Maritime Law of the PRC

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Chapter I — General Provisions

Article 1 — This Law is enacted for the purpose of regulating maritime transport relations and ship relations, protecting the lawful rights and interests of the parties concerned, strengthening the protection of the marine ecological environment, and promoting the high-quality development of maritime transport and economic trade.

Article 2 — For the purposes of this Law, "maritime transport" means the carriage of goods and the carriage of passengers by sea, including the direct carriage between the sea and rivers and between rivers and the sea.

Article 3 — For the purposes of this Law, "ship" means sea-going ships and other mobile units at sea, excluding ships used for military purposes or government service and small boats of less than 20 gross tons. A ship includes its appurtenances.

Article 4 — A ship that has obtained the nationality of the People's Republic of China through registration in accordance with the law is entitled to fly the national flag of the People's Republic of China for navigation.

Where a ship fails to fly the national flag of the People's Republic of China in accordance with the law, or flies the flag of another country, region or organization in violation of the law, the relevant authority shall order it to make rectification and pursue legal liability in accordance with the law.

Article 5 — Maritime transport and towage between ports of the People's Republic of China shall be operated by ships that have obtained the nationality of the People's Republic of China in accordance with the law, except as otherwise provided by law or administrative regulations.

Without the approval of the competent transport authority of the State Council in accordance with the law, ships of foreign nationality shall not operate maritime transport or towage between ports of the People's Republic of China.

Article 6 — The competent transport authority of the State Council, the relevant local people's governments and their competent transport authorities shall exercise supervision and administration over maritime transport activities in accordance with the law.

Chapter II — Ships

Section 1 — Ownership of Ships

Article 7 — "Ownership of a ship" means the right of the shipowner to possess, use, benefit from and dispose of his ship in accordance with the law.

Article 8 — The creation, modification, transfer and extinction of ownership of a ship shall be registered with the ship registration authority; until registered, such ownership may not be asserted against a bona fide third party.

Until registered, the ownership enjoyed by the lessor of a ship financing lease contract over the financed ship may not be asserted against a bona fide third party. The lessee shall pay the rent in accordance with the ship financing lease contract. Where the lessee still fails to pay the rent within a reasonable period after demand, the lessor may demand payment of the entire rent, or may rescind the ship financing lease contract and

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repossess the financed ship.

The transfer of ownership of a ship shall be made in writing.

Article 9 — Where a ship is jointly owned by two or more legal persons, unincorporated organizations or natural persons, the joint ownership shall be registered with the ship registration authority; until registered, it may not be asserted against a bona fide third party.

Ship right-holders, interested parties and the relevant state authorities may inquire into the registration status of the ownership of a ship in accordance with the law.

Article 10 — Where the parties have agreed on the ownership of a ship under construction, such ownership shall be determined in accordance with the agreement; where there is no agreement or the agreement is unclear, the ownership belongs to the shipbuilder.

Section 2 — Mortgage of Ships

Article 11 — "Mortgage of a ship" means the right enjoyed by the mortgagee, in accordance with the law, to be satisfied first out of the ship provided by the mortgagor as security for a debt, where the debtor fails to perform the debt when due or where any circumstance agreed upon by the parties for the realization of the mortgage arises.

Article 12 — A ship mortgage may be created by the shipowner or a person authorized by the shipowner.

The creation of a ship mortgage shall be made in writing.

Article 13 — The creation, modification, transfer and extinction of a ship mortgage shall be registered with the ship registration authority; until registered, it may not be asserted against a bona fide third party.

The registration of a ship mortgage shall be effected jointly by the mortgagee and the mortgagor with the ship registration authority.

The registration of a ship mortgage shall include the following main particulars:

(1) the names and domiciles of the mortgagee and the mortgagor of the ship;

(2) the name and nationality of the mortgaged ship, and the authority issuing the certificate of ownership of the ship and the number of the certificate;

(3) the amount of the debt secured and the time limit for its satisfaction; and

(4) the time of registration of the mortgage.

The registration status of a ship mortgage shall be open to public inquiry.

Article 14 — A mortgage may be created on a ship under construction.

Where a mortgage is registered on a ship under construction, the relevant documents shall be submitted to the ship registration authority in accordance with the relevant provisions.

Article 15 — Unless otherwise agreed in the contract, the mortgagor shall insure the mortgaged ship; where the ship is not insured, the mortgagee is entitled to insure the ship, and the insurance premium shall be borne by the mortgagor.

Article 16 — Unless otherwise agreed by the co-owners of a ship, where a mortgage is created on a jointly owned ship, it shall be dealt with under the following circumstances:

(1) where the ship is owned in severalty, the consent of the co-owners holding two-thirds or more of the shares shall be obtained;

(2) where the ship is jointly owned, the consent of all the co-owners shall be obtained.

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A mortgage created by the co-owners of a ship shall not be affected by the partition of the co-ownership of the ship.

Article 17 — After a ship mortgage has been created, the mortgagor may transfer the mortgaged ship. Where the parties have agreed otherwise, their agreement shall prevail. Where the mortgaged ship is transferred, the ship mortgage shall not be affected.

Article 18 — Where the claim secured by a ship mortgage is assigned, the mortgage shall be assigned together therewith, unless otherwise provided by law or agreed by the parties.

Article 19 — Where two or more mortgages are created on the same ship, the order of satisfaction shall be determined under the following circumstances:

(1) where the ship mortgages are registered, satisfaction shall be made in the order of the time of registration;

(2) a registered ship mortgage shall be satisfied before an unregistered one;

(3) where the ship mortgages are unregistered, satisfaction shall be made in proportion to the claims secured.

Article 20 — Where the mortgaged ship is damaged, lost or expropriated, the mortgagee is entitled to be satisfied first out of the insurance proceeds, compensation or other payments obtained.

Section 3 — Maritime Liens

Article 21 — "Maritime lien" means the right of a maritime claimant, in accordance with this Law, to lodge a maritime claim against the shipowner, bareboat charterer, ship manager or ship operator and to be satisfied first out of the ship against which the maritime claim arose.

Article 22 — The following maritime claims shall have maritime liens:

(1) claims for wages, other labour remuneration, repatriation expenses and social insurance expenses of the master, crew members and other persons on duty on board arising from their work on board the ship;

(2) claims for compensation for personal injury or death occurring in the operation of the ship;

(3) claims for payment of ship's tonnage dues, pilotage dues and other port charges;

(4) claims for payment of salvage remuneration;

(5) claims for compensation for property damage arising from tortious acts in the operation of the ship, excluding claims for compensation for the loss of or damage to the cargo, containers and passengers' luggage carried on board the ship.

Where civil liability insurance has been obtained or corresponding financial security has been provided in accordance with the mandatory provisions of an international treaty to which the People's Republic of China is a party or acceding, or of laws and administrative regulations, the maritime claims specified in items (2) and (5) of the preceding paragraph shall not have maritime liens within the scope of such insurance or financial security.

Article 23 — The maritime claims listed in paragraph 1 of Article 22 of this Law shall be satisfied in the order listed. However, a maritime claim specified in item (4), which arises later than those specified in items (1) to (3), shall be satisfied before those specified in items (1) to (3).

Where there are two or more maritime claims specified in items (1), (2), (3) and (5) of paragraph 1 of Article 22 of this Law, they shall be satisfied concurrently without regard to their order, and where the proceeds are insufficient for satisfaction in full, they shall be satisfied in proportion. Where there are two or more maritime claims specified in item (4), the claim arising later shall be satisfied first.

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Article 24 — The litigation expenses incurred in exercising a maritime lien, the expenses incurred in preserving, auctioning or selling the ship and distributing the proceeds of the ship, and other expenses paid for the common interests of the maritime claimants shall be paid first out of the proceeds from the auction or sale of the ship.

Article 25 — A maritime lien shall not be extinguished by the transfer of ownership of the ship. However, where the ship is transferred and the maritime lien has not been exercised within 60 days from the date of the court's public announcement made at the request of the transferee, the maritime lien shall be extinguished.

Article 26 — Where a maritime claim with a maritime lien as provided in Article 22 of this Law is assigned or subrogated, the maritime lien shall be transferred together therewith.

Article 27 — A maritime lien shall be exercised by the arrest of the ship by a court against which the lien arose.

Article 28 — Except for the circumstances specified in Article 25 of this Law, a maritime lien shall be extinguished for any of the following reasons:

(1) it has not been exercised within one year from the date of its creation;

(2) the ship has been auctioned or sold by a court in accordance with the law; or

(3) the ship has been lost.

The one-year period specified in item (1) of the preceding paragraph shall not be suspended or interrupted.

The one-year period of the maritime lien attached to the maritime claim specified in item (1) of paragraph 1 of Article 22 of this Law shall be calculated from the date on which the maritime claimant leaves the ship on which he served.

Article 29 — The provisions of this Section shall not affect the implementation of the provisions of Chapter XI of this Law concerning the limitation of liability for maritime claims.

Section 4 — Possessory Liens on Ships

Article 30 — "Possessory lien on a ship" means the right of the shipbuilder or ship repairer, where the other party to the contract fails to pay the shipbuilding or ship repair expenses as agreed, to retain the ship already lawfully in his possession and to be satisfied first out of that ship.

A possessory lien on a ship shall be extinguished when the shipbuilder or ship repairer no longer possesses the ship built or repaired.

A possessory lien on a ship shall be satisfied after a ship mortgage but before a maritime lien.

Article 31 — Unless otherwise agreed, where the debtor still fails to perform his obligation after the shipbuilder or ship repairer has retained the ship for 60 days, the shipbuilder or ship repairer may agree with the debtor to offset the debt against the retained ship, or may be satisfied first out of the proceeds from the auction or sale of the retained ship.

Article 32 — During the period of retention, where the ship is arrested and auctioned or sold by a court, the right of the holder of the possessory lien on the ship to be satisfied first shall not be affected.

Chapter III — Crew

Section 1 — General Provisions

Article 33 — "Crew" means all persons serving on board a ship, including the master.

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Article 34 — Crew members of Chinese nationality shall obtain the corresponding certificates of competency and health certificates for crew members in accordance with the provisions of the laws and administrative regulations concerning crew administration.

Where crew members of foreign nationality serve on board a ship of Chinese nationality, the provisions of the laws and administrative regulations concerning crew administration shall apply.

Article 35 — Crew members of Chinese nationality serving on ships engaged in international voyages shall hold seaman's books and the relevant certificates issued by the maritime safety administration of the People's Republic of China in accordance with the law.

Article 36 — The employer of the crew shall conclude labour contracts with the crew in accordance with the relevant laws and administrative regulations and the provisions of the international treaties concerning crew labour and social security to which the People's Republic of China is a party or acceding.

With respect to the engagement of crew and the rights and obligations in respect of crew labour and social security, where this Law contains no provision, the provisions of the relevant laws and administrative regulations shall apply.

Section 2 — Master

Article 37 — The master shall be responsible for the management and command of the ship.

Orders issued by the master within the scope of his authority shall be carried out by the crew, passengers and other persons on board.

The master shall take necessary measures to protect the ship and the persons, documents, mails, cargo and other property on board, and to prevent the pollution of the ecological environment by the ship.

Article 38 — For the purpose of safeguarding the safety of the persons on board and the ship, the master is entitled to confine or take other necessary measures against persons on board who are suspected of engaging in criminal or unlawful activities, and to prevent them from concealing, destroying or fabricating evidence.

Where the master takes the measures specified in the preceding paragraph, he shall prepare a report on the circumstances of the case, signed by the master and two or more persons on board, and hand it over, together with the persons suspected of engaging in criminal or unlawful activities, to the relevant authority for handling.

Article 39 — The master shall record the occurrence of a birth or death on board in the log book and prepare a certificate in the presence of two witnesses. A death certificate shall be accompanied by a list of the belongings of the deceased. Where the deceased has a will, the master shall certify it. The death certificate and the will shall be kept by the master and handed over to the family members of the deceased or the relevant parties.

Article 40 — Where a maritime accident occurs and the safety of the persons and property on board is endangered, the master shall organize the crew and other persons on board to render assistance with all efforts. Where the sinking or destruction of the ship is inevitable, the master is entitled to make the decision to abandon ship.

When abandoning ship, the master shall take all measures to organize the passengers to leave the ship safely first, then arrange for the crew to leave the ship, and the master shall be the last to leave the ship. Before leaving the ship, the master shall direct the crew to make all efforts to rescue the log book, engine log book, oil record book, radio log book, charts and documents used during the voyage, as well as valuables, mails and cash, and direct the crew to close the oil tank valves and other equipment so as to prevent or reduce pollution.

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Article 41 — The responsibility of the master for the management and command of the ship shall not be discharged by the pilotage of the ship by a pilot.

Article 42 — Where the master dies during the voyage or is unable to perform his duties for any reason, the deck officer holding the highest rank shall act as master. Before the ship sails from the next port, the shipowner, ship operator or ship manager shall designate a new master to take over.

Chapter IV — Contract of Carriage of Goods by Sea

Section 1 — General Provisions

Article 43 — A "contract of carriage of goods by sea" means a contract under which the carrier, for the freight collected, is responsible for carrying the goods consigned by the shipper by sea from one port to another, including contracts for the international carriage of goods by sea and contracts for the domestic carriage of goods by sea between ports of the People's Republic of China.

Article 44 — The following terms used in this Chapter shall have the following meanings:

(1) "Carrier" means the person who, by himself or through another person acting on his behalf, concludes a contract of carriage of goods by sea with the shipper.

(2) "Actual carrier" means the person to whom the performance of the whole or part of the carrier's obligations specified in Article 49 of this Law has been entrusted by the carrier or sub-entrusted, and who actually performs such obligations.

(3) "Shipper" means:

a. the person who, by himself or through another person acting on his behalf, or by entrusting another person on his behalf, concludes a contract of carriage of goods by sea with the carrier; or

b. the person who, by himself or through another person acting on his behalf, or by entrusting another person on his behalf, delivers the goods to the carrier in connection with the contract of carriage of goods by sea.

(4) "Consignee" means the person entitled to take delivery of the goods.

(5) "Goods" includes live animals and containers, pallets, vehicles or similar articles of transport supplied by the shipper for consolidating the goods.

(6) "Transport document" means a bill of lading, sea waybill or other document evidencing the contract of carriage of goods by sea and the receipt or loading of the goods by the carrier.

(7) "Bill of lading" means a document which evidences the contract of carriage of goods by sea and the receipt or loading of the goods by the carrier, and against which the carrier undertakes to deliver the goods.

