiable reasons, the contract letting party shall be in default.

Article 800 — Where the survey or design quality does not meet the requirements or the survey or design documents are not submitted on time, thereby delaying the construction period and causing loss to the contract letting party, the surveyor or designer shall continue to complete the survey or design, reduce or exempt the survey or design fee, and compensate for the loss.

Article 801 — Where the quality of the construction project does not conform to the agreement due to reasons attributable to the constructor, the contract letting party shall have the right to request the constructor to repair, redo, or reconstruct free of charge within a reasonable period. If delivery is delayed due to such repair, redoing, or reconstruction, the constructor shall bear default liability.

Article 802 — Where the construction project causes personal injury or property damage within a reasonable period of use due to reasons attributable to the contractor, the contractor shall bear liability for compensation.

Article 803 — Where the contract letting party fails to provide raw materials, equipment, sites, funds, or technical materials at the agreed time and in accordance with the agreed requirements, the contractor may extend the construction period and shall have the right to request compensation for losses such as work stoppage and work idling.

Article 804 — Where the construction project is suspended or delayed in the course of construction due to reasons attributable to the contract letting party, the contract letting party shall take measures to make up for or mitigate the loss and compensate the contractor for the losses and actual expenses caused by work stoppage, work idling, return transportation, transfer of machinery and equipment, backlogs of materials and components, and the like.

Article 805 — Where the contract letting party, after the commencement of the survey or design work, changes the plan, provides inaccurate materials, or fails to provide necessary working conditions for the survey or design within the time limit, thereby causing the survey or design to be redone or suspended or the design to be revised, the contract letting party shall pay additional fees according to the actual amount of work actually consumed by the surveyor or designer.

Article 806 — Where the contractor subcontracts or illegally subcontracts the construction project, the contract letting party may rescind the contract. Where the main building materials, building components, and accessories provided by the contract letting party do not conform to the mandatory standards, thereby making it impossible for the contractor to construct, and the contract letting party still fails to provide building materials, building components, and accessories that conform to the mandatory standards within a reasonable period after being demanded, the contractor may rescind the contract. After the contract is rescinded, if the quality of the completed construction project is acceptable, the contract letting party shall pay the corresponding project price for the completed part in accordance with the agreement. After the contract is rescinded, if the quality of the completed construction project is unacceptable, the relevant provisions of Article 793 of this Code shall apply.

Article 807 — Where the contract letting party fails to pay the price, the contractor may demand the contract letting party to pay within a reasonable period. If the contract letting party fails to pay within the period, the contractor may agree with the contract letting party to appraise the project and either apply to the people's court for auction in accordance with law, or sell the project after entrusting an appraisal institution to appraise the project, unless the project is not suitable for appraisal or auction according to its nature. The price for the construction project shall be paid with priority from the proceeds of the appraisal or auction of the project.

Article 808 — For matters not provided for in this Chapter, the relevant provisions on contracts for work shall apply.

Chapter XIX — Carriage Contracts

Section 1 — General Provisions

Article 809 — A carriage contract is a contract whereby the carrier transports passengers or goods from the place of departure to the agreed destination, and the passenger, shipper, or consignee pays the fare or freight.

Article 810 — A carrier engaged in public carriage shall not refuse the reasonable carriage request of a passenger or shipper.

Article 811 — The carrier shall safely transport the passenger or goods to the agreed destination within the agreed period or a reasonable period.

Article 812 — The carrier shall transport the passenger or goods to the agreed destination via the agreed route or the usual route.

Article 813 — The passenger, shipper, or consignee shall pay the fare or freight. If the carrier fails to transport via the agreed route or the usual route, thereby increasing the fare or freight, the passenger, shipper, or consignee may refuse to pay the increased portion of the fare or freight.

Section 2 — Passenger Carriage Contracts

Article 814 — A passenger carriage contract shall be formed at the time the carrier issues the passenger ticket to the passenger, unless otherwise agreed by the parties or otherwise provided by transaction practices.

Article 815 — The passenger shall travel on the basis of a valid ticket. If the passenger travels without a ticket, travels beyond the paid distance, travels in a class higher than the ticket class, or travels with a discounted ticket that does not meet the conditions, the passenger shall pay the additional fare, and the carrier may charge an additional fare in accordance with the regulations. If the passenger fails to pay the fare, the carrier may refuse to carry the passenger. Where a real-name passenger ticket is lost, the passenger may request the carrier to report the loss and reissue the ticket, and the carrier shall not charge an additional fare or refuse to carry the passenger without justifiable reasons.

Article 816 — Where the passenger is unable to travel at the time indicated on the ticket due to his own reasons, the passenger shall go through the procedures for refund or change of ticket within the agreed period. If the passenger fails to go through the procedures within the period, the carrier may refuse to refund the fare and shall no longer bear the obligation of carriage.

Article 817 — The passenger's carry-on luggage shall be within the agreed limit in terms of quantity, weight, and type. If the luggage exceeds the limit, the luggage shall be checked in.

Article 818 — The carrier shall not carry passengers with carry-on luggage or checked luggage containing items that are prohibited from carriage, such as flammable, explosive, toxic, corrosive, or radioactive articles, articles that may endanger the safety of persons and property on board the means of transport, or other prohibited articles. If the passenger insists on carrying or checking luggage containing such prohibited articles, the carrier shall refuse to carry and, if necessary, unload or destroy them or deliver them to the relevant authorities.

Article 819 — The carrier shall perform the obligation to inform the passenger in a timely manner of important matters such as matters not to be neglected in normal carriage, the normal means of transport, safety precautions, and emergency measures.

Article 820 — The carrier shall carry the passenger in accordance with the time and voyage or flight indicated on the valid ticket. If the carrier delays carriage or fails to provide normal carriage for other reasons, the carrier shall, in a timely manner, inform and remind passengers, take necessary measures for resettlement, and arrange for the passenger to take other voyage or flight or refund the ticket according to the passenger's request. The carrier shall compensate for the loss caused thereby, unless such loss is not attributable to the carrier.

Article 821 — Where the carrier reduces the service standard without the consent of the passenger, the carrier shall refund the fare or reduce the fare according to the passenger's request. Where the carrier raises the service standard, the carrier shall not charge an additional fare.

Article 822 — The carrier shall provide assistance to the passenger who suffers an emergency such as sudden illness, childbirth, or distress during the carriage.

Article 823 — The carrier shall be liable for compensation for the death or personal injury of the passenger during the carriage, unless the death or personal injury is caused by the passenger's own health condition, or the carrier proves that the death or personal injury is caused by the passenger's intentional act or gross negligence. The provisions of the preceding paragraph shall apply to a passenger who travels without a ticket with the carrier's permission or a passenger who travels with a discounted ticket in accordance with the regulations, such as a child who is exempt from the ticket or travels with a preferential ticket.

Article 824 — Where the passenger's carry-on luggage is damaged or lost during the carriage, the carrier shall bear liability for compensation if the carrier is at fault. Where the checked luggage is damaged or lost, the relevant provisions on goods carriage shall apply.

