

Order of the President of the People's Republic of China

No. 54

The Law of the People's Republic of China on Enterprise Bankruptcy, which has been adopted at the 23rd meeting of the Standing Committee of the 10th National People's Congress of the People's Republic of China on August 27, 2006, is hereby promulgated and shall come into force as of June 1, 2007.

Hu Jintao, President of the People's Republic of China
August 27, 2006

Law of the People's Republic of China on Enterprise Bankruptcy (2006)

(Adopted at the 23rd meeting of the Standing Committee of the 10th National People's Congress of the People's Republic of China on August 27, 2006)

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Chapter I General Provisions

Article 1 The present Law is formulated to regulate the procedures of enterprise bankruptcy, fairly liquidate the credits and debts, safeguard the legitimate rights and interests of creditors and debtors and maintain the market order of the socialist economy.

Article 2 Where an enterprise legal person fails to pay off its debts, and that if its assets are not enough to pay off all the debts or if it is obviously incapable of paying off its debts, its debts shall be liquidated in accordance with the provisions of the present Law.

Where an enterprise legal person is under the aforesaid circumstance or it is obviously likely that it is incapable of paying off its debts, it may be subject to rectification in accordance with the provisions of the present Law.

Article 3 The bankruptcy case shall be under the jurisdiction of the people's court where the relevant debtor is domiciled.

Article 4 Where the procedures for hearing a bankruptcy case are not prescribed in the present Law, they shall be subjected to the relevant provisions of the Civil Procedure Law.

Article 5 The procedures for bankruptcy, which have been initiated according to the present Law, shall have binding force upon the assets of relevant debtors outside of the territory of the People's Republic of China. Where any legally effective judgment or ruling made by a foreign court over a bankruptcy case involves any debtor's asset within the territory of the People's Republic of China, if the debtor applies with or requests the people's court to accept or execute it, the people's court shall, in light of the relevant international treaties that China has concluded or joined or the principles of reciprocity, carry out an examination thereon and, when holding that it does not violate the basic principles of the laws of the People's Republic of China, does not damage the sovereignty, safety or social public interests of the state, does not damage the legitimate rights and interests of the debtors within the territory of the People's Republic of China, accept and execute the judgment or ruling..

Article 6 When hearing a bankruptcy case, the people's court shall guarantee the legitimate rights and interests of the employers in the insolvent enterprise and investigate its administrators' legal liabilities.

Chapter II Application and Acceptance

Section I Application

Article 7 A debtor, under the circumstance as prescribed in Article 2 of the present Law, may file an application with the people's court for rectification, reconciliation or bankruptcy liquidation.

Where the debtor fails to pay off its due debts, the creditor may file an application with the people's court for rectification or bankruptcy liquidation.

Where an enterprise legal person has been dissolved without any liquidation or without completing the liquidation, and the relevant assets are not enough to pay off the debts, the person liable for liquidation shall apply with the people's court for bankruptcy liquidation.

Article 8 When applying for bankruptcy, an Application for Bankruptcy and the related evidences shall be submitted to the people's court:

The following items shall be indicated in the Application for Bankruptcy:

- (1) Basic introduction of the applicant and the respondent;
- (2) Purpose of the application;
- (3) Facts and ground for the application; and
- (4) Other items that the people's court deems necessary to be indicated.

Where a debtor files an application, it shall submit the statement on financial status, checklist of debts, checklist of the creditor's rights, relevant financial statements, a plan for employees' arrangement as well as the payment documents of wages and social insurance premiums.

Article 9 Before the people's court accepts an application for bankruptcy, the applicant may request for withdrawing its application.

Section II Acceptance

Article 10 Where a creditor files an application for bankruptcy, the people's court shall, within 5 days as of the receipt of the application, notify the related debtor. Where the debtor has any objection to the application, it shall bring forward its objection to the people's court within 7 days as of the receipt of the notice from the people's court. The people's court shall decide whether or not to accept the case within 10 days as of expiration of the term for filing an objection.

Except for the circumstance as prescribed in the preceding paragraph, the people's court shall decide whether or not to accept an application for bankruptcy within 15 days as of the receipt of the application.

Under any special circumstance where the term for accepting a case as prescribed in the preceding two paragraphs is required to be extended, it may be extended for another 15 days upon the approval of the people's court at the next higher level.

Article 11 Where the people's court accepts an application for bankruptcy, it shall, within 5 days as of the day when the decision is made, serve it on the relevant applicant.