Article 45 — Clauses in a contract of carriage of goods by sea and in a bill of lading or other transport document evidencing the contract that violate the provisions of this Chapter, and clauses assigning the benefit of insurance of the goods to the carrier or similar clauses, shall be null and void. The nullity of such clauses shall not affect the validity of the other clauses of the contract, bill of lading or other transport document.

Article 46 — The provisions of Article 45 of this Law shall not affect the carrier's addition to his responsibilities and obligations beyond those specified in this Chapter.

Section 2 — Responsibilities of the Carrier

Article 47 — The period of responsibility of the carrier with respect to the carriage of goods in containers commences from the time the goods are received at the port of loading and terminates at the time the goods are delivered at the port of discharge, during the whole period in which the goods are in the charge of the carrier. The period of responsibility of the carrier with respect to the carriage of goods not in containers

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commences from the time the goods are loaded on board the ship and terminates at the time the goods are discharged from the ship, during the whole period in which the goods are in the charge of the carrier. During the period of responsibility of the carrier, where the goods are lost or damaged, the carrier shall be liable for compensation, unless otherwise provided in this Section.

The provisions of the preceding paragraph shall not affect the conclusion by the carrier of any agreement concerning the liability for goods not in containers before loading and after discharge.

Article 48 — The carrier shall, before and at the beginning of the voyage, exercise due diligence to make the ship seaworthy, properly man, equip and supply the ship, and make the holds, and all other parts of the ship in which goods are carried, and any containers supplied by the carrier in which goods are carried, fit and safe for the reception, carriage and preservation of the goods.

The carrier engaged in the domestic carriage of goods by sea shall also exercise the obligations specified in the preceding paragraph during the voyage.

Article 49 — The carrier shall properly and carefully receive, load, handle, stow, carry, keep, care for, discharge and deliver the goods carried.

Article 50 — The carrier shall carry the goods to the port of discharge on the agreed, customary or geographically direct route.

Any deviation of the ship in the sea or other navigable waters connected with the sea for the purpose of saving or attempting to save life or property, or any other reasonable deviation, shall not be deemed an act violating the provisions of the preceding paragraph.

Article 51 — Where the goods are not delivered at the agreed port of discharge within the expressly agreed period, delay in delivery shall be constituted; in the domestic carriage of goods by sea, where the goods are not delivered within a reasonable period, delay in delivery shall also be constituted.

Except for the circumstances under which the carrier is not liable for compensation in accordance with the provisions of this Chapter, where the goods are lost, damaged or otherwise economically impaired by reason of delay in delivery due to the fault of the carrier, the carrier shall be liable for compensation.

Where the carrier fails to deliver the goods within 60 days after the expiration of the period specified in paragraph 1 of this Article, any person entitled to claim compensation for the loss of the goods may deem the goods to have been lost.

Article 52 — The carrier shall not be liable for compensation where the loss of or damage to the goods, or the delay in delivery, occurring during the period of responsibility is caused by any of the following:

(1) the fault of the master, crew members, pilot or other servants of the carrier in the navigation or management of the ship;

(2) fire on board the ship, unless caused by the fault of the carrier himself;

(3) natural disasters, perils, dangers or accidents of the sea or other navigable waters connected with the sea;

(4) war or armed conflict, piracy or terrorist activities;

(5) acts of the government or competent authorities, quarantine restrictions, or judicial arrest not caused by the carrier, the actual carrier or their servants or agents;

(6) strikes, stoppages or restraints of labour;

(7) saving or attempting to save life or property at sea or in other navigable waters connected with the sea;

(8) acts of the shipper, the owner of the goods, the consignee or their servants or agents;

(9) the natural characteristics or inherent defects of the goods;

(10) inadequacy of packing or insufficiency or illegibility of marks of the goods;

(11) latent defects of the ship not discoverable by due diligence; or

(12) other causes not attributable to the fault of the carrier, the actual carrier or their servants or agents.

Items (1) and (2) of the preceding paragraph shall not apply to the domestic carriage of goods by sea.

Where the carrier claims exemption from liability in accordance with paragraph 1 of this Article, he shall bear the burden of proof, except for the cause specified in item (2).

Article 53 — The carrier shall not be liable for compensation where the loss of or damage to live animals or delay in delivery is caused by the special risks inherent in the carriage of live animals. However, the carrier shall prove that he has fulfilled the special requirements of the shipper with regard to the carriage of live animals, and that, according to the actual circumstances, the loss, damage or delay in delivery was caused by the special risks inherent in the carriage of live animals.

Article 54 — Where the carrier carries goods on deck, he shall reach an agreement with the shipper, or conform to the shipping customs, or comply with the provisions of the relevant laws and administrative regulations.

Where the carrier loads the goods on deck in accordance with the preceding paragraph, he shall not be liable for compensation for the loss of or damage to the goods or delay in delivery caused by the special risks of such carriage.

Where the carrier agrees with the shipper to carry goods on deck, the agreement shall be stated in the bill of lading; if it is not so stated, it may not be asserted against a bona fide third party.

Article 55 — Where the loss of or damage to the goods, or delay in delivery, is caused jointly by causes for which the carrier cannot be exempted from liability and other causes, the carrier shall be liable for compensation only to the extent that he cannot be exempted from liability; however, the carrier shall bear the burden of proof with respect to the loss of or damage to the goods or delay in delivery caused by the other causes.

Article 56 — The amount of compensation for the loss of the goods shall be calculated on the basis of the actual value of the goods; the amount of compensation for damage to the goods shall be calculated on the basis of the difference between the actual values before and after the damage, or the reasonable costs of repairing the goods.

The actual value of the goods shall be calculated on the basis of the market price at the place of delivery; where the market price at the place of delivery cannot be determined, it shall be calculated on the basis of the value of the goods at the time of loading plus insurance and freight.

In calculating the actual value of the goods as specified in the preceding paragraph, the expenses saved or exempted by reason of the loss of or damage to the goods shall be deducted at the time of compensation.

Article 57 — The limit of liability of the carrier for the loss of or damage to the goods shall be calculated on the basis of the number of packages or other shipping units, at 666.67 units of account per package or other shipping unit, or on the basis of the gross weight of the goods at 2 units of account per kilogram, whichever is higher. However, this shall not apply where the shipper has declared, before shipment, the nature and value of the goods and stated them in the bill of lading, or where the carrier and the shipper have separately agreed on a limit of liability higher than that specified in this Article.

Where the goods are consolidated in a container, pallet, vehicle or similar article of transport, the number of packages or other shipping units stated in the bill of lading as packed in such article of transport shall be deemed the number of packages or other shipping units specified in the preceding paragraph; where not so

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stated, each such article of transport shall be deemed one package or one other shipping unit.

Where the article of transport is not owned by or supplied by the carrier, the article of transport itself shall be deemed one package or one other shipping unit.

Article 58 — The limit of liability of the carrier for the economic loss caused by delay in delivery of the goods shall be the amount of the freight for the goods delayed. Where the loss of or damage to the goods and the delay in delivery occur simultaneously, the limit of liability of the carrier shall apply in accordance with the limit specified in paragraph 1 of Article 57 of this Law.

Article 59 — Any claim for compensation brought against the carrier by litigation, arbitration or other means in respect of the loss of or damage to the goods or delay in delivery involved in a contract of carriage of goods by sea shall be subject to the provisions of this Chapter concerning the defences and the limitation of liability of the carrier, regardless of whether the maritime claimant is a party to the contract and whether the claim is based on contract or on tort.

Where a claim as specified in the preceding paragraph is brought against a servant or agent of the carrier, and the servant or agent proves that he acted within the scope of his employment or mandate, the provisions of the preceding paragraph shall apply.

Article 60 — Where it is proved that the loss of or damage to the goods, or delay in delivery, was caused by the carrier's act or omission done with intent to cause such loss or damage or delay, or recklessly and with knowledge that such loss, damage or delay would probably result, the carrier shall not be entitled to invoke the provisions of Article 57 or Article 58 of this Law limiting his liability.

Where it is proved that the loss of or damage to the goods, or delay in delivery, was caused by the act or omission of a servant or agent of the carrier done with intent to cause such loss or damage or delay, or recklessly and with knowledge that such loss, damage or delay would probably result, the servant or agent of the carrier shall not be entitled to invoke the provisions of Article 57 or Article 58 of this Law limiting liability.

Article 61 — Where the carrier entrusts the performance of the carriage of the goods or part of the carriage to an actual carrier, the carrier shall remain responsible for the whole carriage in accordance with the provisions of this Chapter. With respect to the carriage performed by the actual carrier, the carrier shall be responsible for the acts of the actual carrier and of the servants or agents of the actual carrier within the scope of their employment or mandate.

Notwithstanding the provisions of the preceding paragraph, where a contract of carriage of goods by sea expressly stipulates that a specified part of the carriage covered by the contract is to be performed by a designated actual carrier other than the carrier, the contract may simultaneously stipulate that the carrier shall not be liable for compensation for the loss of or damage to the goods or delay in delivery occurring while the goods are in the charge of the designated actual carrier. However, such stipulation shall be stated in the bill of lading; if it is not so stated, it may not be asserted against a bona fide third party.

Article 62 — The provisions of this Chapter concerning the responsibility of the carrier shall apply to the actual carrier. Where a claim for compensation is brought against the servants or agents of the actual carrier, the provisions of paragraph 2 of Article 59 and paragraph 2 of Article 60 of this Law shall apply.

Article 63 — Any special agreement under which the carrier assumes obligations not provided for in this Chapter or waives rights conferred by this Chapter shall be effective against the actual carrier only where the actual carrier expressly agrees to it in writing; whether the actual carrier agrees shall not affect the validity of such special agreement against the carrier.

Article 64 — Where both the carrier and the actual carrier are liable for compensation, they shall be jointly and severally liable within the scope of such liability.

Article 65 — Where claims for compensation are brought separately against the carrier, the actual carrier and their servants and agents in respect of the loss of or damage to the goods or delay in delivery, the total amount of compensation shall not exceed the limits specified in Article 57 or Article 58 of this Law.

Article 66 — The provisions of Articles 61 to 65 of this Law shall not affect the mutual recourse between the carrier and the actual carrier.

Section 3 — Responsibilities of the Shipper

Article 67 — The shipper shall deliver the goods to the carrier for carriage in accordance with the contract of carriage of goods by sea, and guarantee that the goods delivered for carriage are fit for the agreed carriage.

Article 68 — The shipper shall properly pack the goods to be shipped, and guarantee to the carrier the accuracy of the description, marks, number of packages or pieces, and weight or volume of the goods supplied at the time of loading; where the carrier suffers losses due to inadequacy of packing or inaccuracy of the aforesaid particulars, the shipper shall be liable for compensation.

The right of the carrier to be compensated as specified in the preceding paragraph shall not affect his liability under the contract of carriage of goods by sea to persons other than the shipper.

Article 69 — The shipper shall complete, in good time, all formalities required for the carriage of the goods with the port, customs and other competent authorities, and deliver the documents evidencing the completion of such formalities to the carrier; where the interests of the carrier are impaired because the formalities are not completed in good time, completely or accurately, the shipper shall be liable for compensation.

Article 70 — Where the shipper ships dangerous goods, he shall properly pack them in accordance with the provisions on the carriage of dangerous goods by sea, affix danger marks and labels, and notify the carrier in writing of the formal name and nature of the goods and the preventive measures and emergency measures to be taken; where the shipper fails to give such notice or gives inaccurate notice, the carrier may, at any time and place, discharge, destroy or render innocuous the goods as the circumstances may require, without liability for compensation. The shipper shall be liable for compensation for the damage suffered by the carrier as a result of carrying such goods.

Where the carrier knows the nature of the dangerous goods and has agreed to carry them, he may still discharge, destroy or render innocuous the goods when they constitute an actual danger to the ship, the persons or other goods, without liability for compensation. However, the provisions of this paragraph shall not affect the contribution in general average.

Article 71 — The shipper shall pay the freight to the carrier as agreed.

The shipper and the carrier may agree that the freight shall be paid by the consignee; however, such agreement shall be stated in the transport document.

Article 72 — The shipper shall not be liable for compensation for the losses suffered by the carrier or the actual carrier, or the damage to the ship, unless such losses or damage are caused by the fault of the shipper or his servants or agents.

The servants or agents of the shipper shall not be liable for compensation for the losses suffered by the carrier or the actual carrier, or the damage to the ship, unless such losses or damage are caused by their fault.

Section 4 — Transport Documents

Article 73 — After the goods have been received or loaded by the carrier, the carrier shall, at the request of the shipper, issue a bill of lading. A bill of lading may be issued by a person authorized by the carrier; a bill of lading issued by the master of the ship carrying the goods shall be deemed to have been issued on behalf of

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the carrier.

Article 74 — The contents of a bill of lading shall include the following particulars:

(1) the description, marks, number of packages or pieces, weight or volume of the goods, and a statement of the dangerous nature of the goods when dangerous goods are carried;

(2) the name and principal place of business of the carrier;

(3) the name of the ship;

(4) the name of the shipper;

(5) the name of the consignee or instructions regarding the consignee;

(6) the port of loading;

(7) the port of discharge;

(8) the place of receipt and the place of delivery of the goods, where a multimodal transport bill of lading is issued;

(9) the date, place of issue and number of copies of the bill of lading;

(10) the payment of freight; and

(11) the signature of the carrier or his representative.

The absence of one or more particulars specified in the preceding paragraph shall not affect the nature of the bill of lading; however, the bill of lading shall conform to the provisions of item (7) of Article 44 of this Law.

Article 75 — Where, before the goods are loaded, the carrier has, at the request of the shipper, issued a received-for-shipment bill of lading or other document, the shipper may, after the loading of the goods is completed, return the received-for-shipment bill of lading or other document to the carrier in exchange for a shipped bill of lading; the carrier may also endorse on the received-for-shipment bill of lading the name of the ship and the date of loading, and the endorsed received-for-shipment bill of lading shall be deemed a shipped bill of lading.

Article 76 — Where the carrier or the person issuing the bill of lading on his behalf knows or has reasonable grounds to suspect that the description, marks, number of packages or pieces, weight or volume of the goods stated in the bill of lading does not conform to the goods actually received, or, in the case of a shipped bill of lading, does not conform to the goods loaded, or where there is no appropriate means of checking the particulars stated in the bill of lading, he may make a note in the bill of lading stating the discrepancy, the grounds for suspicion or the inability to check.

Article 77 — Where the carrier or the person issuing the bill of lading on his behalf has not noted in the bill of lading the apparent condition of the goods, the apparent condition of the goods shall be deemed to be in good order.