Section 3 — Goods Carriage Contracts

Article 825 — The shipper shall truthfully declare to the carrier the information necessary for the carriage of the goods, such as the name or title of the consignee or the consignee under the order, the name, nature, weight, and quantity of the goods, and the place of receipt of the goods. If the shipper makes a false declaration or omits important information, thereby causing loss to the carrier, the shipper shall bear liability for compensation.

Article 826 — Where the goods require going through approval, inspection, or other procedures, the shipper shall submit to the carrier the documents showing the completion of such procedures. If the shipper fails to submit such documents or the documents are incomplete, thereby causing loss to the carrier, the shipper shall bear liability for compensation.

Article 827 — The shipper shall pack the goods in the agreed manner. Where the packing method is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the goods shall be packed in a general manner; if there is no general manner, the goods shall be packed in a manner sufficient to protect the goods and conducive to resource conservation and ecological environment protection.

Article 828 — Where the shipper consigns or carries goods that are flammable, explosive, toxic, corrosive, or radioactive, or other dangerous goods, the shipper shall pack the dangerous goods in accordance with the State regulations on the carriage of dangerous goods, attach warning signs and labels, and submit the written documents on the name, nature, and precautionary measures of the dangerous goods to the carrier. If the shipper violates the provisions of the preceding paragraph, the carrier may refuse to carry, and may also take corresponding measures to avoid losses, and the expenses incurred shall be borne by the shipper.

Article 829 — Before the carrier delivers the goods to the consignee, the shipper may request the carrier to suspend the carriage, return the goods, change the place of arrival, or deliver the goods to another consignee, provided that the shipper shall compensate the carrier for the losses caused thereby.

Article 830 — After the goods arrive at the destination, if the carrier knows the consignee, the carrier shall promptly notify the consignee, and the consignee shall pick up the goods in a timely manner. If the consignee delays in picking up the goods, the consignee shall pay storage fees and other expenses to the carrier.

Article 831 — When picking up the goods, the consignee shall inspect the goods within the agreed period. Where the period for inspection is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the consignee shall inspect the goods within a reasonable period. If the consignee fails to raise an objection to the quantity, damage, or loss of the goods within the agreed period or a reasonable period, such failure shall be deemed prima facie evidence that the carrier has delivered the goods in accordance with the provisions of the carriage documents.

Article 832 — The carrier shall be liable for compensation for damage to or loss of the goods during the carriage. However, the carrier shall not bear liability for compensation if the carrier proves that the damage to or loss of the goods is caused by force majeure, the inherent nature of the goods, reasonable wear and tear, or the fault of the shipper or consignee.

Article 833 — The amount of compensation for damage to or loss of the goods shall be: (1) if the parties have agreed on the amount, such agreement shall apply; (2) if the parties have not agreed on the amount and the agreement cannot be determined in accordance with Article 510 of this Code, the compensation shall be calculated according to the market price at the place of delivery at the time the goods should have been delivered or the time the goods were delivered, unless otherwise provided by laws or administrative regulations on the method of calculation of the compensation amount and the limit on the amount of compensation.

Article 834 — Where two or more carriers use the same means of carriage to carry goods in a connected manner, the carrier that concludes the contract with the shipper shall be responsible for the entire carriage. If a loss occurs in a particular section of the carriage, the carrier that concludes the contract with the shipper and the carrier of that section shall bear joint and several liability.

Article 835 — Where the goods are lost during the carriage due to force majeure and the freight has not been collected, the carrier shall not request payment of the freight; if the freight has been collected, the shipper may request a refund. Where the goods are lost during the carriage due to force majeure and the freight has been collected, if the carrier has already collected the freight, the carrier shall refund the freight.

Article 836 — Where the shipper or consignee fails to pay the freight, storage fees, or other expenses, the carrier shall have a lien on the goods carried, unless otherwise agreed by the parties.

Article 837 — Where the consignee is unclear or the consignee refuses to accept the goods without justifiable reasons, the carrier may deposit the goods in accordance with the provisions of this Book.

Section 4 — Multimodal Carriage Contracts

Article 838 — The multimodal carriage operator is responsible for performing or organizing the performance of the multimodal carriage contract and shall enjoy the rights and bear the obligations of the carrier throughout the entire carriage.

Article 839 — The multimodal carriage operator may agree with the carriers of the respective sections of the multimodal carriage on their respective responsibilities for the carriage in the respective sections. However, such agreement shall not affect the obligation of the multimodal carriage operator for the entire carriage.

Article 840 — Upon receiving the goods delivered by the shipper, the multimodal carriage operator shall issue a multimodal carriage document. The multimodal carriage document may be negotiable or non-negotiable at the option of the shipper.

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Article 841 — Where the multimodal carriage operator suffers loss due to the shipper's fault in consigning the goods, the shipper shall bear liability for compensation even if the shipper has assigned the multimodal carriage document.

Article 842 — Where the damage to or loss of the goods occurs in a particular section of the multimodal carriage, the multimodal carriage operator's liability for compensation and the limit of liability shall be governed by the laws applicable to that section of the mode of carriage. Where the section in which the damage to or loss of the goods occurs 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 Provisions

Article 843 — A technology contract is a contract concluded by the parties to define their mutual rights and obligations in respect of technology development, transfer, licensing, consulting, or services.

Article 844 — The conclusion of a technology contract shall be conducive to the protection of intellectual property rights and scientific and technological progress and shall promote the research, development, transformation, application, and popularization of scientific and technological achievements.

Article 845 — A technology contract generally includes clauses specifying the name of the project, the content, scope, and requirements of the subject matter, the plan, place, and method of performance, the confidentiality of technical information and materials, the ownership of technological achievements and the method of benefit sharing, the acceptance standards and methods, and the interpretation of terms. The parties may agree on such clauses as the background information on the technology related to the performance of the contract, the feasibility study and technology assessment report, the project task statement and plan, the technical standards, technical specifications, original design and process documents, and other technical documents as components of the contract. If a technology contract involves a patent, the name of the invention or creation, the patent applicant and patentee, the date of application, the application number, the patent number, and the term of the patent right shall be stated.

Article 846 — The parties shall determine the price, remuneration, or royalty for a technology contract by agreement. If a royalty is agreed, the parties may agree on the method of payment, which may be a lump sum payment at a fixed price, a lump sum payment plus commission, or a commission payment. Where a commission is agreed as the method of payment, the commission may be calculated as a certain percentage of the price, the increased output value or profit, or the sales revenue of a new product, or may be calculated by other methods as agreed. The parties may also agree on other methods of payment. The percentage of commission may be a fixed percentage, a progressively increasing or decreasing percentage, or a percentage determined by other methods as agreed. Where a commission is agreed, the parties may agree on the method of checking the relevant accounting books.

Article 847 — Where a right to use or transfer a service invention-creation that is not a patented technological achievement is made available to another person, or a non-service technological achievement is made available to another person, the relevant provisions on technology contracts shall apply. Where a right to use or transfer a service invention-creation is made available to another person, the inventor or creator shall be entitled to a reasonable share of the proceeds.