Where a creditor files an application, the people's court shall, within 5 days as of the day when a decision is made, serve it on the relevant debtor. The relevant debtor shall, within 15 days as of the day when the decision is served, submit to the people's court its statement on financial status, checklist of debts, checklist of the creditor's rights, the relevant financial statements as well as the payment documents of wages and social insurance premiums.

Article 12 Where the people's court decides not to accept an application for bankruptcy, it shall, within 5 days as of the day when the decision is made, serve its decision on the applicant with its reasons. If the applicant is dissatisfied with the decision, it may, within 10 days as of the day when the decision is served, appeal to the people's court at the next higher level.

During the period from the day when the people's court accepts an application for bankruptcy to the day when a bankruptcy is announced, if it is found that the relevant debtor is not under the circumstance as prescribed in Article 2 of the present Law, its application may be rejected. If the applicant is dissatisfied with the decision, it may, within 10 days as of the day when the decision is served on, appeal to the people's court at the next higher level.

Article 13 Where the people's court accepts an application for bankruptcy, it shall meanwhile designate a bankruptcy custodian.

Article 14 The people's court shall, within 25 days as of the day when it decides to accept an application for bankruptcy, notify the relevant creditors and announce its decision as well.

The following items shall be indicated in the aforesaid notice and announcement:

- (1) Names of the applicant and the respondent;
- (2) The time when the people's court accepts the application for bankruptcy;
- (3) Term, address and points of attention in the declaration of the creditor's rights;
- (4) Name of the custodian as well as the address where it undertakes its business;
- (5) Requirements that the debtors or asset holders of the debtor shall pay off the debts or deliver the assets;
- (6) When and where the first creditors' meeting is held; and
- (7) Other items that the people's court deems necessary to be notified and announced.

Article 15 During the period from the day when the people's court's decision which accept the application for bankruptcy is served on the debtor to the day when the procedures for bankruptcy are terminated, the relevant personnel of the debtor shall bear the following obligations:

- (1) Well preserving the assets, seals and account books as well as documents under its occupation and management;
- (2) Working in light of the requirements of the people's court and the bankruptcy custodian, and answering their inquiries faithfully;
- (3) Attending the creditor's meeting as a nonvoting delegate and answering the creditor's inquiries according to the fact;

- (4) Not leaving its domicile if without the permission of the people's court; and
- (5) Not assuming any post of director, supervisor or senior manager in any other enterprise.

The term "relevant personnel" as mentioned in the preceding paragraph refers to the legal representatives of an enterprise, which may, upon the approval of the people's court, include the financial managers and other operators of the enterprise.

Article 16 After the people's court accepts an application for bankruptcy, any repayment of debts made by a debtor to any individual creditors shall be deemed as invalidated.

Article 17 After the people's court accepts an application for bankruptcy, the debtors or asset holders of the debtor shall pay off the debts or deliver the relevant assets to the bankruptcy custodian.

Where any debtor or asset holder deliberately violates the provisions of the preceding paragraph by paying off its debts or delivering the assets to the debtor, and thus incurs loss to the relevant creditors, its obligation of paying off the debts or delivering the assets shall not be exempted.

Article 18 After the people's court accepts an application for bankruptcy, the relevant custodian shall have the right to decide to unchain or continue to perform a contract that has been established before the acceptance yet has not been fully performed by both parties concerned, and notify the opposite party concerned of its decision. Where the bankruptcy custodian fails to notify the opposite party concerned within 2 months as of the acceptance or to make any reply to an urge made by the opposite party concerned, it shall be deemed that the contract is unchained.

Where the bankruptcy custodian decides to continue a contract, the opposite party concerned shall continue to perform the contract yet has the right to request the custodian to provide guarantee. Where the custodian does not provide any guarantee, it shall be deemed that the contract is unchained.

Article 19 After the people's court accepts an application for bankruptcy, the relevant measures for preserving the debtor's assets shall be released and the procedures for execution shall be suspended.

Article 20 After the people's court accepts an application for bankruptcy, any civil action or arbitration related to the debtor, which has been started yet not ended, shall be suspended. The civil action or arbitration can be resumed after a bankruptcy custodian takes over the debtor's assets.

Article 21 After the people's court accepts an application for bankruptcy, the relevant debtor's civil action shall be filed to the very people's court only.

Chapter III Custodian

Article 22 A bankruptcy custodian shall be designated by the people's court.

Where it is considered at the creditors' meeting that the custodian fails to perform or fulfill its duties and functions in a lawful and impartially manner, the creditors' meeting may apply with the people's court for the change of the custodian.