Article 78 — Except for a note made in accordance with the provisions of Article 76 of this Law, the bill of lading issued by the carrier or the person issuing the bill of lading on his behalf shall be prima facie evidence that the carrier has received the goods as described in the bill of lading or that the goods have been loaded; evidence to the contrary adduced by the carrier against a bona fide third party, including the consignee, that the condition of the goods differs from that stated in the bill of lading shall not be admitted.

Article 79 — The rights and obligations between the carrier and the consignee or the holder of the bill of lading shall be determined in accordance with the bill of lading. Where no bill of lading has been issued, the relevant provisions of this Chapter shall apply to the rights and obligations between the carrier and the consignee.

The consignee and the holder of the bill of lading shall not bear the demurrage, dead freight and other expenses related to loading incurred at the port of loading, unless the bill of lading expressly states that such expenses shall be borne by the consignee or the holder of the bill of lading.

Article 80 — A straight bill of lading shall not be transferable.

An order bill of lading shall be transferred by endorsement, either in blank or to a named person.

A bearer bill of lading shall be transferable without endorsement.

Article 81 — Where the carrier issues a document other than a bill of lading as evidence of the receipt of the goods to be shipped, such document shall be prima facie evidence of the conclusion of the contract of carriage of goods by sea and the receipt by the carrier of the goods listed in the document.

Such documents issued by the carrier shall not be transferable.

Section 5 — Electronic Transport Records

Article 82 — An "electronic transport record" means information issued by the carrier by electronic communication in accordance with the contract of carriage of goods by sea, evidencing the contract of carriage of goods by sea and the receipt or loading of the goods by the carrier, including negotiable electronic transport records and non-negotiable electronic transport records.

An electronic transport record that satisfies the conditions prescribed by laws and administrative regulations shall have the same effect as a transport document. The legal effect of an electronic transport record shall not be denied solely because it is in electronic form.

The provisions of this Law concerning transport documents shall apply to electronic transport records.

Article 83 — The carrier and the shipper may, by agreement, issue and use electronic transport records.

Article 84 — An electronic transport record shall satisfy the following requirements:

(1) the recorded information includes the relevant contents specified in Article 74 of this Law and is accessible for reference;

(2) the recorded information is complete and accurate;

(3) the issuer can be identified; and

(4) the holder is able to prove his identity.

Article 85 — In addition to satisfying the provisions of Article 84 of this Law, a negotiable electronic transport record shall include information on negotiability and the procedure for transfer.

A negotiable electronic transport record shall adopt a reliable method or be effected through a reliable trading system so as to ensure the singularity and integrity of the record and guarantee the holder's exclusive control over the record.

The transfer and exclusive control of a negotiable electronic transport record, the manner of conversion of the form of the record, and the criteria for determining a reliable method or trading system shall be separately formulated by the national cyberspace administration authority in conjunction with the competent transport authority of the State Council.

Article 86 — Upon agreement between the carrier and the shipper or the holder of the transport document, an electronic transport record and a transport document may be converted into each other.

Where an electronic transport record and a transport document are converted into each other, the explanatory information on the conversion shall be noted, and the consistency of the recorded content before and after conversion shall be guaranteed. The conversion of the form of the document shall not alter the rights and obligations of the parties.

After the conversion between an electronic transport record and a transport document is completed, the original transport document or electronic transport record shall cease to be effective immediately.

Section 6 — Delivery of Goods

Article 87 — The carrier shall deliver the goods in accordance with the following provisions:

(1) where a straight bill of lading has been issued, delivery shall be made against the bill of lading to the named consignee;

(2) where an order bill of lading has been issued, delivery shall be made against the bill of lading to the endorsee of the bill of lading;

(3) where a bearer bill of lading has been issued, or an order bill of lading endorsed in blank has been issued, delivery shall be made against the bill of lading to the holder of the bill of lading;

(4) where a negotiable electronic transport record has been issued, delivery shall be made to the holder of the electronic transport record;

(5) in other circumstances, delivery shall be made to the consignee against the consignee's identification.

Article 88 — When the carrier delivers the goods to the consignee, the consignee shall notify the carrier in writing of the loss of or damage to the goods; where no such notice is given, the delivery shall be deemed prima facie evidence that the carrier has delivered the goods as described in the transport document and that the goods were in good condition.

Where the loss of or damage to the goods is not apparent, the consignee shall submit a written notice to the carrier within seven consecutive days from the day after the delivery of non-containerized goods, or within fifteen consecutive days from the day after the delivery of containerized goods; where no such notice is submitted, the provisions of the preceding paragraph shall apply.

Where, at the time of delivery, the consignee has jointly inspected or examined the goods with the carrier, no written notice need be submitted with respect to the loss of or damage to the goods so ascertained.

Article 89 — Where the carrier has not received, within 60 consecutive days from the day after the delivery of the goods to the consignee, any written notice from the consignee in respect of the economic loss caused by the delay in delivery of the goods, the carrier shall not be liable for compensation.

Article 90 — Before the consignee takes delivery of the goods at the port of destination, or before the carrier delivers the goods at the port of destination, either party may request a survey agency to survey the condition of the goods; the party requesting the survey shall pay the survey expenses, but is entitled to recover them from the party liable for the loss of the goods.

Article 91 — The carrier and the consignee shall provide each other with reasonable facilities for the survey specified in Articles 88 and 90 of this Law.

Article 92 — Where the goods are delivered by the actual carrier, the written notice submitted by the consignee to the actual carrier in accordance with the provisions of Article 88 of this Law shall have the same effect as a notice submitted to the carrier; and a notice submitted to the carrier shall have the same effect as a notice submitted to the actual carrier.

Article 93 — Where no one takes delivery of the goods at the port of discharge, the master may discharge the goods into a warehouse or other appropriate place, and the expenses and risks arising therefrom shall be borne by the shipper; however, the shipper shall be notified in good time.

Where the consignee has exercised the rights under the contract of carriage of goods by sea but delays or refuses to take delivery of the goods, the master may deal with the goods in accordance with the provisions of the preceding paragraph, and the expenses and risks arising therefrom shall be borne by the consignee.

Article 94 — Where the freight, general average contribution, demurrage, necessary expenses advanced by the carrier for the goods and other expenses payable to the carrier have not been paid in full, and no appropriate security has been provided, the carrier may retain the corresponding goods.

Where the transport document states that the freight is prepaid or contains a statement of similar nature, the carrier shall not retain the goods on the ground that the freight has not been paid, unless the consignee is the shipper.

Article 95 — Where the goods retained by the carrier in accordance with the provisions of Article 94 of this Law have not been taken delivery of within 60 days from the day after the ship's arrival at the port of discharge, the carrier may apply to the court for auction; where the goods are perishable or the expenses for keeping the goods plus the expenses payable to the carrier may exceed the value of the goods, the carrier may apply for an earlier auction.

The proceeds from the auction shall be used to pay off the expenses for keeping and auctioning the goods, the freight and other relevant expenses payable to the carrier; where the proceeds are insufficient, the carrier is entitled to recover the shortfall from the shipper; where there is a surplus, it shall be refunded to the shipper; where it cannot be refunded and no one claims it within one year from the date of the auction, it shall belong to the state.

Section 7 — Modification and Rescission of Contracts

Article 96 — During the period of responsibility of the carrier, the shipper may notify the carrier in writing to suspend the carriage, return the goods, change the port of discharge or deliver the goods to another consignee, but shall compensate the carrier for the losses suffered thereby.

The carrier may refuse the shipper's request under any of the following circumstances, but shall immediately notify the shipper:

(1) the carrier is unable to satisfy the shipper's request due to objective conditions, or satisfying such request would affect the normal operation of the carrier;

(2) the carrier anticipates that satisfying the shipper's request will incur additional expenses or cause economic loss to the carrier, and requests the shipper to provide corresponding security, but the shipper fails to provide such security; or

(3) the shipper fails to produce the transport document issued as required by the carrier.

Article 97 — Before the ship sails from the port of loading, the shipper may request the rescission of the contract. However, unless otherwise agreed in the contract, the shipper shall pay the carrier one half of the agreed freight; where the goods have already been loaded, the shipper shall also bear the expenses of loading, discharge and other related expenses.

Article 98 — Where, before the ship sails from the port of loading, the contract cannot be performed due to force majeure or other causes not attributable to the carrier or the shipper, either party may rescind the contract, and neither party shall be liable for compensation. Unless otherwise agreed in the contract, where the freight has been paid, the carrier shall refund the freight to the shipper; where the goods have already been loaded, the shipper shall bear the loading and discharging expenses; where a transport document has already been issued, the shipper shall return the transport document to the carrier.

Article 99 — Where, due to force majeure or other causes not attributable to the carrier or the shipper, the ship is unable to discharge the goods at the port of destination agreed in the contract, the master is entitled, unless otherwise agreed in the contract, to discharge the goods at a safe port or place adjacent to the port of destination, which shall be deemed performance of the contract.

Where the master decides to discharge the goods, he shall notify the shipper or the consignee in good time, and take into account the interests of the shipper or the consignee.

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Section 8 — Special Provisions for Multimodal Transport Contracts

Article 100 — A "multimodal transport contract" as referred to in this Law means a contract under which the multimodal transport operator, using two or more different modes of transport including sea transport, is responsible for carrying the goods from the place of receipt to the destination and delivering them to the consignee, and for which he collects the freight for the whole carriage.

The "multimodal transport operator" as referred to in the preceding paragraph means the person who, by himself or through another person acting on his behalf, concludes a multimodal transport contract with the shipper.

Article 101 — The period of responsibility of the multimodal transport operator with respect to the goods under multimodal transport commences from the time of receipt of the goods and terminates at the time of delivery of the goods.

Article 102 — The multimodal transport operator shall be responsible for the performance or the organization of the performance of the multimodal transport contract, and shall be responsible for the whole carriage.

The multimodal transport operator and the carriers of the various sections participating in the multimodal transport may agree among themselves, by separate contracts, on their respective responsibilities with respect to the carriage of each section; however, such contracts shall not affect the responsibility of the multimodal transport operator for the whole carriage.

Article 103 — Where the loss of or damage to the goods, or delay in delivery, occurred in a particular section of the multimodal transport, the liability, the limit of liability and the limitation period of the multimodal transport operator shall be determined in accordance with the relevant laws governing that section of the mode of transport.

Article 104 — Where the section of transport in which the loss of or damage to the goods, or delay in delivery, occurred cannot be determined, the multimodal transport operator shall be liable for compensation in accordance with the provisions of this Chapter concerning the liability and the limit of liability of the carrier and the provisions of this Law concerning limitation of time.

Chapter V — Contract of Carriage of Passengers by Sea

Article 105 — A "contract of carriage of passengers by sea" means a contract under which the carrier carries passengers and their luggage by sea on passenger ships, cruise ships or other suitable ships, and the passengers pay the fares.

Article 106 — The following terms used in this Chapter shall have the following meanings:

(1) "Carrier" means the person who, by himself or through another person acting on his behalf, concludes a contract of carriage of passengers by sea with the passengers.

(2) "Actual carrier" means the person to whom the performance of the whole or part of the carriage of the passengers and their luggage has been entrusted or sub-entrusted by the carrier, and who performs such carriage.

(3) "Passenger" means a person carried under a contract of carriage of passengers by sea; a person accompanying goods on board under a contract of carriage of goods by sea with the consent of the carrier shall be deemed a passenger.

(4) "Luggage" means any article or vehicle carried by the carrier under a contract of carriage of passengers by sea, excluding live animals.

(5) "Cabin luggage" means luggage carried, kept or placed in the cabin by the passenger himself.

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Article 107 — The passenger ticket is evidence of the conclusion of a contract of carriage of passengers by sea.

Article 108 — A clause of a contract of carriage of passengers by sea shall be null and void if it contains any of the following:

(1) exemption of the carrier from the statutory liability owed to the passenger;

(2) reduction of the limit of liability of the carrier specified in this Chapter;

(3) an agreement contrary to the provisions of this Chapter on the burden of proof; or

(4) restriction of the right of the passenger to bring a claim for compensation.

The nullity of such contract clause as specified in the preceding paragraph shall not affect the validity of the other clauses of the contract.

Article 109 — The period of carriage of passengers by sea commences from the time the passengers embark and terminates at the time the passengers disembark. Where the ticket fare includes the expenses of transfer, the period of carriage includes the time during which the carrier carries the passengers from the shore to the ship by water and from the ship to the shore, but excludes the time the passengers spend in port stations, on docks or in other port facilities.

The period of carriage of the passengers' cabin luggage shall be subject to the preceding paragraph. Where the cabin luggage of the passengers has been received by the carrier or his servants or agents but not yet returned to the passengers, the period of carriage includes the time the passengers spend in port stations, on docks or in other port facilities.

With respect to luggage other than cabin luggage, the period of carriage commences from the time the passengers deliver the luggage to the carrier or his servants or agents and terminates at the time the carrier or his servants or agents return it to the passengers.

Article 110 — Where a passenger travels without a ticket, in a class higher than the ticket class, beyond the ticketed distance, or with a discount ticket that does not meet the conditions for the discount, he shall make up the fare as required, and the carrier may collect an additional fare as required; where the passenger refuses to pay, the master is entitled to order him to leave the ship at an appropriate place, and the carrier is entitled to demand payment.

Article 111 — A passenger shall not carry with him, or conceal in his luggage, contraband or dangerous goods that are inflammable, explosive, poisonous, corrosive, radioactive or otherwise liable to endanger the safety of persons and property on board.

The carrier is entitled to discharge, destroy or render innocuous, or hand over to the relevant authorities, contraband or dangerous goods carried by or concealed in the luggage of the passenger, without liability for compensation.

Where a passenger violates the provisions of paragraph 1 of this Article and causes damage, he shall be liable for compensation.

Article 112 — During the period of carriage of the passengers and their luggage as specified in Article 109 of this Law, where an accident is caused by the fault of the carrier or his servants or agents within the scope of their employment or mandate, resulting in personal injury or death of the passengers or loss of or damage to their luggage, the carrier shall be liable for compensation.

The claimant shall bear the burden of proof with respect to the fault of the carrier or his servants or agents; however, the circumstances specified in paragraphs 3 and 4 of this Article are excepted.

Where the personal injury or death of the passengers or the loss of or damage to their cabin luggage or luggage carried in the passengers' vehicles is caused by the sinking, collision, stranding, explosion or fire of the ship or a defect of the ship, the carrier or his servants or agents shall be presumed to be at fault unless they adduce evidence to the contrary.

With respect to the loss of or damage to luggage other than cabin luggage and luggage carried in the passengers' vehicles, regardless of the cause of the accident, the carrier or his servants or agents shall be presumed to be at fault unless they adduce evidence to the contrary.