Article 848 — A technology contract for the exploitation of a non-patented technological achievement shall not impede technological progress.

Article 849 — The ownership of a technological achievement arising from the completion of a service technological achievement by an individual shall be determined in accordance with the provisions of the law. The ownership of a technological achievement arising from the completion of a non-service technological

achievement by an individual shall belong to the individual.

Article 850 — A technology contract that illegally monopolizes technology or infringes upon another person's technological achievements shall be void.

Section 2 — Technology Development Contracts

Article 851 — A technology development contract is a contract concluded by the parties in respect of the research and development of a new technology, new product, new process, new variety, new material, or new system. Technology development contracts include commissioned development contracts and cooperative development contracts. A technology development contract shall be in writing. The relevant provisions on technology development contracts shall apply by reference to contracts concluded by the parties in respect of the application and transformation of scientific and technological achievements of industrial value.

Article 852 — The commissioning party in a commissioned development contract shall pay the research and development funds and remuneration in accordance with the agreement, provide technical materials, put forward research and development requirements, and complete the matters of cooperation. The developer in a commissioned development contract shall formulate and implement the research and development plan in accordance with the agreement, make reasonable use of the research and development funds, complete the research and development work on schedule, deliver the research and development results, provide relevant technical materials and necessary technical guidance, and help the commissioning party master the research and development results.

Article 853 — Where the commissioning party breaches the contract, thereby causing the research and development work to be suspended, delayed, or failed, the commissioning party shall bear default liability.

Article 854 — Where the developer breaches the contract, thereby causing the research and development work to be suspended, delayed, or failed, the developer shall bear default liability.

Article 855 — The parties to a cooperative development contract shall make investments in accordance with the agreement, including investment in the form of technology, participate in the research and development work by division of labor, and cooperate in the research and development. If any party breaches the contract, thereby causing the research and development work to be suspended, delayed, or failed, such party shall bear default liability.

Article 856 — Where the subject matter of a technology development contract is a new technology that has been made public by another person, thereby making the performance of the technology development contract meaningless, the parties may rescind the contract.

Article 857 — Where the technology development contract cannot be performed due to insurmountable technical difficulties, thereby causing total or partial failure of the research and development, the risk liability shall be borne by the parties as agreed; if the agreement is absent or unclear and cannot be determined in accordance with Article 510 of this Code, the risk liability shall be reasonably shared by the parties. Where one party discovers that the circumstances specified in the preceding paragraph may cause total or partial failure of the research and development, it shall promptly notify the other party and take appropriate measures to mitigate the loss. If the party fails to promptly notify and take appropriate measures, thereby aggravating the loss, the party shall bear liability for the aggravated loss.

Article 858 — Where an invention-creation is completed through commissioned development, the right to apply for a patent shall belong to the developer, unless otherwise agreed by the parties. If the developer acquires the patent right, the commissioning party may exploit the patent free of charge. Where the developer assigns the right to apply for a patent, the commissioning party shall have the right of first refusal under the same conditions.

Article 859 — Where an invention-creation is completed through cooperative development, the right to apply for a patent shall belong jointly to the parties to the cooperative development, unless otherwise agreed by the parties. If one party assigns its share of the right to apply for a patent, the other party shall have the right of first refusal under the same conditions. However, this shall not apply if the parties otherwise agree.

Article 860 — Where one party to cooperative development does not agree to apply for a patent, the other party or parties shall not apply for the patent. Where one party to cooperative development declares to waive its share of the right to apply for a joint patent, the application may be filed by the other party or jointly by the other parties, unless otherwise agreed by the parties. If the applicant acquires the patent right, the party that waives the right to apply for the patent may exploit the patent free of charge.

Article 861 — The right to use and transfer a secret technological achievement resulting from commissioned development or cooperative development, and the method of distributing the proceeds, shall be agreed upon by the parties. If the agreement is absent or unclear and cannot be determined in accordance with Article 510 of this Code, all parties shall have the right to use and transfer the achievement, provided that the developer in a commissioned development shall not transfer the achievement to a third party before delivering the research and development results to the commissioning party.

Section 3 — Technology Transfer and Licensing Contracts

Article 862 — A technology transfer contract is a contract whereby the owner of a lawful right to a technology assigns the relevant right in the existing specific patent, patent application, or technical secret to another person. A technology licensing contract is a contract whereby the owner of a lawful right to a technology licenses another person to exploit the existing specific patent or technical secret. The provisions on technology transfer contracts and technology licensing contracts in this Section shall apply to the provision of know-how by the assignor or licensor to another person. A technology transfer contract or technology licensing contract shall be in writing.

Article 863 — A technology transfer contract generally includes clauses specifying the name of the project, the content, scope, and requirements of the technology, the plan, place, and method of performance, the confidentiality of technical information and materials, the ownership of technological achievements and the method of benefit sharing, the acceptance standards and methods, the royalty and method of payment, the liquidated damages or method of calculating the amount of compensation for losses, and the method of dispute resolution. A technology licensing contract generally includes clauses specifying the specific type, scope, and term of the license, the royalty and method of payment, the confidentiality of technical information and materials, and the method of dispute resolution. The assignor or licensor of a technology transfer contract or technology licensing contract shall warrant that it is the lawful owner of the technology provided, and shall warrant that the technology provided is complete, error-free, effective, and capable of achieving the agreed goal.

Article 864 — The assignor and the assignee of a technology transfer contract or the licensor and the licensee of a technology licensing contract may agree on the scope of exploitation of the patent or technical secret, but shall not restrict technological competition and technological development.

Article 865 — Where a patent exploitation license contract is only valid for the term of the patent right, if the term of the patent right expires or the patent right is declared invalid, the patentee shall not conclude a patent exploitation license contract with another person in respect of such patent.

Article 866 — The licensee of a patent exploitation license contract shall pay the royalty in accordance with the agreement and shall not license any third party other than that agreed in the contract to exploit the patent.

Article 867 — Where the assignor of a technical secret transfer contract or the licensor of a technical secret licensing contract provides the technology in accordance with the agreement and provides technical

guidance to ensure the practical application of the technology, the assignee or licensee shall use the technology within the agreed scope and shall bear the agreed confidentiality obligation.

Article 868 — Where the assignor of a technology transfer contract or the licensor of a technology licensing contract fails to transfer or license the technology in accordance with the agreement, the assignee or licensee may demand the return of the royalty in whole or in part and shall bear default liability. Where the assignee of a technology transfer contract or the licensee of a technology licensing contract fails to perform its obligations in accordance with the agreement, the assignor or licensor may rescind the contract and shall bear default liability. Where the licensee of a technology licensing contract fails to pay the royalty in accordance with the agreement, the licensor shall have the right to terminate the license and demand payment of the royalty and default liability.

Article 869 — Where the exploitation of a patent or technical secret by the assignee of a technology transfer contract or the licensee of a technology licensing contract infringes upon the lawful rights and interests of another person, the liability shall be borne by the assignor or licensor, unless otherwise agreed by the parties.