The measures for designating bankruptcy custodians and deciding the remunerations for bankruptcy custodians shall be formulated by the Supreme People's Court.

Article 23 A bankruptcy custodian shall, in accordance with the provisions of the present law, fulfill its functions and duties, report its work to the people's court and accept the supervision of the creditors' meeting and the creditors' committee.

The bankruptcy custodian shall attend the creditors' meeting as a nonvoting delegate, report the fulfillment of its duties and functions and answer the relevant inquiries.

Article 24 The post of a bankruptcy custodian may be assumed by a liquidation group comprised of personnel

from relevant departments and organs or by such lawfully established social intermediary agencies as a law firm, an accounting firm, a bankruptcy liquidation firm and etc..

The people's court may, in light of the real status of a debtor and upon consulting the opinions of the relevant social intermediary agencies, designate the relevant personnel who have a good command of special knowledge and have obtained the practice qualification as a bankruptcy custodian.

Under any of the following circumstances, one may not assume the post of bankruptcy custodian:

- (1) Having a record of criminal punishment for deliberate crime;
- (2) Having been revoked of the relevant practice qualification certificate of related specialty;
- (3) Having any interest with the case; or
- (4) Any other circumstance under which the people's court deems it improper for it to act as a bankruptcy custodian.

Where an individual assumes the post of a bankruptcy custodian, he shall purchase the responsibility insurance for practice.

Article 25 A bankruptcy custodian shall fulfill the following functions and duties:

- (1) Taking over the asset, seals as well as the account books and documents of the debtor;
- (2) Surveying the financial status of the debtor and formulating the financial statements;
- (3) Determining the internal management of the debtor;
- (4) Determining the daily expenditure and other necessary expenditures of the debtor;
- (5) Determining, before the holding of the first meeting of creditors, whether to continue or terminate the debtor's business;
- (6) Managing and disposing of the debtors' assets;
- (7) Appearing in actions, arbitrations or any other legal procedures on behalf of the debtor;
- (8) Suggesting the hold of creditors' meetings; and
- (9) Fulfilling other functions and duties that the people's court believes it should perform.

In the case of any separate provision on the bankruptcy custodian's functions and duties in the present Law, it shall prevail.

Article 26 Before the first meeting of creditors is held, where a bankruptcy custodian decides to continue or terminate the business operation of a debtor or has any of the acts as prescribed in Article 69 of the present Law, it shall be subject to the approval of the people's court.

Article 27 A bankruptcy custodian shall be diligent and devoted to their duties, and shall faithfully fulfill its (his) duties as well.

Article 28 A bankruptcy custodian may, upon the approval of the people's court, employ relevant work staff as it is necessary.

The remunerations of a bankruptcy custodian shall be decided by the people's court. In case the meeting of creditors has any objection to the remuneration of a bankruptcy custodian, it shall have the right to file demurral to the people's court.

Article 29 A bankruptcy custodian shall not quit its post without any justifiable reason. The resignation of a bankruptcy custodian shall be subject to the approval of the people's court.

Chapter IV Assets of Debtors

Article 30 The assets of a debtor refer to all the assets that belong to the debtor when an application for bankruptcy is accepted, as well as the assets as obtained by the debtor during the period from the day when an

application for bankruptcy is accepted to the day when the procedures for bankruptcy are ended.

Article 31 Within 1 year before the people's court accepts an application for bankruptcy, the bankruptcy custodian has the right to request the court to revoke any following act related to the debtor's assets:

- (1) Transferring the assets free of charge;
- (2) Trading at an obviously unreasonable price;
- (3) Offering asset guarantee to those debts without any asset guarantee;
- (4) Paying off the undue debts in advance; or
- (5) Giving up the creditor's rights.

Article 32 Within 6 months before the people's court accepts an application for bankruptcy, where a debtor is under any circumstance as prescribed in paragraph 1, Article 2 of the present Law where it makes repayment to individual creditors, its bankruptcy custodian has the right to request the people's court to revoke it, except that the individual repayment may do good to the debtor' assets.

Article 33 Any of the following acts concerning the assets of a debtor shall be deemed as invalid:

- (1) Concealing or transferring the assets so as to avoid the debts; or
- (2) Fabricating any debt or acknowledging any inauthentic debt.

Article 34 As for any asset of a debtor as obtained under any circumstance as prescribed in Article 31, 32 or 33 of the present Law, the relevant bankruptcy custodian shall have the right to recover it.