Article 113 — Where the carrier proves that the personal injury or death of the passengers or the loss of or damage to their luggage was caused by the negligence of the passenger himself or the joint negligence of the passenger and the carrier, the liability of the carrier for compensation may be exempted or reduced accordingly.

Where the carrier proves that the personal injury or death of the passengers or the loss of or damage to their luggage was caused by the intentional act of the passenger himself, or that the personal injury or death of the passenger was caused by the passenger's own health condition, the carrier shall not be liable for compensation.

Article 114 — The carrier shall not be liable for compensation for the loss of or damage to the passengers' money, gold, silver, jewellery, negotiable instruments or other valuables.

Where the passenger and the carrier agree to have the articles specified in the preceding paragraph kept by the carrier, the carrier shall be liable for compensation in accordance with the provisions of Article 115 of this Law; where the amount of compensation agreed in writing by the parties is higher than the limit of liability specified in Article 115 of this Law, the carrier shall be liable for compensation in accordance with the agreed amount.

Article 115 — The limit of liability of the carrier in each carriage of passengers by sea shall be applied in accordance with the following provisions:

(1) for personal injury or death of a passenger, not exceeding 175,000 units of account per passenger;

(2) for loss of or damage to the cabin luggage of a passenger, not exceeding 1,800 units of account per passenger;

(3) for loss of or damage to a passenger's vehicle, including the luggage carried therein, not exceeding 10,000 units of account per vehicle;

(4) for loss of or damage to luggage other than that specified in items (2) and (3) of this paragraph, not exceeding 2,700 units of account per passenger.

The carrier and the passenger may agree on a deductible amount in respect of the loss of the passenger's vehicle and luggage other than the vehicle. However, the deductible amount for the loss of each vehicle shall not exceed 300 units of account, and the deductible amount for the loss of luggage other than the vehicle per passenger shall not exceed 135 units of account. In calculating the amount of compensation for the loss of each vehicle or of luggage other than the vehicle per passenger, the agreed deductible amount of the carrier shall be deducted.

The carrier and the passenger may agree in writing on a limit of liability higher than that specified in paragraph 1 of this Article.

Article 116 — Where it is proved that the personal injury or death of the passengers or the loss of or damage to their luggage was caused by the carrier's act or omission done with intent to cause such loss or damage, or recklessly and with knowledge that such loss or damage would probably result, the carrier shall not be entitled to invoke the provisions of Articles 114 and 115 of this Law limiting his liability.

Where it is proved that the personal injury or death of the passengers or the loss of or damage to their luggage was caused by the act or omission of a servant or agent of the carrier done with intent to cause such loss or damage, or recklessly and with knowledge that such loss or damage would probably result, the servant or agent of the carrier shall not be entitled to invoke the provisions of Articles 114 and 115 of this Law limiting liability.

Article 117 — Where the luggage is obviously damaged, the passenger shall submit a written notice to the carrier or his servants or agents in accordance with the following provisions:

(1) with respect to cabin luggage and luggage carried in the passenger's vehicle, the notice shall be submitted before or at the time the passenger leaves the ship;

(2) with respect to other luggage, the notice shall be submitted before or at the time the luggage is returned.

Where the damage to the luggage is not obvious and it is difficult for the passenger to discover it at the time of leaving the ship or at the time the luggage is returned, and where the luggage is lost, the passenger shall submit a written notice to the carrier or his servants or agents within fifteen days from the date of leaving the ship or from the date on which the luggage is returned or should have been returned.

Where the passenger fails to submit a written notice in good time in accordance with the provisions of paragraphs 1 and 2 of this Article, he shall be deemed, unless he adduces evidence to the contrary, to have received the luggage complete and undamaged.

Where, at the time the luggage is returned, the passenger has jointly inspected or examined the luggage with the carrier, no written notice need be submitted.

Article 118 — Any claim for compensation brought against the carrier by litigation, arbitration or other means in respect of the personal injury or death of the passengers or the loss of or damage to their luggage shall be subject to the provisions of this Chapter concerning the defences and the limitation of liability of the carrier, regardless of whether the claimant is a party to the contract and whether the claim is based on contract or on tort.

Where a claim as specified in the preceding paragraph is brought against a servant or agent of the carrier, and the servant or agent proves that he acted within the scope of his employment or mandate, the provisions of the preceding paragraph shall apply.

Article 119 — Where the carrier entrusts the performance of the whole or part of the carriage of the passengers and their luggage to an actual carrier, the carrier shall remain responsible for the whole carriage in accordance with the provisions of this Chapter. Where the actual carrier performs the carriage, the carrier shall be responsible for the acts of the actual carrier and of the servants or agents of the actual carrier within the scope of their employment or mandate.

Article 120 — The provisions of this Chapter concerning the responsibility of the carrier shall apply to the actual carrier. The provisions of this Chapter concerning the responsibility of the servants or agents of the carrier shall apply to the servants or agents of the actual carrier.

Article 121 — Any special agreement under which the carrier assumes obligations not provided for in this Chapter or waives rights conferred by this Chapter shall be effective against the actual carrier only where the actual carrier expressly agrees to it in writing; whether the actual carrier agrees shall not affect the validity of such special agreement against the carrier.

Article 122 — Where both the carrier and the actual carrier are liable for compensation, they shall be jointly and severally liable within the scope of such liability.

Article 123 — Where claims for compensation are brought separately against the carrier, the actual carrier and their servants and agents in respect of the personal injury or death of the passengers or the loss of or damage to their luggage, the total amount of compensation shall not exceed the limit specified in Article 115

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of this Law.

Article 124 — The provisions of Articles 119 to 123 of this Law shall not affect the mutual recourse between the carrier and the actual carrier.

Article 125 — The carrier or the actual carrier shall take out liability insurance or obtain corresponding financial security in respect of its liability for compensation for personal injury or death of passengers.

Article 126 — Claims for compensation for personal injury or death of passengers may be brought directly against the liability insurer or the financial security provider. Where the carrier or the actual carrier loses the right to limit liability as specified in this Chapter, the liability insurer or the financial security provider thereof shall not be affected in invoking the provisions of this Chapter to limit liability.

The liability insurer or the financial security provider is entitled to plead that the damage was caused by the intentional act of the carrier or the actual carrier, and is entitled to invoke the defences available to the carrier or the actual carrier other than bankruptcy or liquidation.

Chapter VI — Charter Parties

Section 1 — General Provisions

Article 127 — The charter parties provided for in this Law include voyage charter parties, time charter parties and bareboat charter parties. A charter party shall be concluded in writing.

Article 128 — The provisions of this Chapter concerning the rights and obligations between the shipowner and the charterer shall apply only where the charter party contains no agreement or no different agreement.

Section 2 — Voyage Charter Party

Article 129 — A "voyage charter party" means a contract under which the shipowner provides the charterer with a ship or part of the space of a ship for the carriage of the agreed goods from one port to another, and the charterer pays the agreed freight.

Where the voyage charter party contains no agreement or unclear agreement on the rights and obligations between the shipowner and the charterer, in addition to the provisions of this Section, the provisions of Chapter IV of this Law concerning the rights and obligations between the parties concerned shall apply.

A clause of a voyage charter party that violates the provisions of Articles 48 and 50 of this Law shall be null and void.

Article 130 — The contents of a voyage charter party mainly include the names of the shipowner and the charterer, the name, nationality, deadweight tonnage and capacity of the ship, the description of the goods, the port of loading and the port of destination, the laydays, the loading and discharging time, the freight, demurrage, dispatch money and other relevant matters.

Article 131 — With respect to a bill of lading issued for the goods carried under a voyage charter party, where the holder of the bill of lading is not the charterer, the rights and obligations between the carrier and such holder shall be governed by the terms of the bill of lading. However, where the bill of lading states that the terms of the voyage charter party apply, the terms of such voyage charter party shall apply.

Article 132 — The shipowner shall provide the agreed ship; with the consent of the charterer, he may substitute a ship. Where the ship provided or substituted by the shipowner does not conform to the contract, the charterer is entitled to refuse the ship or to rescind the contract.

Where the charterer suffers losses because the shipowner fails to provide the agreed ship due to his fault, the shipowner shall be liable for compensation.

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Article 133 — Where the shipowner fails to provide the ship within the agreed laydays, the charterer is entitled to rescind the contract. However, where the shipowner notifies the charterer of the delay of the ship and the expected date of arrival of the ship at the port of loading, the charterer shall, within 48 hours from the receipt of the notice, notify the shipowner of his decision whether to rescind the contract.

Where the charterer suffers losses because of the delay in providing the ship due to the fault of the shipowner, the shipowner shall be liable for compensation.

Article 134 — The time for loading and discharging under a voyage charter party and the method of calculation thereof, the demurrage for exceeding the time for loading and discharging, and the dispatch money for completing loading and discharging ahead of time shall be agreed upon by the parties.

Article 135 — The charterer may sublet the chartered ship; after the subletting, the rights and obligations agreed in the original contract shall not be affected.

Article 136 — The charterer shall provide the agreed goods; with the consent of the shipowner, he may substitute the goods. However, where the substituted goods are disadvantageous to the shipowner, the shipowner is entitled to refuse the goods or to rescind the contract.

Where the shipowner suffers losses because the agreed goods are not provided, the charterer shall be liable for compensation.

Article 137 — The shipowner shall discharge the goods at the port of discharge agreed in the contract. Where the contract contains a clause giving the charterer the option of the port of discharge, and the charterer fails to notify the shipowner in good time of the port of discharge determined in accordance with the contract, the master may select one port from the agreed optional ports of discharge to discharge the goods. Where the charterer fails to notify the shipowner in good time of the determined port of discharge, causing losses to the shipowner, the charterer shall be liable for compensation. Where the shipowner selects a port to discharge the goods without authorization in violation of the contract, causing losses to the charterer, the shipowner shall be liable for compensation.

Section 3 — Time Charter Party

Article 138 — A "time charter party" means a contract under which the shipowner provides the charterer with an agreed ship manned by the crew provided by the shipowner, and the charterer uses the ship for the agreed purpose during the agreed period and pays the hire.

Article 139 — The contents of a time charter party mainly include the names of the shipowner and the charterer, the name, nationality, class, tonnage and capacity of the ship, the speed and fuel consumption of the ship, the trading area, the purpose, the charter period, the time, place and conditions of delivery and redelivery of the ship, the hire and its payment, and other relevant matters.

Article 140 — The shipowner shall deliver the ship at the time agreed in the contract.

Where the shipowner violates the provisions of the preceding paragraph, the charterer is entitled to rescind the contract. Where the shipowner notifies the charterer of the delay of the ship and the expected date of arrival of the ship at the port of delivery, the charterer shall, within 48 hours from the receipt of the notice, notify the shipowner of his decision whether to rescind the contract or to continue to charter the ship.

Where the charterer suffers losses because of the delay in providing the ship due to the fault of the shipowner, the shipowner shall be liable for compensation.

Article 141 — When delivering the ship, the shipowner shall exercise due diligence to make the ship seaworthy. The ship delivered shall be fit for the agreed purpose.

Where the shipowner violates the provisions of the preceding paragraph, the charterer is entitled to rescind the contract and to claim compensation for the losses suffered thereby.

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Article 142 — Where, during the charter period, the ship fails to conform to the agreed seaworthiness or other condition, the shipowner shall take such reasonable measures as possible to restore the condition of the ship as soon as possible.

Where the ship fails to conform to the agreed seaworthiness or other condition and cannot operate normally for 24 consecutive hours, the charterer shall not pay hire for the operating time so lost, unless such condition was caused by the charterer.

Article 143 — The charterer shall ensure that the ship is engaged in the agreed maritime transport between safe ports or places within the agreed trading area.

Where the charterer violates the provisions of the preceding paragraph, the shipowner is entitled to rescind the contract and to claim compensation for the losses suffered thereby.

Article 144 — The charterer shall ensure that the ship is used to carry the agreed lawful goods.

Where the charterer intends to use the ship to carry live animals or dangerous goods, he shall obtain the prior consent of the shipowner.

Where the charterer violates the provisions of this Article, causing losses to the shipowner, the charterer shall be liable for compensation.

Article 145 — The charterer is entitled to issue instructions to the master concerning the operation of the ship, but shall not violate the terms of the time charter party.

Article 146 — The charterer may sublet the chartered ship, but shall notify the shipowner in good time of the subletting. After the chartered ship is sublet, the rights and obligations agreed in the original charter party shall not be affected.

Article 147 — Where the shipowner transfers the ownership of the ship already chartered out, the rights and obligations of the parties agreed in the time charter party shall not be affected, but the charterer shall be notified in good time. After the transfer of the ownership of the ship, the original charter party shall continue to be performed by the transferee and the charterer.

Article 148 — Where, during the contract period, the ship performs salvage operations, the charterer is entitled to 50 percent of the salvage remuneration after deducting the salvage expenses, the compensation for losses, the share due to the crew and other expenses.

Article 149 — The charterer shall pay the hire as agreed in the contract; where the charterer fails to pay the hire as agreed, the shipowner is entitled to rescind the contract and to claim compensation for the losses suffered thereby.

Article 150 — Where the charterer fails to pay the hire or other sums agreed in the contract to the shipowner, the shipowner has a lien on the goods and property of the charterer on board the ship and on the income from the subletting of the ship.

Article 151 — When the charterer redelivers the ship to the shipowner, the ship shall be in the same good condition as when it was delivered by the shipowner, except for the natural wear and tear of the ship itself.

Where the ship fails to remain in the same good condition as when it was delivered, the charterer shall be responsible for the repair or shall make compensation.

Article 152 — Where, by reasonable calculation, the date of completion of the last voyage is approximately the date of redelivery of the ship agreed in the contract, but may exceed the date of redelivery agreed in the contract, the charterer is entitled to use the ship beyond the period to complete the voyage. During the period of overrun, the charterer shall pay hire at the rate agreed in the contract; where the market rate of hire is higher than the rate agreed in the contract, the charterer shall pay hire at the market rate.

Section 4 — Bareboat Charter Party

Article 153 — A "bareboat charter party" means a contract under which the shipowner provides the charterer with a ship without crew, and the charterer possesses, uses and operates the ship during the agreed period and pays hire to the shipowner.

Article 154 — The contents of a bareboat charter party mainly include the names of the shipowner and the charterer, the name, nationality, class, tonnage and capacity of the ship, the trading area, the purpose, the charter period, the time, place and conditions of delivery and redelivery of the ship, the survey of the ship, the maintenance and repair of the ship, the hire and its payment, the insurance of the ship, the time and conditions of rescission of the contract, and other relevant matters.