Article 870 — The assignee or licensee of a technology transfer contract or technology licensing contract shall, in accordance with the agreed scope and period, maintain the confidentiality of the part of the technology provided by the assignor or licensor that has not been made public. However, the confidentiality obligation shall not apply to the part that has been made public due to reasons not attributable to the assignee or licensee or that has been made public legally.

Article 871 — Where a technology transfer contract or technology licensing contract is performed, if a new technological achievement is developed through independent research by the assignor or licensor based on the licensed or transferred technology, the assignor or licensor shall have the right to exploit the new achievement. If a new technological achievement is developed through independent research by the assignee or licensee based on the licensed or transferred technology, the assignee or licensee shall have the right to exploit the new achievement. Unless otherwise agreed by the parties, neither party shall have the right to unilaterally share the new technological achievement developed by the other party.

Article 872 — Where the licensee of a technology licensing contract fails to pay the royalty in accordance with the agreement, the licensor shall have the right to terminate the technology licensing contract. Where the licensee of a technology licensing contract exploits the patent or technical secret beyond the agreed scope, or allows a third party other than that agreed in the contract to exploit the patent or technical secret without the consent of the licensor, the licensee shall cease the breach and bear default liability; if the licensee breaches the agreed confidentiality obligation, the licensee shall bear default liability. Where the licensor of the licensed technology breaches the agreement by licensing another person to exploit the technology within the scope of the exclusive license, the licensor shall cease the breach and bear default liability.

Article 873 — Where the licensor fails to provide technical materials in accordance with the agreement or fails to provide technical guidance in accordance with the agreement, the licensee shall have the right to demand the licensor to perform the agreement within a reasonable period. If the licensor still fails to perform within the period, the licensee may rescind the technology licensing contract, and the licensor shall return the royalty and bear default liability.

Article 874 — Where the performance of a technology transfer contract or technology licensing contract infringes upon the lawful rights and interests of another person, the liability shall be borne by the assignor or licensor, unless otherwise agreed by the parties.

Article 875 — Where the parties agree on the method of paying the royalty according to the extent of exploitation of the technology and the parties have a dispute over the extent of exploitation, the parties may entrust an accounting firm or other institution to verify the relevant accounts.

Article 876 — Where a transfer or license of an integrated circuit layout design right, a new plant variety right, a computer software copyright, or the like is involved, the relevant provisions of this Section shall apply by reference.

Article 877 — For matters not provided for in this Section, the relevant provisions on sales contracts and licensing contracts shall apply.

Section 4 — Technology Consulting and Service Contracts

Article 878 — A technology consulting contract is a contract whereby one party provides a feasibility study, technical forecast, special technical investigation, analysis and evaluation report, or the like on a specific technical project for the other party. A technology service contract is a contract whereby one party solves a specific technical problem for the other party with its technical knowledge, and the commissioning party pays the remuneration. Technology service contracts do not include construction contracts and contracts for work.

Article 879 — A technology consulting contract generally includes clauses specifying the content, scope, and form of the consulting project, the performance period, place, and method, the ownership and confidentiality of the consulting results, and the consulting fee and method of payment. A technology service contract generally includes clauses specifying the content, scope, and requirements of the service, the performance period, place, and method, the acceptance standards and method, the ownership and confidentiality of the work product, and the service remuneration and method of payment.

Article 880 — Where the client of a technology consulting contract fails to provide the necessary materials in accordance with the agreement, thereby affecting the progress and quality of the work, or fails to accept the work product or delays in accepting the work product, the client shall not request the refund of the paid remuneration and shall pay the unpaid remuneration. Where the consultant of a technology consulting contract fails to submit the consulting report on schedule or the consulting report submitted does not conform to the agreement, the consultant shall bear default liability such as reduction or exemption of remuneration. The client of a technology consulting contract shall compensate for the loss caused to the consultant according to the consultant's requirements, unless otherwise agreed by the parties.

Article 881 — Where the client of a technology service contract fails to perform its contractual obligations or the performance does not conform to the agreement, thereby affecting the progress and quality of the work, or fails to accept the work product or delays in accepting the work product, the client shall not request the refund of the paid remuneration and shall pay the unpaid remuneration. Where the service provider of a technology service contract fails to complete the service work in accordance with the agreement, the service provider shall bear default liability such as exemption from remuneration.

Article 882 — Where the client of a technology consulting contract or technology service contract uses the work product of the consultant or service provider to make decisions, the consultant or service provider shall not be liable for the losses caused by the client's decisions based on the work product that conforms to the agreement, unless otherwise agreed by the parties.

Article 883 — Where a new technological achievement is developed by the consultant using the technical materials and working conditions provided by the client in the course of performing a technology consulting contract or technology service contract, the new technological achievement shall belong to the consultant. Where a new technological achievement is developed by the client using the work product of the consultant, the new technological achievement shall belong to the client, unless otherwise agreed by the parties.

Article 884 — Where the parties have agreed on the ownership of a new technological achievement, such agreement shall prevail. If the parties have not agreed, one party shall not have the right to share the new technological achievement of the other party.

Article 885 — For a new technological achievement developed by one party based on the work product of the other party, the ownership and the right to share the proceeds shall be agreed upon by the parties; if the

agreement is absent or unclear and cannot be determined in accordance with Article 510 of this Code, the party that developed the new technological achievement shall have the right to exploit and transfer the new technological achievement, provided that the other party shall have the right to exploit the achievement free of charge.

Article 886 — The provisions on technology consulting contracts and technology service contracts shall apply by reference to contracts providing services for the transformation, application, and promotion of technological achievements.

Article 887 — Where laws or administrative regulations have other provisions on technology intermediary contracts or technology training contracts, such provisions shall apply.

Chapter XXI — Custody Contracts

Article 888 — A custody contract is a contract whereby the custodian keeps the goods delivered by the depositor and returns the goods. Where the depositor goes shopping, dining, staying at a hotel, or engaging in other activities at the custodian's place and deposits its goods at a designated place, the contract shall be deemed a custody contract, unless otherwise agreed by the parties or otherwise provided by transaction practices.

Article 889 — The depositor shall pay the custody fee to the custodian in accordance with the agreement. Where the custody fee is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the custody shall be deemed gratuitous custody.

Article 890 — A custody contract shall be formed at the time the goods to be kept are delivered, unless otherwise agreed by the parties.

Article 891 — The depositor shall explain to the custodian the defects of the goods to be kept or the special custody requirements in accordance with the nature of the goods. If the depositor fails to explain, thereby causing damage to the goods, the custodian shall not bear liability for compensation; if the custodian suffers loss as a result, the depositor shall bear liability for compensation, unless the custodian knew or ought to have known of the circumstances and failed to take remedial measures.

Article 892 — The custodian shall properly keep the goods. The parties may agree on the place and method of custody. The place and method of custody shall not be changed without authorization, except in an emergency or where necessary to protect the interests of the depositor.

Article 893 — Where the goods delivered by the depositor for custody are defective or, according to the nature of the goods, require special custody measures, and the depositor informs the custodian of the relevant circumstances, if the custodian fails to take corresponding measures, the custodian shall bear liability for compensation for the losses caused thereby.

Article 894 — The custodian shall not transfer the goods for custody to a third party, unless otherwise agreed by the parties. If the custodian, in violation of the provisions of the preceding paragraph, transfers the goods to a third party for custody, thereby causing damage to the goods, the custodian shall bear liability for compensation. Where the custodian transfers the goods to a third party for custody with the consent of the depositor or to protect the interests of the depositor in an emergency, the custodian shall not bear liability for the damage to the goods caused by the third party, unless the custodian is at fault in the selection of the third party.

Article 895 — The custodian shall not use or permit a third party to use the goods under custody, unless otherwise agreed by the parties.

Article 896 — Where a third party claims rights to the goods under custody, the custodian shall continue to perform the obligation to return the goods to the depositor, except where the goods are subject to preservation or enforcement measures in accordance with law. Where a third party files a lawsuit against the

custodian or applies for seizure of the goods under custody, the custodian shall promptly notify the depositor.

Article 897 — Where the goods under custody are damaged or lost due to the custodian's failure to properly keep them during the custody period, the custodian shall bear liability for compensation. However, if the custody is gratuitous and the custodian proves that it has not been grossly negligent, the custodian shall not bear liability for compensation.

Article 898 — Where the depositor deposits money, negotiable instruments, or other valuables, the depositor shall declare them to the custodian, and the custodian shall inspect and seal them or take other measures in accordance with the agreement. If the depositor fails to declare, and such goods are damaged or lost, the custodian may compensate according to the value of ordinary goods.

Article 899 — The depositor may claim the goods under custody at any time. Where the custody period is not agreed or the agreement is unclear, the custodian may request the depositor to claim the goods under custody at any time; where the custody period is agreed, the custodian shall not request the depositor to claim the goods under custody before the expiration of the custody period without special reasons.

Article 900 — At the expiration of the custody period or when the depositor claims the goods under custody in advance, the custodian shall return the goods under custody and the fruits thereof to the depositor.

Article 901 — Where the custodian keeps money, the custodian may return money of the same kind and quantity. Where the custodian keeps other fungible goods, the custodian may return goods of the same kind, quality, and quantity in accordance with the agreement. Where the depositor loses the deposit certificate and fails to notify the custodian of the loss in a timely manner, if the goods under custody have been claimed by another person, the custodian shall not bear liability for compensation.

Article 902 — In a custody contract for value, the depositor shall pay the custody fee to the custodian in accordance with the agreed period. Where the period for payment of the custody fee is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the custody fee shall be paid at the time of claiming the goods under custody. If the custodian has a legitimate reason, the custodian may refuse to return the goods under custody before the depositor pays the custody fee.

Article 903 — Where the depositor fails to pay the custody fee or other expenses, the custodian shall have a lien on the goods under custody, unless otherwise agreed by the parties.

Chapter XXII — Warehousing Contracts

Article 904 — A warehousing contract is a contract whereby the warehouse keeper keeps the goods delivered by the depositor, and the depositor pays the warehousing fee. A warehousing contract shall be formed at the time both the warehouse keeper and the depositor express their intent in accordance with the contract.

Article 905 — A warehousing contract shall be in writing. A warehousing contract generally includes clauses specifying the name, type, quantity, and quality of the goods, the warehousing period, the warehousing fee and method of payment, the warehousing location, the warehousing conditions and requirements, the method of keeping the goods, and the packaging method of the goods. The warehouse keeper shall issue the warehouse receipt in a timely manner to the depositor upon receiving the goods.

Article 906 — A warehousing contract is a contract for value.

Article 907 — Where the warehouse keeper accepts the goods for warehousing in accordance with the agreement, the warehouse keeper shall inspect the goods upon receiving them. If the warehouse keeper discovers that the goods do not conform to the agreement during the inspection, the warehouse keeper shall promptly notify the depositor. If the warehouse keeper fails to raise an objection to the type, quantity, or quality of the goods after inspection, the goods shall be deemed to conform to the agreement. After the warehouse keeper inspects and accepts the goods, if the type, quantity, or quality of the goods does not

conform to the agreement, the warehouse keeper shall bear liability for compensation.

Article 908 — Where the warehousing period expires and the depositor or the holder of the warehouse receipt fails to pick up the goods, the warehouse keeper may demand the depositor or the holder of the warehouse receipt to pick up the goods within a reasonable period; if the depositor or the holder of the warehouse receipt fails to pick up the goods within the period, the warehouse keeper may deposit the goods.

Article 909 — During the warehousing period, if the depositor or the holder of the warehouse receipt fails to pick up the goods, the warehouse keeper shall have the right to demand the depositor or the holder of the warehouse receipt to pick up the goods. Where the depositor or the holder of the warehouse receipt delays in picking up the goods, the warehouse keeper shall be entitled to additional warehousing fees. If the goods need to be kept under special conditions and the depositor or the holder of the warehouse receipt fails to pick up the goods, the warehouse keeper shall take appropriate measures.

Article 910 — Before the expiration of the warehousing period, the warehouse keeper shall not request the depositor or the holder of the warehouse receipt to pick up the goods, unless otherwise agreed by the parties or otherwise provided by transaction practices. Where the depositor or the holder of the warehouse receipt requests to pick up the goods before the expiration of the warehousing period or delays in picking up the goods, it shall not reduce the warehousing fee.

Article 911 — The depositor or the holder of the warehouse receipt may inspect the goods or take samples of the goods during the warehousing period; the warehouse keeper shall provide cooperation. The necessary expenses incurred shall be borne by the depositor or the holder of the warehouse receipt.

Article 912 — Where the warehouse keeper discovers that the goods under custody have deteriorated or been damaged, the warehouse keeper shall promptly notify the depositor or the holder of the warehouse receipt.

Article 913 — Where the warehouse keeper finds that the goods under custody have deteriorated or are likely to be damaged, thereby endangering the safety and normal keeping of other goods, the warehouse keeper shall promptly notify the depositor or the holder of the warehouse receipt and demand the depositor or the holder of the warehouse receipt to handle the matter. If the depositor or the holder of the warehouse receipt fails to handle the matter, the warehouse keeper may dispose of the goods at the expense of the depositor or the holder of the warehouse receipt. If the circumstances are urgent, the warehouse keeper may make an emergency disposal.

Article 914 — Where the parties have agreed on the warehousing period, the depositor or the holder of the warehouse receipt may pick up the goods at the expiration of the warehousing period. If the depositor or the holder of the warehouse receipt fails to pick up the goods at the expiration of the warehousing period, the warehouse keeper shall have the right to demand additional warehousing fees. Where the warehousing period is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the depositor or the holder of the warehouse receipt may pick up the goods at any time, and the warehouse keeper may request the depositor or the holder of the warehouse receipt to pick up the goods at any time, provided that the other party shall be given the necessary preparation time. Where the goods have a quality warranty period, the warehousing period shall not exceed the quality warranty period of the goods. Where the quality warranty period of the goods is exceeded, the warehouse keeper shall not bear liability for the deterioration or damage of the goods caused thereby.