Article 155 — The shipowner shall deliver the ship and the ship's certificates to the charterer at the port or place and at the time agreed in the contract. When delivering the ship, the shipowner shall exercise due diligence to make the ship seaworthy. The ship delivered shall be fit for the purpose agreed in the contract.

Where the shipowner violates the provisions of the preceding paragraph, the charterer is entitled to rescind the contract and to claim compensation for the losses suffered thereby.

Article 156 — During the bareboat charter period, the charterer shall be responsible for the maintenance and repair of the ship.

Article 157 — During the bareboat charter period, the charterer shall insure the ship at the value of the ship agreed in the contract and in the manner approved by the shipowner, and shall bear the insurance expenses.

Article 158 — During the bareboat charter period, where the interests of the shipowner are affected or the shipowner suffers losses due to the charterer's possession, use and operation of the ship, the charterer shall be responsible for eliminating the effect or compensating for the losses.

Where the ship is arrested due to a dispute over the ownership of the ship or a debt owed by the shipowner, the shipowner shall guarantee that the interests of the charterer are not affected; where the charterer suffers losses thereby, the shipowner shall be liable for compensation.

Article 159 — During the bareboat charter period, the charterer shall not transfer the rights and obligations of the contract or sublet the ship by way of bareboat charter without the written consent of the shipowner.

Article 160 — Without the prior written consent of the charterer, the shipowner shall not create a mortgage on the ship during the bareboat charter period.

Where the shipowner violates the provisions of the preceding paragraph, causing losses to the charterer, the shipowner shall be liable for compensation.

Article 161 — The charterer shall pay the hire as agreed in the contract. Where the charterer fails to pay the hire at the time agreed in the contract for more than seven consecutive days, the shipowner is entitled to rescind the contract and to claim compensation for the losses suffered thereby.

Where the ship is lost or missing, payment of hire shall cease from the date of the loss of the ship or the date on which the last news of the ship was received, and the hire paid in advance shall be refunded proportionally.

Article 162 — The provisions of Article 143, paragraph 1 of Article 144, and Articles 151 and 152 of this Law shall apply to bareboat charter parties.

Article 163 — Under a bareboat charter party with a hire-purchase clause, when the charterer has paid the hire-purchase price in full to the shipowner in accordance with the contract, the ownership of the ship shall vest in the charterer.

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Chapter VII — Contract of Sea Towage

Article 164 — A "contract of sea towage" means a contract under which the tugowner tows the towed object by tug from one place to another by sea, and the tow party pays the towage fee.

The provisions of this Chapter shall not apply to tug services rendered to ships within port areas.

Article 165 — A contract of sea towage shall be concluded in writing. The contents of a contract of sea towage mainly include the names and domiciles of the tugowner and the tow party, the names and main dimensions of the tug and the towed object, the horsepower of the tug, the place of commencement and the destination of the towage, the date of commencement of the towage, the towage fee and the manner of payment thereof, and other relevant matters.

Article 166 — Before and at the beginning of the towage, the tugowner shall exercise due diligence to make the tug seaworthy and tow-worthy, properly man the tug, equip the towing gear and supply the provisions and other devices and equipment necessary for the voyage.

Before and at the beginning of the towage, the tow party shall make proper preparations for the towage of the towed object, exercise due diligence to make the towed object tow-worthy, truthfully state the condition of the towed object to the tugowner, and provide the certificates of the towed object's fitness for towage and the relevant documents issued by the relevant survey agencies as required.

Article 167 — Where, before the commencement of the towage, the contract cannot be performed due to force majeure or other causes not attributable to either party, either party may rescind the contract, and neither party shall be liable for compensation. Unless otherwise agreed in the contract, where the towage fee has been paid, the tugowner shall refund it to the tow party.

Article 168 — Where, after the commencement of the towage, the contract cannot continue to be performed due to force majeure or other causes not attributable to either party, either party may rescind the contract, and neither party shall be liable for compensation. Unless otherwise agreed in the contract, the towage fee shall be determined on the basis of the part of the towage actually performed.

Article 169 — Where, due to force majeure or other causes not attributable to either party, the towed object cannot be towed to the destination, the tugowner may, unless otherwise agreed in the contract, deliver the towed object to the tow party or his agent at a place adjacent to the destination or at a safe port or anchorage selected by the master of the tug, which shall be deemed performance of the contract.

Article 170 — Where the tow party fails to pay the towage fee and other reasonable expenses as agreed, the tugowner has a lien on the towed object.

Article 171 — In the course of sea towage, where the losses suffered by the tugowner or the tow party are caused by the fault of one party, the party at fault shall be liable for compensation; where the losses are caused by the fault of both parties, each party shall be liable for compensation in proportion to the degree of its fault.

Notwithstanding the provisions of the preceding paragraph, where the tugowner proves that the losses of the tow party were caused by any of the following, the tugowner shall not be liable for compensation:

(1) the fault of the master, crew or pilot of the tug, or other servants or agents of the tugowner, in the navigation or management of the tug; or

(2) the fault of the tug in saving or attempting to save life or property at sea.

The provisions of this Article shall apply only where the contract of sea towage contains no agreement or no different agreement.

Article 172 — In the course of sea towage, where personal injury or death of a third party or loss of or damage to property is caused by the fault of the tugowner or the tow party, the tugowner and the tow party

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shall be jointly and severally liable to the third party for compensation. Unless otherwise agreed in the contract, where the compensation paid by one party exceeds the proportion for which it is liable, it has a right of recourse against the other party.

Article 173 — Where the owner of a tug tows barges owned or operated by him for the carriage of goods by sea from one port to another, it shall be deemed carriage of goods by sea.

Chapter VIII — Collision of Ships

Article 174 — "Collision of ships" means an accident in which damage is caused by contact between ships at sea or in other navigable waters connected with the sea.

Where a collision occurs between a ship and any craft other than a ship that is not used for military purposes or government service, the provisions of this Chapter shall apply.

Article 175 — Where a collision occurs between ships, the master of each ship involved shall, insofar as the safety of his own ship and the persons on board is not seriously endangered, render assistance with all efforts to the other ship and the persons on board.

The master of each colliding ship shall, as far as possible, notify the other ship of the name of his ship, its port of registry, and the port of departure and the port of destination.

Article 176 — Where a collision of ships is caused by force majeure or other causes not attributable to the fault of either party, or where the cause cannot be ascertained, the parties to the collision shall not be liable for compensation to each other.

Article 177 — Where a collision of ships is caused by the fault of one ship, the ship at fault shall be liable for compensation.

Article 178 — Where a collision of ships is caused by the fault of both ships, each ship shall be liable for compensation in proportion to the degree of its fault; where the degrees of fault are equal or cannot be determined, liability for compensation shall be borne equally.

The ships at fault shall be liable for compensation for the losses to the ships, and the cargo and other property on board, caused by the collision in accordance with the proportions specified in the preceding paragraph. Where the collision causes loss of property to a third party, the liability of each ship shall not exceed the proportion for which it is liable.

The ships at fault shall be jointly and severally liable for compensation for the personal injury or death of third parties caused by the collision. Where the compensation paid by one ship exceeds the proportion specified in paragraph 1 of this Article, it is entitled to recover from the other ship at fault.

Article 179 — Where a ship, due to improper maneuvering or non-observance of navigation rules, although not actually colliding with another ship, causes losses to the other ship or the persons, cargo or other property on board, the provisions of this Chapter shall apply.

Chapter IX — Salvage at Sea

Article 180 — The provisions of this Chapter shall apply to salvage operations rendered to ships or other property in distress at sea or in other navigable waters connected with the sea.

Where a salvage relationship arises between a ship and any craft other than a ship that is not used for military purposes or government service, the provisions of this Chapter shall apply.

Except for the provisions of Article 185 of this Law concerning the revocation or modification of salvage contracts and Articles 186 and 187 concerning the prevention or mitigation of damage to the ecological environment, the other provisions of this Chapter shall apply only where the salvage contract contains no agreement or no different agreement.

Article 181 — The following terms used in this Chapter shall have the following meanings:

(1) "Property" means any property not permanently and intentionally attached to the shoreline, including freight at risk.

(2) "Salvage payment" means any salvage remuneration, reward or compensation payable by the salved party to the salvor in accordance with the provisions of this Chapter.

Article 182 — The provisions of this Chapter shall not apply to fixed or floating platforms and mobile offshore drilling units already in position at sea engaged in the exploration, exploitation or production of seabed mineral resources.

Article 183 — The master is obliged to render assistance with all efforts to persons in danger at sea insofar as the safety of his own ship and the persons on board is not seriously endangered.

Article 184 — A salvage contract is formed when the salvor and the salved party reach an agreement on salvage at sea.

The master of the ship in distress is entitled to conclude a salvage contract on behalf of the shipowner. The master of the ship in distress or the shipowner is entitled to conclude a salvage contract on behalf of the owner of the property on board.

Article 185 — Where, under any of the following circumstances, one party institutes an action or both parties agree to arbitration, the court or arbitration institution accepting the dispute may revoke or modify the salvage contract:

(1) the contract was concluded under the influence of duress or dangerous circumstances, and the terms of the contract are manifestly unfair; or

(2) the salvage payment payable under the contract is manifestly excessive or insufficient in relation to the salvage services actually rendered.

Article 186 — During the salvage operations, the salvor owes the following obligations to the salved party:

(1) to carry out the salvage operations with due care;

(2) to exercise due care to prevent or minimize damage to the ecological environment;

(3) to seek the assistance of other salvors where reasonably necessary; and

(4) to accept the reasonable request of the salved party to have other salvors participate in the salvage operations; however, where the request is unreasonable, the amount of the salvage remuneration of the original salvor shall not be affected.

Article 187 — During the salvage operations, the salved party owes the following obligations to the salvor:

(1) to cooperate fully with the salvor;

(2) to exercise due care to prevent or minimize damage to the ecological environment; and

(3) to accept the reasonable request of the salvor for the handover of the salved ship or other property in good time when the ship or other property has been brought to a safe place.

Article 188 — Where the salvage operations rendered by the salvor to the ship and other property in distress have had a useful result, the salvor is entitled to salvage remuneration; where the operations have had no useful result, the salvor is not entitled to any salvage payment, except as otherwise provided in Article 191 of this Law or by other laws.

Article 189 — In determining the salvage remuneration, encouragement of the salvage operations shall be reflected, and the following factors shall be comprehensively taken into account:

(1) the salved value of the ship and other property;

(2) the skill and efforts of the salvor in preventing or minimizing damage to the ecological environment;

(3) the success achieved by the salvor in the salvage operations;

(4) the nature and degree of the danger;

(5) the skill and efforts of the salvor in salving the ship, other property and life;

(6) the time used, expenses incurred and losses suffered by the salvor;

(7) the risk of liability and other risks to which the salvor or the salvage equipment may be exposed;

(8) the promptness of the salvage services rendered by the salvor;

(9) the availability and use of ships and other equipment intended for the salvage operations; and

(10) the state of readiness, efficiency and value of the salvage equipment.

The salvage remuneration shall not exceed the salved value of the ship and other property.

Article 190 — The "salved value of the ship and other property" means the estimated value of the ship and other property after salvage or the actual proceeds from their sale, after deducting the relevant taxes, customs, quarantine and inspection expenses, and the expenses incurred in discharging, storing, valuing and selling.

The salved value specified in the preceding paragraph shall not include the value of the personal effects of the salved crew members and the cabin luggage of the salved passengers.

Article 191 — Where the salvor has performed salvage operations in respect of a ship or its cargo that posed a threat of damage to the ecological environment, and the salvage remuneration obtained by the salvor in accordance with the provisions of Article 189 of this Law is less than the special compensation obtainable in accordance with the provisions of this Article, the salvor is entitled to obtain from the shipowner special compensation equivalent to the salvage expenses.

Where the salvor has, in performing the salvage operations specified in the preceding paragraph, prevented or minimized damage to the ecological environment, the special compensation payable by the shipowner to the salvor in accordance with the preceding paragraph may be further increased, and the amount of increase may reach 30 percent of the salvage expenses. The court or arbitration institution accepting the dispute may, if it deems appropriate and taking into account the provisions of paragraph 1 of Article 189 of this Law, decide or award a further increase in the amount of special compensation; however, under no circumstances shall the increase exceed 100 percent of the salvage expenses.

The "salvage expenses" referred to in this Article means the reasonable expenses directly paid by the salvor in the salvage operations and the reasonable expenses actually incurred in the use of salvage equipment and the engagement of salvage personnel. In determining the salvage expenses, the provisions of items (8) to (10) of paragraph 1 of Article 189 of this Law shall be taken into account.

Under any circumstances, the whole special compensation specified in this Article may be paid only if it exceeds the salvage remuneration obtainable by the salvor in accordance with the provisions of Article 189 of this Law, and the amount paid shall be the difference by which the special compensation exceeds the salvage remuneration.

Where the salvor fails to prevent or minimize damage to the ecological environment due to his fault, the salvor may be wholly or partly deprived of the right to obtain special compensation.

The provisions of this Article shall not affect the right of recourse of the shipowner against other salved parties.

Article 192 — The amount of salvage remuneration shall be borne by the owners of the salved ship and other property in proportion to the respective salved values of the ship and each item of other property to the total salved value.

Article 193 — The salvage remuneration of the various salvors participating in the same salvage operations shall be determined by negotiation among the parties in accordance with the standards specified in Article 189 of this Law; where negotiation fails, an action may be brought in a court or arbitration may be applied for by agreement of the parties.

Article 194 — A salvor who has saved life in the salvage operations shall not demand any reward from the persons saved, but is entitled to a fair share of the salvage payment obtained by the salvors of the ship or other property or of the salvors who prevented or minimized damage to the ecological environment.

Article 195 — The following salvage operations shall not be entitled to any salvage payment:

(1) salvage operations performed in the normal performance of obligations under a towage contract or other service contract, except for special services rendered beyond the performance of such obligations; or

(2) salvage operations performed notwithstanding the express and reasonable refusal of the master of the ship in distress, the shipowner or the owner of other property.

Article 196 — Where the salvage operations have become necessary or more difficult due to the fault of the salvor, or where the salvor has committed fraud or other dishonest acts, the salvage payment payable to the salvor shall be cancelled or reduced.

Article 197 — After the completion of the salvage operations, the salved party shall, at the request of the salvor, provide satisfactory security for the salvage payment.

Without prejudice to the provisions of the preceding paragraph, the owner of the salved ship shall, before the salved goods are returned, make all efforts to have the owner of the goods provide satisfactory security for the salvage payment for which he is liable.

Before satisfactory security has been provided for the salved ship or other property at the request of the salvor, the salved ship and other property shall not be removed from the port or place first reached after the completion of the salvage operations without the consent of the salvor.

Article 198 — The court or arbitration institution accepting a claim for salvage payment may, according to the specific circumstances and under reasonable conditions, decide or award that the salved party pays the salvor an appropriate amount in advance.

Where the salved party has paid an amount in advance in accordance with the preceding paragraph, the amount of security provided by it in accordance with the provisions of Article 197 of this Law shall be reduced correspondingly.

Article 199 — Where the salved ship and other property have been salved for more than 90 days, and the salved party neither pays the salvage payment nor provides satisfactory security, the salvor may apply to the court for a compulsory auction; with respect to the salved ship and other property that cannot be kept, are not easy to keep or whose keeping expenses may exceed their value, an application may be made for an earlier auction.

The proceeds from the auction shall, after deducting all the expenses incurred in the keeping and auction, be used to pay the salvage payment in accordance with the provisions of this Law; where there is a surplus, it shall be refunded to the salved party; where it cannot be refunded and no one claims it within one year from the date of the auction, it shall belong to the state; where the proceeds are insufficient, the salvor is entitled to recover the shortfall from the salved party.

Article 200 — With respect to salvage operations rendered between ships owned by the same shipowner, the right of the salvor to obtain the salvage payment shall be governed by the provisions of this Chapter.

Article 201 — With respect to salvage operations undertaken or controlled by the relevant competent state authority, the salvor is entitled to enjoy the rights and compensation specified in this Chapter in respect of the salvage operations.

Chapter X — General Average

Article 202 — "General average" means the special sacrifice and special expenses directly caused by measures intentionally and reasonably taken for the common safety of the ship, cargo and other property in the common danger encountered in the same sea voyage.

Losses caused by delay of the ship or cargo during or after the voyage, including loss of ship's time, loss of market and other indirect losses, shall not be included in general average.

Losses or expenses caused by the leakage of pollutants from the ship, cargo or other property in the same sea voyage shall not be included in general average.

Article 203 — Where a ship is damaged due to accident, sacrifice or other special circumstances, and, in order to safely complete the voyage, calls at a port of refuge or a place of refuge or returns to the port of loading or place of loading for necessary repairs, the port charges paid during the extra period of stay at such port or place, the wages and provisions of the crew, the fuel and stores consumed by the ship, and the losses caused by and expenses paid for discharging, storing, reloading or shifting the cargo, fuel, stores and other property on board for the purpose of repair shall be included in general average.

Article 204 — Extra expenses paid in substitution of special expenses that could have been included in general average may be included in general average as substituted expenses; however, the amount of substituted expenses included in general average shall not exceed the special expenses of general average substituted.

Article 205 — The party claiming contribution in general average shall bear the burden of proof that its loss should be included in general average.

Article 206 — Where the accident giving rise to the special sacrifice and special expenses of general average may have been caused by the fault of a party to the voyage, the right of such party to claim contribution in general average shall not be affected; however, the party not at fault or the party at fault may claim compensation for, or defend against, such fault.

Article 207 — The amounts of the general average sacrifice of the ship, cargo and freight shall be determined in accordance with the following provisions:

(1) the amount of the general average sacrifice of the ship shall be calculated on the basis of the reasonable repair expenses actually paid, less the reasonable deduction for replacement of old parts by new ones. Where the ship has not yet been repaired, it shall be calculated on the basis of the reasonable depreciation caused by the sacrifice, but shall not exceed the estimated repair expenses.

Where the ship has suffered an actual total loss, or where the repair expenses exceed the value of the ship after repair, the amount of the general average sacrifice shall be calculated on the basis of the estimated value of the ship in sound condition, less the estimated repair expenses not belonging to general average damage and the value of the ship after damage.

(2) the amount of the general average sacrifice of the cargo, where the cargo is lost, shall be calculated on the basis of the value of the cargo at the time of loading plus insurance and freight, less the freight that need not be paid by reason of the sacrifice. Where the cargo is damaged and is sold before an agreement is reached on the degree of damage, it shall be calculated on the basis of the difference between the value of

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the cargo at the time of loading plus insurance and freight, and the net proceeds from the sale of the cargo.

(3) the amount of the general average sacrifice of the freight shall be calculated on the basis of the amount of freight lost due to the sacrifice of the cargo, less the operating expenses that should have been paid to obtain such freight but need not be paid by reason of the sacrifice.

Article 208 — General average shall be contributed by the benefited parties in proportion to their respective contributory values.

The contributory values of the ship, cargo and freight in general average shall be determined in accordance with the following provisions:

(1) the contributory value of the ship in general average shall be calculated on the basis of the sound value of the ship at the termination of the voyage, less the amount of the loss not belonging to general average, or on the basis of the actual value of the ship at the termination of the voyage, plus the amount of the general average sacrifice.

(2) the contributory value of the cargo in general average shall be calculated on the basis of the value of the cargo at the time of loading plus insurance and freight, less the amount of the loss not belonging to general average and the freight at the risk of the carrier. Where the cargo is sold before reaching the port of destination, it shall be calculated on the basis of the net proceeds from the sale, plus the amount of the general average sacrifice.

The luggage and personal effects of passengers shall not contribute to general average.

(3) the contributory value of the freight shall be calculated on the basis of the freight at the risk of the carrier and which the carrier is entitled to collect at the termination of the voyage, less the operating expenses paid, after the general average accident, for the completion of the voyage in order to obtain such freight, plus the amount of the general average sacrifice.

Article 209 — Goods not declared or falsely declared shall contribute to general average; the special sacrifice suffered by such goods shall not be included in general average.

Where the declared value of the goods is improperly lower than their actual value, contribution to general average shall be made on the basis of the actual value; where a general average sacrifice occurs, the amount of sacrifice shall be calculated on the basis of the declared value.

Article 210 — Interest shall be calculated on the special sacrifice of general average and the special expenses of general average advanced.

Article 211 — At the request of the interested parties, the various contributors shall provide security for general average.

Where security for general average is provided by way of a cash deposit, the deposit shall be handed over to an average adjuster to be deposited in a bank in the name of the custodian.

The provision, use or refund of the deposit shall not affect the ultimate liability of the parties for contribution.

Article 212 — The adjustment of general average shall be governed by the adjustment rules agreed in the contract; where the contract contains no agreement, the provisions of this Chapter shall apply.

Chapter XI — Limitation of Liability for Maritime Claims

Article 213 — The shipowner and the salvor may limit their liability in accordance with the provisions of this Chapter in respect of the maritime claims specified in Article 216 of this Law.

The charterer, ship operator and ship manager shall be subject to the provisions of this Chapter concerning the shipowner.

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Article 214 — Where a maritime claim specified in Article 216 of this Law is brought against a person other than the shipowner or the salvor, and the shipowner or the salvor is liable for the acts or fault of that person, that person may limit his liability in accordance with the provisions of this Chapter.

Article 215 — Where the insured may limit his liability in accordance with the provisions of this Chapter, the insurer liable for the maritime claim is entitled to enjoy the same limitation of liability in accordance with the provisions of this Chapter.

Article 216 — The following maritime claims, except as otherwise provided in Articles 217 and 218 of this Law, whatever the basis of liability, may be limited in accordance with the provisions of this Chapter by the person liable:

(1) claims for personal injury or death, or for loss of or damage to property, occurring on board or in direct connection with the operation of the ship or salvage operations, including damage to port works, basins, waterways and aids to navigation, and claims for corresponding consequential loss;

(2) claims for loss resulting from delay in delivery in the carriage of goods by sea, or from delay in arrival in the carriage of passengers and their luggage;

(3) claims for other losses resulting from infringement of non-contractual rights in direct connection with the operation of the ship or salvage operations;

(4) claims by persons other than the person liable for the measures taken to avert or minimize losses for which the person liable may limit his liability in accordance with the provisions of this Chapter, and claims for further losses caused by such measures.

The claims listed in the preceding paragraph may be limited in liability regardless of the manner in which they are brought. However, with respect to item (4), where the person liable has agreed by contract to pay remuneration, the provisions of this Article on limitation of liability shall not be invoked.

Article 217 — The provisions of this Chapter shall not apply to the following:

(1) claims for salvage payment or contribution in general average;

(2) claims for compensation for the liability for oil pollution damage by ships specified in Section 2 of Chapter XII of this Law;

(3) claims for the expenses of the raising, removal, destruction or rendering harmless of ships that are sunk, wrecked, stranded or abandoned, and of anything on board such ships;

(4) claims for nuclear damage specified in the international conventions on the limitation of liability for nuclear damage to which the People's Republic of China is a party or acceding;

(5) claims for nuclear damage caused by nuclear-powered ships;

(6) claims brought by the servants of the shipowner or the salvor, where the shipowner or the salvor is not entitled to limit liability for such claims in accordance with the relevant laws, or where such laws provide for a limit of liability higher than that specified in this Chapter.

Article 218 — Where it is proved that the loss giving rise to the claim was caused by the act or omission of the person liable done with intent to cause such loss, or recklessly and with knowledge that such loss would probably result, the person liable shall not be entitled to limit his liability in accordance with the provisions of this Chapter.

Article 219 — Except as otherwise provided in Article 220 of this Law, the limits of liability for maritime claims shall be calculated in accordance with the following provisions:

(1) claims for personal injury or death:

a. for a ship of between 300 and 500 gross tons, the limit of liability is 500,000 units of account;

b. for a ship exceeding 500 gross tons, the limit of liability for the part up to 500 gross tons shall be subject to the provisions of sub-item a of this item, and the following amounts shall be added for the part exceeding 500 gross tons:

for the part from 501 to 2,000 gross tons, 1,000 units of account per gross ton;

for the part from 2,001 to 30,000 gross tons, 800 units of account per gross ton;

for the part from 30,001 to 70,000 gross tons, 600 units of account per gross ton;

for the part exceeding 70,000 gross tons, 400 units of account per gross ton.

(2) claims other than those for personal injury or death:

a. for a ship of between 300 and 500 gross tons, the limit of liability is 250,000 units of account;

b. for a ship exceeding 500 gross tons, the limit of liability for the part up to 500 gross tons shall be subject to the provisions of sub-item a of this item, and the following amounts shall be added for the part exceeding 500 gross tons:

for the part from 501 to 2,000 gross tons, 500 units of account per gross ton;

for the part from 2,001 to 30,000 gross tons, 400 units of account per gross ton;

for the part from 30,001 to 70,000 gross tons, 300 units of account per gross ton;

for the part exceeding 70,000 gross tons, 200 units of account per gross ton.

(3) where the limit specified in item (1) is insufficient to pay all the claims for personal injury or death, the shortfall shall rank with the claims other than those for personal injury or death and be satisfied proportionally out of the amount specified in item (2).

(4) without prejudice to item (3) with respect to claims for personal injury or death, claims for damage to port works, basins, waterways and aids to navigation shall be satisfied in priority to other claims specified in item (2).

(5) with respect to a salvor who does not carry out salvage operations from a ship or who carries out salvage operations on the ship salved, the limit of liability shall be calculated on the basis of a ship of 1,500 gross tons.

With respect to ships of less than 300 gross tons and ships engaged in coastal operations, the limits of liability shall be formulated by the competent transport authority of the State Council and implemented after approval by the State Council.

Other craft not used for military purposes or government service that collide with ships shall be subject to the same limits of liability.

Article 220 — The limit of liability for personal injury or death of passengers in the carriage of passengers by sea shall be calculated at 175,000 units of account multiplied by the passenger capacity stated in the ship's certificate.

Article 221 — The limits of liability specified in Articles 219 and 220 of this Law shall apply to the aggregate of claims arising from the same particular incident and brought against the shipowner or the salvor himself and the persons for whose acts or fault he is liable.

Article 222 — Where the person liable requests limitation of liability in accordance with the provisions of this Law, he may constitute a limitation fund with a court having jurisdiction. The amount of the fund shall be the limit specified in Articles 219 and 220 of this Law respectively, plus the corresponding interest from the date of the incident to the date of constitution of the fund.

A fund constituted by any person liable as specified in this Chapter shall be deemed to have been constituted by all persons liable.

Article 223 — After the person liable has constituted the limitation fund, any person entitled to make a claim in accordance with the provisions of Article 216 of this Law shall not exercise any right against any property of the person liable; where the ship or other property of the person liable who has constituted the limitation fund has been subject to preservation measures, or the person constituting the fund has provided security, the court shall release the preservation measures or refund the security in good time.

Article 224 — Where a person entitled to the limitation of liability under this Chapter brings a counterclaim against the claimant in respect of the same incident, the amounts of the claims of both parties shall be set off against each other, and the limit of liability specified in this Chapter shall apply only to the difference between the two amounts of claims.

Chapter XII — Liability for Oil Pollution Damage by Ships

Section 1 — General Provisions

Article 225 — The provisions of this Chapter shall apply to compensation for oil pollution damage by ships in the sea areas under the jurisdiction of the People's Republic of China and in other navigable waters connected with the sea.

The scope of compensation for oil pollution damage by ships includes:

(1) property damage other than to the ship itself caused by oil pollution by the ship, and the consequential loss of income;

(2) expenses incurred in taking preventive measures to avert or minimize oil pollution damage by the ship, and the losses caused by the preventive measures;

(3) loss of income caused by damage to the ecological environment arising from oil pollution; and

(4) expenses for reasonable measures of restoration of the polluted ecological environment that have been taken or are to be taken.

Article 226 — The shipowner of the ship from which the oil escaped shall be liable for compensation for oil pollution damage by the ship.

Where the shipowner proves that the oil pollution damage was caused entirely by any of the following circumstances, and that the damage to the ecological environment still could not be avoided despite the timely adoption of reasonable measures, the shipowner shall not be liable for compensation:

(1) war, armed conflict, terrorist activities or irresistible natural disasters;

(2) the intentional act of a third party; or

(3) negligence or other wrongful act of the authority responsible for the maintenance of lights or other aids to navigation in the performance of its duties.

Where the shipowner proves that the oil pollution damage was caused wholly or partly by the fault of the victim, the liability of the shipowner for compensation to that victim may be wholly or partly exempted.

Article 227 — The shipowner may limit his liability in accordance with the provisions of this Chapter. However, where the oil pollution damage was caused by the shipowner's act or omission done with intent to cause such damage, or recklessly and with knowledge that such damage would probably result, the shipowner shall not be entitled to limit his liability in accordance with the provisions of this Chapter.