Article 915 — At the expiration of the warehousing period or when the depositor or the holder of the warehouse receipt picks up the goods in advance, the warehouse keeper shall return the goods and the fruits thereof to the depositor or the holder of the warehouse receipt. Where the warehouse keeper returns the goods, if the quantity, type, or quality of the goods does not conform to the agreement and the damage or loss is not caused by force majeure, the inherent nature of the goods, or the depositor's or holder's fault, the warehouse keeper shall bear liability for compensation.

Article 916 — Where the depositor stores goods that are flammable, explosive, toxic, corrosive, or radioactive, or other dangerous goods, the depositor shall explain the nature of the goods and provide the relevant materials. If the depositor violates the provisions of the preceding paragraph, the warehouse keeper may refuse to accept the goods for warehousing, or may take corresponding measures to avoid losses at the expense of the depositor. Where the warehouse keeper stores goods that are flammable, explosive, toxic, corrosive, or radioactive, or other dangerous goods, the warehouse keeper shall have the corresponding storage conditions and comply with the relevant provisions of the State.

Article 917 — The depositor shall explain to the warehouse keeper the special storage requirements of the goods in accordance with the nature of the goods and the warehousing requirements. If the depositor fails to explain, thereby causing damage to the goods, the warehouse keeper shall not bear liability for compensation; if the warehouse keeper suffers loss as a result, the depositor shall bear liability for compensation, unless the warehouse keeper knew or ought to have known and failed to take remedial measures. Where the deposited goods have special packaging requirements, the depositor shall pack the goods in accordance with the agreed packaging method; if the packaging method is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the goods shall be packed in a general manner; if there is no general manner, the goods shall be packed in a manner sufficient to protect the goods.

Article 918 — For matters not provided for in this Chapter, the relevant provisions on custody contracts shall apply.

Chapter XXIII — Entrustment Contracts

Article 919 — An entrustment contract is a contract whereby the principal and the agent agree that the agent shall handle the principal's affairs.

Article 920 — The principal may specifically entrust the agent with one or more affairs or generally entrust the agent with all of its affairs.

Article 921 — The principal shall pay in advance the expenses for handling the entrusted affairs. If the agent advances expenses necessary for handling the entrusted affairs, the principal shall repay such expenses with interest.

Article 922 — The agent shall handle the entrusted affairs in accordance with the instructions of the principal. If it is necessary to change the instructions of the principal, the agent shall obtain the consent of the principal; if the circumstances are urgent and it is difficult to contact the principal, the agent shall properly handle the entrusted affairs and shall promptly report the situation to the principal after the emergency is over.

Article 923 — The agent shall handle the entrusted affairs in person. With the consent of the principal, the agent may sub-entrust. If the sub-entrustment is consented to, the principal may directly instruct the sub-agent on the entrusted affairs, and the agent shall only be liable for the appointment of the sub-agent and the instructions given to the sub-agent. If the sub-entrustment is not consented to, the agent shall be liable for the acts of the sub-agent, unless the sub-entrustment is necessary to protect the interests of the principal in an emergency.

Article 924 — The agent shall report on the handling of the entrusted affairs at the request of the principal. At the termination of the entrustment contract, the agent shall report on the results of the entrusted affairs.

Article 925 — Where the agent concludes a contract with a third party in its own name within the scope of the principal's authorization, and the third party knows the agency relationship between the agent and the principal at the time of concluding the contract, the contract shall directly bind the principal and the third party, unless there is conclusive evidence that the contract binds only the agent and the third party.

Article 926 — Where the agent concludes a contract with a third party in its own name within the scope of the principal's authorization, and the third party does not know the agency relationship between the agent and the principal at the time of concluding the contract, if the agent fails to perform the obligation to the principal due to reasons attributable to the third party, the agent shall disclose the third party to the principal, and the principal may exercise the agent's rights against the third party, unless the third party would not have concluded the contract with the agent had it known the principal at the time of concluding the contract. If the agent fails to perform the obligation to the third party due to reasons attributable to the principal, the agent shall disclose the principal to the third party, and the third party may choose the agent or the principal as the counterparty to claim its rights, provided that the third party shall not change the counterparty once chosen. Where the principal exercises the agent's rights against the third party, the third party may assert its defenses against the agent against the principal. Where the third party chooses the principal as the counterparty, the principal may assert its defenses against the agent and the agent's defenses against the third party against the third party.

Article 927 — The agent shall hand over to the principal any property acquired in handling the entrusted affairs.

Article 928 — When the agent has completed the entrusted affairs, the principal shall pay the remuneration to the agent in accordance with the agreement. Where the entrustment contract is rescinded or the entrusted affairs cannot be completed due to reasons not attributable to the agent, the principal shall pay the corresponding remuneration to the agent, unless otherwise agreed by the parties.

Article 929 — In an entrustment contract for value, if the principal suffers loss due to the fault of the agent, the principal may claim compensation. In a gratuitous entrustment contract, if the principal suffers loss due to the agent's intentional act or gross negligence, the principal may claim compensation. If the agent acts beyond the scope of authority, thereby causing loss to the principal, the agent shall compensate for the loss.

Article 930 — Where the agent suffers loss in handling the entrusted affairs due to reasons not attributable to the agent, the agent may claim compensation from the principal.

Article 931 — The principal may, with the consent of the agent, add a third party to handle the entrusted affairs. If loss is caused to the agent as a result, the agent may claim compensation from the principal.

Article 932 — Where two or more agents jointly handle the entrusted affairs, they shall bear joint and several liability to the principal.

Article 933 — The principal or the agent may rescind the entrustment contract at any time. If the rescission of the contract causes loss to the other party, the party rescinding the contract shall compensate for the loss, unless the loss is caused by reasons not attributable to such party. Where the rescission of a gratuitous entrustment contract causes loss to the other party, the party rescinding the contract shall compensate for the loss, unless the party rescinding the contract acts within the proper time and the loss is caused by reasons not attributable to such party.

Article 934 — An entrustment contract shall be terminated upon the death, loss of civil capacity, or termination of the principal or the agent, unless otherwise agreed by the parties or it is inappropriate to terminate the entrustment contract according to the nature of the entrusted affairs.

Article 935 — Where the entrustment contract is terminated due to the death, loss of civil capacity, or termination of the principal, thereby prejudicing the interests of the principal, the agent shall continue to handle the entrusted affairs until the successor, legal agent, or liquidator of the principal takes over the entrusted affairs.

Article 936 — Where the entrustment contract is terminated upon the death, loss of civil capacity, or termination of the agent, the successor, legal agent, or liquidator of the agent shall promptly notify the principal. If the termination of the entrustment contract would prejudice the interests of the principal, the

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successor, legal agent, or liquidator of the agent shall take necessary measures before the principal takes remedial measures.

Chapter XXIV — Property Management Service Contracts

Article 937 — A property management service contract is a contract whereby the property management service provider provides property management services such as maintenance of buildings and their ancillary facilities, management of environmental sanitation, and maintenance of order in the property management area to the property owners, and the property owners pay the property management fee. Property management service providers include property management service enterprises and other managers.