Article 228 — Where oil pollution damage is caused by two or more ships, the shipowners of each ship shall be jointly and severally liable for the damage that cannot be reasonably separated.

The provisions of the preceding paragraph shall not affect the right of the shipowner against whom a claim is made to limit his liability in accordance with the provisions of this Chapter.

Article 229 — The state establishes a system of liability insurance for oil pollution damage by ships. The shipowner shall, in accordance with the relevant state provisions, take out civil liability insurance for oil pollution damage by ships or obtain corresponding financial security.

Claims for compensation for oil pollution damage by ships may be brought directly against the liability insurer or the financial security provider of the shipowner; however, the liability of the liability insurer or financial security provider for compensation shall not exceed the limits of liability specified in Articles 233 and 239 of this Law. Where the shipowner loses the right to limit liability as specified in this Chapter, the liability insurer or the financial security provider thereof shall not be affected in invoking the provisions of this Chapter to limit liability.

With respect to the claims for compensation for oil pollution damage by ships specified in the preceding paragraph, the liability insurer or the financial security provider is entitled to plead that the damage was caused by the intentional act of the shipowner, and is entitled to invoke the defences available to the shipowner other than bankruptcy or liquidation.

The state shall improve and implement the fund system for compensation for oil pollution damage by ships in accordance with the law.

Article 230 — The provisions of this Chapter shall not affect the right of recourse of the shipowner against third parties.

Section 2 — Liability for Oil Pollution Damage

Article 231 — The liability for oil pollution damage caused by ships carrying oil in bulk shall be governed by the provisions of this Section.

Ships built or converted to carry oil in bulk as cargo, and ships capable of carrying oil in bulk and other cargo, shall be governed by the provisions of this Section during the actual carriage of oil in bulk as cargo and during any subsequent voyage, unless it is proved that there are no residues of oil in bulk on board.

"Oil" as referred to in this Section means any persistent hydrocarbon mineral oil carried as cargo or ship's fuel, including lubricating oil.

Article 232 — The following persons shall not be liable for compensation for oil pollution damage by ships, unless the damage was caused by their own act or omission done with intent to cause such damage, or recklessly and with knowledge that such damage would probably result:

(1) the servants or agents of the shipowner;

(2) the pilot or any other person who performs services for the ship other than as a crew member;

(3) the charterer, ship operator or ship manager;

(4) any person performing salvage operations with the consent of the shipowner or under the instructions of a competent government authority;

(5) any person other than the shipowner taking preventive measures; and

(6) the servants or agents of the persons specified in items (3) to (5) of this Article.

Article 233 — Where oil pollution damage is caused by ships carrying oil, the shipowner shall calculate the limit of liability for each incident in accordance with the following provisions:

(1) for a ship of not more than 5,000 gross tons, the limit of liability is 4,510,000 units of account;

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(2) for a ship of more than 5,000 gross tons, the part up to 5,000 gross tons shall be subject to the provisions of the preceding item, and for the part exceeding 5,000 gross tons, 631 units of account shall be added for each additional gross ton; however, the limit of liability shall under no circumstances exceed 89,770,000 units of account.

Article 234 — Where the shipowner or his liability insurer or financial security provider invokes the provisions of this Section on limitation of liability, he shall constitute a limitation fund with a court having jurisdiction.

A fund constituted by any person liable as specified in the preceding paragraph shall be deemed to have been constituted by all persons liable.

Article 235 — Where the limitation fund has been constituted and the shipowner is entitled to limit his liability, the claimant for compensation for oil pollution damage shall not apply to the court for preservation measures against the property of the shipowner; preservation measures already taken shall be released, and the cash deposit or other security already provided by the shipowner to avert or release the preservation measures shall be refunded.

Article 236 — The claimants for compensation for oil pollution damage shall distribute the limitation fund in proportion to their amounts of damage.

Where, before the distribution of the limitation fund, the shipowner or his liability insurer or financial security provider has already made payment to a claimant for compensation for oil pollution damage, or a third party has made payment, the payer shall be subrogated, to the extent of the amount paid, to the rights enjoyed by the claimant.

The expenses incurred by the shipowner in taking preventive measures and the losses caused by the preventive measures shall rank equally with the other claims for compensation for oil pollution damage in the distribution of the limitation fund.

Section 3 — Liability for Bunker Oil Pollution Damage

Article 237 — The liability for oil pollution damage caused by non-persistent bunker oil loaded on ships specified in Section 2 of this Chapter, and by bunker oil loaded on ships other than those specified in Section 2 of this Chapter, shall be governed by the provisions of this Section.

"Bunker oil" as referred to in this Section means hydrocarbon mineral oil used as ship's fuel, including lubricating oil.

The provisions of this Section concerning the shipowner shall apply to the bareboat charterer, ship operator and ship manager.

Article 238 — The following persons shall not be liable for compensation for bunker oil pollution damage specified in this Section, unless the damage was caused by their own act or omission done with intent to cause such damage, or recklessly and with knowledge that such damage would probably result:

(1) the servants or agents of the shipowner;

(2) the pilot or any other person who performs services for the ship other than as a crew member;

(3) the voyage charterer or time charterer of the ship;

(4) any person performing salvage operations with the consent of the shipowner or under the instructions of a competent government authority;

(5) any person other than the shipowner taking preventive measures; and

(6) the servants or agents of the persons specified in items (3) to (5) of this Article.

Article 239 — The limit of liability for bunker oil pollution damage specified in this Section shall be governed by the provisions of Chapter XI of this Law.

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Where the same incident causes bunker oil pollution damage and other damage for which liability may be limited as specified in Article 216 of this Law, the person liable is entitled to limit his liability within the same limit of liability in accordance with the provisions of Article 219 of this Law.

Chapter XIII — Contracts of Marine Insurance

Section 1 — General Provisions

Article 240 — A "contract of marine insurance" means a contract under which the insurer, in accordance with the agreement, is responsible for indemnifying the insured for the loss of the subject matter insured and the liability incurred caused by marine perils covered by the insurance, and the insured pays the premium.

"Marine perils" means any perils agreed upon between the insurer and the insured, including perils occurring on inland rivers or on land in connection with sea navigation.

Article 241 — The contents of a contract of marine insurance mainly include the following:

(1) the name of the insurer;

(2) the name of the insured;

(3) the subject matter insured;

(4) the insurable value;

(5) the insured amount;

(6) the liability insured against and the exclusions;

(7) the period of insurance; and

(8) the premium.

Article 242 — The following may be the subject matter insured:

(1) ships;

(2) cargo;

(3) income from the operation of ships, including freight, charter hire and passenger fares;

(4) expected profit of cargo;

(5) wages and other remuneration of crew members;

(6) liability to third parties; and

(7) other property that may suffer loss and the liability and expenses incurred as a result of the occurrence of marine perils.

The insurer may reinsure the subject matter insured as specified in the preceding paragraph. Unless otherwise agreed in the contract, the original insured shall not enjoy the benefit of the reinsurance.

Article 243 — The insurable value of the subject matter insured shall be agreed in writing between the insurer and the insured; where the subject matter insured is lost, the agreed insurable value shall be the standard for calculating compensation.

Where the insurer and the insured have not agreed on the insurable value, the insurable value shall be calculated in accordance with the following provisions:

(1) the insurable value of a ship is the value of the ship at the commencement of the insurance liability, including the value of the hull, machinery and equipment, and the total of the value of the fuel, stores, rigging, provisions and fresh water on board, and the insurance premium;

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(2) the insurable value of cargo is the total of the invoice price of the cargo at the place of shipment at the commencement of the insurance liability, or the actual value of non-trade commodities at the place of shipment, plus freight and insurance premium;

(3) the insurable value of freight is the total of the total freight receivable by the carrier at the commencement of the insurance liability and the insurance premium; and

(4) the insurable value of other subject matter insured is the total of the actual value of the subject matter insured and the insurance premium at the commencement of the insurance liability.

Article 244 — The insured amount shall be agreed between the insurer and the insured. The insured amount shall not exceed the insurable value; where it exceeds the insurable value, the excess shall be null and void.

Article 245 — Contracts of insurance for ships under construction shall be governed by the relevant provisions of this Chapter.

A "contract of insurance for a ship under construction" means a contract under which the insurer, in accordance with the agreement, is responsible for indemnifying the insured for the loss of and liability incurred in respect of the ship during its construction, sea trials and delivery in the shipyard caused by marine perils, and the insured pays the premium.

A ship under construction includes the materials, machinery and equipment used for the construction of the ship that conform to the shipbuilding contract.

Section 2 — Conclusion, Rescission and Assignment of Contracts

Article 246 — A contract of marine insurance is formed when the insured applies for insurance and the insurer agrees to underwrite it and agreement is reached on the terms of the contract. The insurer shall issue an insurance policy or other certificate of insurance to the insured in good time, and the insurance policy or other certificate of insurance shall state the contents of the contract agreed between the parties.

Article 247 — Before the conclusion of the contract, the insured shall truthfully disclose to the insurer the material circumstances which he knows or ought to know in the ordinary course of business and which would influence the insurer in determining the premium rate or whether to agree to underwrite the insurance.

With respect to circumstances which the insurer knows or ought to know in the ordinary course of business, where the insurer has not made inquiry, the insured need not disclose them.

Article 248 — Where the insured, with intent, fails to truthfully disclose to the insurer the material circumstances specified in paragraph 1 of Article 247 of this Law, the insurer is entitled to rescind the contract and shall not refund the premium. Where marine perils occur and cause losses before the rescission of the contract, the insurer shall not be liable for compensation.

Where the insured, not with intent, fails to truthfully disclose the material circumstances specified in paragraph 1 of Article 247 of this Law, the insurer is entitled to rescind the contract or to demand a corresponding increase in the premium. Where the insurer rescinds the contract before the commencement of the insurance liability, he shall refund the entire premium, but is entitled to collect a handling fee. Where the insurer rescinds the contract after the commencement of the insurance liability, he shall refund to the insured the premium for the period from the date of rescission of the contract to the date of expiration of the insurance period; however, where the insurer rescinds a voyage insurance contract, he may not refund the premium. With respect to losses caused by marine perils occurring before the rescission of the contract, the insurer shall be liable for compensation, unless the material circumstance not disclosed or incorrectly disclosed had an effect on the occurrence of the marine perils.

The right to rescind the contract as specified in this Article shall be extinguished if not exercised within 30 days from the date on which the insurer knows or ought to know of the cause for rescission.

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Article 249 — Where a contract of marine insurance adopts standard clauses provided by the insurer, with respect to clauses in the insurance contract that exempt or reduce the liability of the insurer and other clauses of material interest to the insured, the insurer shall, at the time of conclusion of the contract, give a reminder sufficient to draw the attention of the insured. Where the insured requests an explanation, the insurer shall give a clear explanation of such clause.

Where the insurer fails to perform the obligation of reminder or explanation as specified in the preceding paragraph, with the result that the insured fails to notice or understand a clause of material interest to him, the insured may claim that such clause shall not form part of the contract, unless the insured knows or ought to know the content of such clause.

Article 250 — Where, at the time of conclusion of the contract, the insured already knows or ought to know that the subject matter insured has suffered losses due to the occurrence of marine perils, the insurer shall not be liable for compensation, but is entitled to collect the premium; where the insurer already knows or ought to know that the subject matter insured cannot suffer losses due to the occurrence of marine perils, the insured is entitled to recover the premium already paid.

Article 251 — Where the insured concludes contracts with two or more insurers in respect of the same subject matter insured, the same insurable interest and the same marine perils, with the result that the total insured amount of the subject matter insured exceeds the insurable value, the insured may, unless otherwise agreed in the contract, bring a claim for compensation against any insurer, but the total amount of compensation obtained by the insured shall not exceed the damaged value of the subject matter insured.

The insurers shall be liable for compensation in proportion to the ratio of the insured amount underwritten by each to the total insured amount; where the amount of compensation paid by any insurer exceeds the liability for compensation that he should bear, he is entitled to recover from the insurers that have not paid compensation in accordance with the liability that they should bear.

The "insurable value" as referred to in paragraph 1 of this Article shall be the highest insurable value among the various insurance contracts; the "damaged value" means the amount of damage calculated on the basis of the highest insurable value among the various insurance contracts.

Article 252 — Before the commencement of the insurance liability, the insured may request the rescission of the contract, but shall pay the insurer a handling fee, and the insurer shall refund the premium.

Article 253 — Unless otherwise provided by law or agreed in the contract, after the commencement of the insurance liability, neither the insured nor the insurer may rescind the contract.

Where the contract may be rescinded after the commencement of the insurance liability in accordance with the agreement in the contract, and the insured requests rescission of the contract, the insurer is entitled to collect the premium for the period from the commencement of the insurance liability to the date of rescission of the contract, and shall refund the remaining part; where the insurer requests rescission of the contract, he shall refund to the insured the premium for the period from the date of rescission of the contract to the date of expiration of the insurance period.

Article 254 — With respect to voyage insurance of the carriage of goods by sea and of ships, after the commencement of the insurance liability, the insured shall not request the rescission of the contract.

Article 255 — A contract of insurance for the carriage of goods by sea may be assigned by the insured by endorsement or otherwise, and the rights and obligations under the contract shall be transferred therewith. Where the premium has not been paid at the time of the assignment of the contract, the insured and the assignee of the contract shall be jointly and severally liable for payment.

Article 256 — Where a contract of marine insurance for a ship is assigned by reason of the transfer of the ship, the consent of the insurer shall be obtained. Without the consent of the insurer, the contract of marine insurance for the ship shall be rescinded from the time of the transfer of the ship; where the transfer of the

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ship occurs in the course of a voyage, the contract of marine insurance for the ship shall be rescinded at the termination of the voyage.

After the rescission of the contract, the insurer shall refund to the insured the premium for the period from the date of rescission of the contract to the date of expiration of the insurance period.

Article 257 — An "open cover" means a contract under which the insurer, in accordance with the agreement, undertakes insurance liability for the goods transported in batches by the insured within a certain future period, and the insured pays the premium.

An open cover shall be concluded in writing.

Article 258 — At the request of the insured, the insurer shall issue separate certificates of insurance for the goods transported in batches under the open cover.

Where the contents of the certificates of insurance separately issued by the insurer are inconsistent with the contents of the open cover, the separately issued certificates of insurance shall prevail.

Article 259 — The insured shall truthfully declare to the insurer, before each transport, the specific particulars of the name and quantity of the goods transported in batches under the open cover, the name and route of the ship carrying the goods, the insurable value, the insured amount and other matters.

Where the insured, with intent, fails to declare or incorrectly declares the goods transported, the insurer shall not be liable for compensation for the losses caused by marine perils occurring in that transport of goods, but is entitled to collect the premium.