Article 938 — A property management service contract generally includes clauses specifying the service items, service quality standards, service fees, method of collection, use of maintenance funds, management and use of service premises, service term, and handover of services. The property management service provider's public commitment to provide services beneficial to the property owners shall be part of the property management service contract. A property management service contract shall be in writing.

Article 939 — A preliminary property management service contract concluded between the real estate developer and the property management service provider selected in accordance with law, or a property management service contract concluded between the owners' committee and the property management service provider selected at the owners' meeting in accordance with law, shall be legally binding on the property owners.

Article 940 — Before the expiration of the service term agreed in the preliminary property management service contract concluded by the real estate developer and the property management service provider selected in accordance with law, if the property management service contract concluded by the owners' committee or the owners and the new property management service provider takes effect, the preliminary property management service contract shall be terminated.

Article 941 — The property management service provider shall not subcontract all of the property management services it undertakes to a third party or subcontract all of the property management services by breaking them down and subcontracting them to third parties. The property management service provider may entrust special service items within the property management area to specialized service organizations, but shall be responsible to the property owners for such special service items. The property management service provider shall not subcontract all property management services to third parties.

Article 942 — The property management service provider shall properly maintain, clean, and manage the common areas of the buildings and their ancillary facilities, the public utilities, and related sites within the property management service area in accordance with the agreement and the nature of use of the property, maintain the basic order within the property management service area, and take reasonable measures to protect the personal and property safety of the property owners. For any act in violation of laws and regulations on public security, environmental protection, fire protection, or the like within the property management service area, the property management service provider shall promptly take reasonable measures to stop it, report to the relevant administrative authorities, and assist in handling the matter.

Article 943 — The property management service provider shall regularly report the service items, responsible persons, quality requirements, service performance, use of maintenance funds, and operation and income of the common parts and common facilities and equipment of the property owners to the property owners in an appropriate manner and make them public, and shall inform the owners' committee of such information.

Article 944 — The property owners shall pay the property management fee to the property management service provider in accordance with the agreement. Where the property management service provider has

provided services in accordance with the agreement and relevant regulations, the property owners shall not refuse to pay the property management fee on the ground that they have not accepted or do not need to accept the relevant property management services. Where the property owners fail to pay the property management fee within the period in violation of the agreement, the property management service provider may demand payment within a reasonable period; if the property owners still fail to pay within the period, the property management service provider may file a lawsuit or apply for arbitration. The property management service provider shall not collect the property management fee by means such as cutting off the supply of electricity, water, heat, or gas.

Article 945 — Where the property owners decorate or renovate their houses, they shall inform the property management service provider in advance, comply with the reasonable tips and precautions provided by the property management service provider, and cooperate with the property management service provider in necessary on-site inspections. Where the property owners transfer or rent the exclusively owned part of the property, establish a right of habitation, or change the use of the common part in accordance with law, they shall promptly inform the property management service provider of the relevant information.

Article 946 — Where the property owners decide to dismiss the property management service provider in accordance with the statutory procedure, they may rescind the property management service contract. If the rescission of the property management service contract causes loss to the property management service provider, the property owners shall compensate for the loss, unless the loss is caused by reasons not attributable to the property owners.

Article 947 — The property management service provider may not unilaterally rescind the property management service contract, unless the rescission is provided for by law or agreed by the parties. Where the property management service provider proposes to rescind the property management service contract, it shall notify the owners 90 days in advance, and shall clearly remind the owners and answer their questions on the matters requiring attention. The provisions of this Article shall apply to the rescission of a property management service contract by the property owners in accordance with the provisions of the preceding Article.

Article 948 — At the expiration of the property management service term, if the property owners have not made a decision to renew the contract or employ another property management service provider, and the property management service provider continues to provide property management services, the original property management service contract shall continue to be valid, but the service term shall become non-fixed. The parties may rescind the non-fixed-term property management service contract at any time, provided that the other party shall be notified 60 days in advance.

Article 949 — At the termination of the property management service contract, the original property management service provider shall vacate the property management service area within the agreed period or a reasonable period, hand over the property management service premises, related facilities, and the relevant necessary information necessary for property management services to the owners' committee, the owners who have decided to manage the property on their own, or the property management service provider designated by them, cooperate with the new property management service provider in the handover work, and truthfully inform the use and management status of the property. The original property management service provider shall not request the property owners to pay the property management fee for the period after the termination of the property management service contract, if the original property management service provider violates the provisions of the preceding paragraph.

Article 950 — After the termination of the property management service contract, before the new property management service provider, or the owners who have decided to manage the property on their own, takes over the property management services, the original property management service provider shall continue to handle the property management service matters and may request payment of the property management fee for such period.

Chapter XXV — Brokerage Contracts

Article 951 — A brokerage contract is a contract whereby the broker handles trading activities in its own name for the benefit of the principal, and the principal pays the remuneration.

Article 952 — The expenses incurred by the broker in handling the entrusted affairs shall be borne by the broker, unless otherwise agreed by the parties.

Article 953 — The broker shall properly keep the subject matter entrusted by the principal. If the broker suffers loss due to its failure to properly keep the subject matter, the broker shall bear liability for compensation.

Article 954 — Where the broker sells or purchases goods the price of which is specified, the broker may act as the buyer or the seller itself, unless the principal has expressed a contrary intent. Where the broker falls under the circumstances specified in the preceding paragraph, the broker may still request the principal to pay remuneration.

Article 955 — Where the broker buys or sells goods in accordance with the agreement and the principal accepts the same, the principal shall perform its obligations such as paying the price. Where the broker fails to buy or sell goods in accordance with the agreement, the principal may refuse to accept the goods and may claim compensation against the broker. Where the principal refuses to accept the goods, the broker may deposit the subject matter in accordance with the provisions of this Book.

Article 956 — Where the broker sells goods at a price lower than the price specified by the principal, or buys goods at a price higher than the price specified by the principal, the broker shall obtain the consent of the principal. If the broker fails to obtain the consent, the principal may refuse to accept the goods, or may accept the goods subject to the condition that the broker compensate for the price difference. Where the broker sells goods at a price higher than the price specified by the principal, or buys goods at a price lower than the price specified by the principal, the remuneration may be increased in accordance with the agreement. If the agreement is absent or unclear and cannot be determined in accordance with Article 510 of this Code, the benefit shall belong to the principal. Where the principal has special instructions on the price and the broker violates such instructions and buys or sells goods, the principal may refuse to accept the goods, or may accept the goods subject to the condition that the broker compensate for the price difference.

Article 957 — Where the broker completes the entrusted affairs in whole or in part, the principal shall pay the corresponding remuneration to the broker. If the principal fails to pay the remuneration within the time limit, the broker shall have a lien on the entrusted subject matter, unless otherwise agreed by the parties.

Article 958 — The provisions of this Chapter shall apply to a broker who handles an activity other than trading activities.

Article 959 — For matters not provided for in this Chapter, the relevant provisions on entrustment contracts shall apply.

Article 960 — The provisions of this Chapter shall apply by reference to a broker of an intermediary nature.

Chapter XXVI — Intermediation Contracts

Article 961 — An intermediation contract is a contract whereby the intermediary reports to the principal the opportunity for concluding a contract or provides intermediation services for the conclusion of a contract, and the principal pays the remuneration.

Article 962 — The intermediary shall truthfully report to the principal the matters relating to the conclusion of the contract. If the intermediary intentionally conceals material facts relating to the conclusion of the contract or provides false information, thereby prejudicing the interests of the principal, the intermediary shall not

request payment of remuneration and shall bear liability for compensation.

Article 963 — Where the intermediary facilitates the conclusion of a contract, the principal shall pay the remuneration in accordance with the agreement. Where the intermediary's remuneration is not agreed or the agreement is unclear and cannot be determined in accordance with Article 510 of this Code, the remuneration shall be reasonably determined according to the intermediary's services. Where the intermediary's provision of intermediation services for the conclusion of a contract facilitates the conclusion of the contract, the parties to the contract shall equally bear the intermediary's remuneration. Where the intermediary facilitates the conclusion of a contract, the expenses of the intermediation activities shall be borne by the intermediary.

Article 964 — Where the intermediary fails to facilitate the conclusion of a contract, the intermediary shall not request payment of remuneration; however, the intermediary may request the principal to pay the necessary expenses incurred in the intermediation activities in accordance with the agreement.

Article 965 — Where the principal, by taking advantage of the transaction opportunity or intermediation services provided by the intermediary, concludes a contract by bypassing the intermediary, the principal shall pay the remuneration to the intermediary.

Article 966 — For matters not provided for in this Chapter, the relevant provisions on entrustment contracts shall apply.

Chapter XXVII — Partnership Contracts

Article 967 — A partnership contract is a contract whereby two or more partners agree on the sharing of benefits and the assumption of risks and conclude an agreement to jointly contribute capital and operate a business for a common purpose.

Article 968 — The partners shall perform the obligation of capital contribution in accordance with the agreed method, amount, and time limit for contribution.

Article 969 — The partners' capital contributions and all profits and other property lawfully acquired in the name of the partnership shall be partnership property. Before the termination of the partnership contract, the partners shall not request the division of the partnership property.

Article 970 — The partners shall make decisions on the partnership affairs in accordance with the agreed decision-making procedures or by consensus among all partners. The partnership affairs shall be jointly managed by all partners. According to the partnership contract or the decision of all partners, one or more partners may be entrusted to manage the partnership affairs; the other partners shall no longer manage the partnership affairs but shall have the right to supervise. Where two or more partners separately manage the partnership affairs, the partners may raise objections to the affairs managed by the other partners; if an objection is raised, the management of such affairs shall be suspended.

Article 971 — The partners shall not request remuneration for managing the partnership affairs, unless otherwise agreed in the partnership contract.

Article 972 — The distribution of the partnership's profits and the assumption of losses shall be in accordance with the partnership contract; if the partnership contract does not provide or the provision is unclear, the partners shall decide through consultation; if consultation fails, the profits shall be distributed and the losses shall be shared in proportion to the capital contributions actually made; if the proportion of capital contributions cannot be determined, the profits shall be distributed and the losses shall be shared equally among the partners.

Article 973 — The partners shall bear joint and several liability for the partnership debts. A partner who has paid the partnership debts in excess of its share shall have the right of contribution against the other partners.

Article 974 — Where a partner transfers all or part of its share of the partnership property to a person other than a partner, it shall be unanimously agreed by all other partners, unless otherwise agreed in the partnership contract.

Article 975 — The obligee of a partner shall not set off its claim against the partnership. A partner may not, in its own name, exercise the rights of the partnership, unless otherwise agreed in the partnership contract.

Article 976 — Where the partnership contract does not stipulate the partnership term or the stipulation is unclear and cannot be determined in accordance with Article 510 of this Code, the partnership shall be deemed to be a non-fixed-term partnership. A partner may rescind a non-fixed-term partnership contract at any time, provided that the other partners shall be notified before a reasonable period. Where the death, loss of civil capacity, or termination of a partner causes the number of partners to be less than the minimum number required by law, the partnership contract shall be terminated.

Article 977 — Where a partnership contract is terminated, the partnership property shall be distributed after paying the expenses of the termination of the partnership and discharging the partnership debts. Where the partnership property is insufficient to pay the expenses of the termination of the partnership and the partnership debts, the partners shall bear liability in accordance with the provisions of this Book.

Article 978 — For matters not provided for in this Chapter, the relevant provisions on partnership in this Code shall apply.

Part III — Quasi-Contracts

Chapter XXVIII — Negotiorum Gestio

Article 979 — Where a person, without a statutory or agreed obligation, manages the affairs of another person to avoid damage to the interests of such person, the person may request the beneficiary to reimburse the necessary expenses incurred in the management of the affairs. Where the manager's management of the affairs violates the true intent of the beneficiary, the manager shall not have the right provided in the preceding paragraph, unless the true intent of the beneficiary violates the law or public order and good morals.

Article 980 — Where the management of the affairs of another person by the manager does not fall within the circumstances specified in the preceding Article, but the beneficiary has benefited from the management, the beneficiary shall return to the manager the benefits acquired within the scope of the benefit obtained, unless the manager's management of the affairs violates the true intent of the beneficiary.

Article 981 — The manager shall manage the affairs of another person in a manner beneficial to the beneficiary. If the suspension of management would place the beneficiary at a disadvantage, the management shall not be suspended without justifiable reasons.

Article 982 — The manager shall promptly notify the beneficiary of the fact that it has commenced the management of the affairs, unless it is impossible to notify or it is unnecessary to notify.

Article 983 — After the management of the affairs is completed, the manager shall report the management of the affairs to the beneficiary. The property acquired by the manager in the course of managing the affairs shall be promptly handed over to the beneficiary.

Article 984 — Where the management of the affairs by the manager is subsequently ratified by the beneficiary, the provisions on entrustment contracts shall apply from the commencement of the management of the affairs, unless the manager expresses a contrary intent.

Chapter XXIX — Unjust Enrichment

Article 985 — Where a person is unjustly enriched without a legal basis, the person who suffers the loss may request the enriched person to return the benefit, except under any of the following circumstances: (1) the enrichment results from performance of a moral obligation; (2) the enrichment results from performance of an obligation before it becomes due; or (3) the enrichment results from performance of an obligation by a person who knows that there is no obligation to perform.

Article 986 — Where the enriched person does not know and ought not to know that the enrichment is without a legal basis, and the benefit no longer exists, the enriched person shall not be obligated to return the benefit.

Article 987 — Where the enriched person knows or ought to know that the enrichment is without a legal basis, the person who suffers the loss may request the enriched person to return the benefit and compensate for the loss in accordance with law.

Article 988 — Where the enriched person has gratuitously transferred the benefit acquired to a third party, the person who suffers the loss may request the third party to assume the obligation of return within the corresponding scope.

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