Where the insured, not with intent, fails to declare or incorrectly declares the goods transported, the insured is entitled to make a supplementary declaration or correction, which shall not affect his right to claim insurance indemnity from the insurer; however, the insurer is entitled to use the insurable value as specified in paragraph 2 of Article 243 of this Law as the standard for calculating compensation.

The provisions of this Article shall apply only where the open cover contains no agreement or no different agreement.

Section 3 — Obligations of the Insured

Article 260 — Unless otherwise agreed in the contract, the insured shall pay the premium immediately after the conclusion of the contract; before the insured pays the premium, the insurer may refuse to issue the certificate of insurance.

Article 261 — Where the insured violates a warranty clause agreed in the contract, the insurer is entitled to rescind the contract or to demand the modification of the underwriting conditions or an increase in the premium. Where the insurer rescinds the contract, he shall notify the insured in writing, and the contract shall be rescinded when the notice reaches the insured.

With respect to losses caused by marine perils occurring before the insured violated the warranty clause, the insurer shall be liable for compensation.

With respect to losses caused by marine perils occurring from the time the insured violated the warranty clause to the time the notice of rescission reaches the insured, the insurer shall not be liable, unless the insured proves any of the following circumstances:

(1) the violation of the warranty clause by the insured had no effect on the occurrence of the marine perils; or

(2) the marine perils occurred after the insured had rectified the violation of the warranty clause.

Article 262 — Where marine perils occur, the insured shall immediately notify the insurer, and take necessary and reasonable measures to avert or minimize losses. Where the insured receives a special notice issued by the insurer concerning the adoption of reasonable measures to avert or minimize losses, he

shall deal with the matter in accordance with the requirements of the insurer's notice.

With respect to the expanded losses caused by the insured's violation of the provisions of the preceding paragraph, the insurer shall not be liable for compensation.

Section 4 — Liability of the Insurer

Article 263 — After losses are caused by the occurrence of marine perils, the insurer shall pay the insurance indemnity to the insured in good time.

Article 264 — The insurer shall indemnify the losses caused by marine perils up to the insured amount. Where the insured amount is lower than the insurable value, and partial loss occurs to the subject matter insured, the insurer shall be liable for compensation in proportion to the ratio of the insured amount to the insurable value.

Article 265 — Where the subject matter insured suffers losses caused by several marine perils during the insurance period, the insurer shall indemnify even if the total amount of the losses exceeds the insured amount. However, where a total loss occurs after a partial loss without repair, the insurer shall indemnify on the basis of the total loss.

Article 266 — The necessary and reasonable expenses incurred by the insured to avert or minimize losses recoverable under the contract, the reasonable expenses such as those for survey and valuation incurred to ascertain the nature and extent of the marine perils, and the expenses incurred to execute the special notice of the insurer, shall be paid by the insurer in addition to the indemnity for the loss of the subject matter insured.

The insurer shall pay the expenses specified in the preceding paragraph up to an amount equivalent to the insured amount.

Where the insured amount is lower than the insurable value, the insurer shall, unless otherwise agreed in the contract, pay the expenses specified in this Article in proportion to the ratio of the insured amount to the insurable value.

Article 267 — Where the insured amount is lower than the contributory value of general average, the insurer shall indemnify the contribution in general average in proportion to the ratio of the insured amount to the contributory value.

Article 268 — The insurer shall not be liable for compensation for losses caused intentionally by the insured.

Article 269 — Unless otherwise agreed in the contract, the insurer shall not be liable for compensation for the loss of cargo caused by any of the following:

(1) delay in navigation, delay in delivery or change in the market;

(2) natural wear and tear, inherent defects and natural characteristics of the cargo; or

(3) improper packing.

Article 270 — Unless otherwise agreed in the contract, the insurer shall not be liable for compensation for the loss of the insured ship caused by any of the following:

(1) unseaworthiness of the ship at the time of sailing, unless, in the case of time insurance of the ship, the insured did not know and ought not to have known thereof; or

(2) natural wear and tear or corrosion of the ship.

The provisions of the preceding paragraph shall apply to freight insurance.

Section 5 — Loss of the Subject Matter Insured and Abandonment

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Article 271 — An actual total loss occurs where the subject matter insured is lost after the occurrence of marine perils, or is so seriously damaged that it completely loses its original form and utility, or can no longer be owned by the insured.

Article 272 — A constructive total loss of a ship occurs where the ship is deemed, after the occurrence of marine perils, to be no longer avoidable from actual total loss, or where the expenses necessary to avert the actual total loss exceed the insurable value.

A constructive total loss of cargo occurs where the cargo is deemed, after the occurrence of marine perils, to be no longer avoidable from actual total loss, or where the expenses necessary to avert the actual total loss plus the expenses of continuing to carry the cargo to the destination exceed the insurable value.

Article 273 — A loss that is neither an actual total loss nor a constructive total loss is a partial loss.

Article 274 — Where a ship fails to arrive at its destination from the place where its last news was received within a reasonable time, and no news of it has been received after 60 days, the ship shall be deemed missing, unless otherwise agreed in the contract. A missing ship shall be deemed an actual total loss.

Article 275 — Where a constructive total loss of the subject matter insured occurs, and the insured requests the insurer to indemnify on the basis of total loss, he shall abandon the subject matter insured to the insurer within a reasonable time. The insurer may accept or refuse the abandonment, but shall notify the insured of his decision to accept or refuse the abandonment within a reasonable time. Where the insurer fails to notify the insured within a reasonable time whether he accepts the abandonment, it shall be deemed that the abandonment is not accepted.

No conditions shall be attached to the abandonment. Once accepted by the insurer, the abandonment shall not be withdrawn.

Article 276 — Where the insurer accepts the abandonment, all the rights and obligations of the insured with respect to the abandoned property shall be transferred to the insurer.

Section 6 — Payment of Indemnity

Article 277 — After the occurrence of marine perils, the insurer may, before paying the insurance indemnity to the insured, require the insured to provide certificates and materials relating to the ascertainment of the nature of the marine perils and the extent of the loss.

Article 278 — Where the loss of the subject matter insured within the scope of the insurance liability is caused by a third party, the right of the insured to claim compensation from the third party shall be transferred to the insurer from the date on which the insurer pays the indemnity.

The insured shall provide the insurer with the necessary documents and the information he needs to know, and make all efforts to assist the insurer in recovering from the third party.

Article 279 — Where the insured, without the consent of the insurer, waives the right to claim compensation from a third party, or where the insurer is unable to exercise the right of recovery due to the fault of the insured, the insurer may reduce the insurance indemnity accordingly.

Article 280 — When paying the insurance indemnity, the insurer may deduct from the amount of indemnity payable the compensation already obtained by the insured from a third party.

Where the compensation obtained by the insurer from the third party exceeds the insurance indemnity paid by him, the excess shall be refunded to the insured.

Article 281 — After the occurrence of marine perils, the insurer is entitled to waive his rights to the subject matter insured and pay the insurance indemnity agreed in the contract in full, so as to discharge his obligations with respect to the subject matter insured.

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Where the insurer exercises the right specified in the preceding paragraph, he shall notify the insured within seven days from the date of receipt of the insured's notice concerning the loss to be indemnified; the necessary and reasonable expenses paid by the insured before the receipt of the notice to avert or minimize losses shall be reimbursed by the insurer.

Article 282 — Except as provided in Article 281 of this Law, where a total loss of the subject matter insured occurs and the insurer pays the whole insured amount, the insurer acquires all the rights to the subject matter insured; however, in the case of under-insurance, the insurer acquires part of the rights to the subject matter insured in proportion to the ratio of the insured amount to the insurable value.

Chapter XIV — Limitation of Time

Article 283 — Where a maritime dispute arises, the parties may bring an action or apply for arbitration in accordance with the law.

Article 284 — The limitation period for a claim for compensation in the carriage of goods by sea is one year. Among them, with respect to claims for compensation against the carrier or the actual carrier, the limitation period shall be calculated from the date on which the goods are delivered or should have been delivered; with respect to claims for compensation against the shipper, the consignee or the holder of the transport document, the limitation period shall be calculated from the date on which the right-holder knows or ought to know that his right has been infringed.

Where the limitation period specified in the preceding paragraph has expired or has less than 90 days remaining, the limitation period for the right of recourse enjoyed by the person deemed liable against a third party is 90 days, calculated from the date on which the person seeking recourse settles the original claim for compensation.

Article 285 — The limitation period for claims for compensation in the carriage of passengers by sea is two years, calculated in accordance with the following provisions respectively:

(1) with respect to a claim concerning the death of a passenger, where the death occurs during the period of carriage, the limitation period shall be calculated from the date on which the passenger should have left the ship; where the passenger dies after leaving the ship as a result of injury suffered during the period of carriage, the limitation period shall be calculated from the date of the passenger's death, but this period shall not exceed three years from the date on which the passenger left the ship;

(2) with respect to claims concerning personal injury of a passenger or loss of or damage to luggage, the limitation period shall be calculated from the date on which the passenger left or should have left the ship.

Article 286 — The limitation period for claims concerning charter parties is two years, calculated from the date on which the right-holder knows or ought to know that his right has been infringed.

Article 287 — The limitation period for claims concerning contracts of sea towage is one year, calculated from the date on which the right-holder knows or ought to know that his right has been infringed.

Article 288 — The limitation period for claims concerning collision of ships is two years, calculated from the date of the collision accident.

The limitation period for the right of recourse specified in paragraph 3 of Article 178 of this Law is one year, calculated from the date on which the parties jointly and severally paid the compensation for damage.

The limitation period for the claims or the right of recourse arising in accordance with the provisions of Article 179 of this Law shall be governed by the provisions of this Article.

Article 289 — The limitation period for claims concerning salvage at sea is two years, calculated from the date of termination of the salvage operations.

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Article 290 — The limitation period for claims for contribution in general average is one year, calculated from the date of completion of the general average adjustment, but shall not exceed six years from the date of termination of the common voyage.

Article 291 — The limitation period for claims for insurance indemnity against the insurer under a contract of marine insurance is two years, calculated from the date on which the right-holder knows or ought to know of the occurrence of the marine perils.

Article 292 — The limitation period for claims concerning oil pollution damage by ships is three years, calculated from the date of the occurrence of the damage, but shall not exceed six years from the date of the accident causing the damage.

Article 293 — Where, within the last six months of the limitation period, a claim cannot be exercised due to force majeure or other obstacles, the limitation period shall be suspended. The limitation period shall expire six months from the date on which the cause of the suspension is removed.

Article 294 — The limitation period shall be interrupted by a demand by the claimant for performance, the institution of an action, the application for arbitration or the agreement of the person against whom the claim is made to perform the obligation.

Where the claimant applies for the arrest of a ship, the limitation period shall be interrupted from the date of the application for arrest.

The limitation period shall be recalculated from the time of the interruption or the termination of the relevant proceedings.

Chapter XV — Application of Law to Foreign-Related Relations

Article 295 — The parties to a contract may choose the law applicable to the contract, unless otherwise provided by law. Where the parties to a contract have not made a choice, the law of the country with which the contract is most closely connected shall apply.

An international contract of carriage of goods by sea with the port of loading or the port of discharge located within the territory of the People's Republic of China shall be governed by the provisions of Chapter IV of this Law.

Article 296 — Ownership of ships shall be governed by the law of the flag state.

Where the flag is changed, the ownership of the ship after the change shall be governed by the law of the new flag state, except for a change of flag caused by bareboat chartering.

With respect to the ownership of a ship under construction, where the ship is registered, the law of the state of registration shall apply; where it is not registered, the law of the place of construction of the ship shall apply.

Article 297 — Mortgages of ships shall be governed by the law of the flag state.

Where a mortgage is created on a ship before or during a bareboat charter period, the law of the state of the original registration of the ship shall apply.

With respect to a mortgage on a ship under construction, where the ship is registered, the law of the state of registration shall apply; where it is not registered, the law of the place of construction of the ship shall apply.

Article 298 — Maritime liens shall be governed by the law of the forum.

Article 299 — Possessory liens on ships shall be governed by the law of the place where the ship is detained.

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Article 300 — The order of satisfaction as among maritime liens, possessory liens on ships and mortgages of ships shall be governed by the law of the forum.

Article 301 — Liability for collision of ships shall be governed by the law of the place where the tortious act occurred. Where a collision of ships occurs on the high seas, the law of the forum shall apply. Where ships of the same nationality collide, the liability between the colliding ships shall be governed by the law of the flag state.

Where the parties agree on the applicable law after the collision of ships, their agreement shall prevail.

Article 302 — The adjustment of general average shall be governed by the law of the place of adjustment.

The parties may agree on the law applicable to claims for contribution in general average; where the parties have not made a choice, the law of the place of termination of the voyage shall apply.

Article 303 — Limitation of liability for maritime claims shall be governed by the law of the forum.

Article 304 — Liability for oil pollution damage by ships shall be governed by the law of the place where the oil pollution damage occurred.

Article 305 — Where foreign law is applied in accordance with the provisions of this Chapter, the public interests of the People's Republic of China shall not be prejudiced.

Chapter XVI — Supplementary Provisions

Article 306 — The "unit of account" as referred to in this Law means the Special Drawing Right as defined by the International Monetary Fund; its amount in Renminbi shall be the amount of Renminbi calculated, as of the date of the court's judgment, the date of the arbitration institution's award or the date agreed by the parties, on the basis of the exchange rate of the Special Drawing Right against the Renminbi published by the International Monetary Fund.

Article 307 — Where an international treaty concluded or acceded to by the People's Republic of China contains provisions different from those of this Law, the provisions of the international treaty shall apply, except for provisions on which the People's Republic of China has declared reservations.

Where the laws of the People's Republic of China and the international treaties concluded or acceded to by the People's Republic of China contain no provision, international practice may be applied. The application of international practice shall not prejudice the public interests of the People's Republic of China.

Article 308 — The state supports international cooperation in maritime transport affairs and promotes the sound development of the shipping industry.

Where any country or region adopts discriminatory prohibitions, restrictions or other similar measures against the People's Republic of China in the fields related to maritime transport and shipbuilding, the People's Republic of China may take corresponding measures against the relevant country or region in light of the actual circumstances.

Article 309 — Shipowners, ship operators, ship managers or charterers may, as members, voluntarily form mutual protection and indemnity organizations, collect dues in accordance with their constitutions, and be liable for compensation for the losses suffered, the liabilities incurred or the expenses paid by members in the operation of ships.

Article 310 — This Law shall come into force on May 1, 2026.

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