Article 35 After the people's court accepts an application for bankruptcy, where any capital contributor of a debtor fails to fulfill its obligation of capital contribution, the relevant bankruptcy custodian shall require the capital contributor to make full contribution of the capital it has subscribed to, irrespective of the term for capital contribution.

Article 36 In case any director, supervisor or senior manger takes advantage of his powers to obtain any abnormal income from his enterprise or embezzles any enterprise asset, the relevant bankruptcy custodian shall recover it.

Article 37 After the people's court accepts an application for bankruptcy, the bankruptcy custodian may take back its pledge or lien by means of paying off its debts or providing guarantee that can be accepted by the relevant creditor.

As to the payment of debts or substitutive guarantee, where the value of the pledge or lien is lower than that of the amount of the creditor's rights, a bottom line shall be set on the contemporary market value of the pledge or lien.

Article 38 After the people's court accepts an application for bankruptcy, where what the relevant debtor occupies are not its own assets, the owner of the assets may take the assets back via the bankruptcy custodian, unless it is otherwise prescribed by the present law.

Article 39 When the people's court accepts an application for bankruptcy, if the seller has sent the object matter to the debtor of the buyer and the latter has not yet received the goods and not paid off the price, the seller may take back the goods on the way. However, the relevant bankruptcy custodian may pay off the price and request the seller to deliver the object matter.

Article 40 Where a creditor is indebted to its debtor before an application for bankruptcy is accepted, it may claim for offset against the bankruptcy custodian. However, under any of the following circumstances, the relevant debts may not be offset:

- (1) Where a debtor of the debtor obtains the creditor's rights of any other party against the debtor after the application for bankruptcy is accepted;

(2) Where the creditor learns that a debtor is incapable of paying off its due debts or is in the process of applying for bankruptcy and it is indebted to the debtor, except that the creditor assumes its liabilities in accordance with the provisions of law or for any reason as incurred 1 year before the application for bankruptcy is filed;

(3) Where a debtor of the debtor learns that the debtor is incapable of paying off its debts or is in the process of applying for bankruptcy, and therefore obtains the creditor's rights from the debtor, except that the debtor's debtor obtains the creditor's rights according to law or for any reason as incurred 1 year before the application for bankruptcy.

Chapter V Bankruptcy Expenses and Community Debts

Article 41 The following expenses that occur after the people's court accepts an application for bankruptcy shall be the bankruptcy expenses:

(1) The legal fare on bankruptcy cases;

(2) The expenses for managing, conversion and distributing the debtor's assets; and

(3) The expenses for the bankruptcy custodian's fulfillment of its functions and duties, for its (their) remunerations and expenses for the recruitment of employees.

Article 42 The following debts that occur after the people's court accepts an application for bankruptcy shall be community debts:

(1) The debts generated when the bankruptcy custodian or debtor requests the opposite party concerned to perform a contract that is not fulfilled completely by both parties concerned;

(2) The debts generated from the custodial management of the debtor's assets;

(3) The debts generated from improper gains;

(4) The labor cost for the continuance of business operation, social insurance premiums as well as other debts as incurred therefrom;

(5) The debts generated from the damage that occurs during the performance of functions and duties by a bankruptcy custodian or other relevant personnel; and

(6) the debts generated from any damage due to the debtor's assets.

Article 43 The bankruptcy expenses and community debts shall be paid off with the debtor's assets at any time.

Where the debtor's assets are not enough to pay off all the bankruptcy expenses and community liabilities, the bankruptcy expenses shall be paid off in priority.

Where the debtor's assets are not enough to pay off the bankruptcy expenses or community liabilities, the liquidation shall be conducted in light of the relevant proportion.

Where the debtor's assets are not enough to pay off the bankruptcy expenses, the relevant bankruptcy custodian shall apply with the people's court for terminate the procedures for bankruptcy. The people's court shall, within 15 days as of the day when an application is received, decide to terminate the procedures for bankruptcy and announce its decision as well.

Chapter VI Declaration of the Creditor's Rights

Article 44 The creditor enjoying the creditor's rights against its debtor, when the people's court accepts an application for bankruptcy, may exercise its right pursuant to the procedures as prescribed herein.

Article 45 The people's court shall, after accepting an application for bankruptcy, decide the time limit for a

creditor to declare its creditor's rights. The time limit for declaration of the creditor's rights shall be calculated as of the day when the people's court announces its acceptance of the application for bankruptcy within a range of not less than 30 days and not more than 3 months.

Article 46 When the relevant application for bankruptcy is accepted, any undue creditor's rights shall be deemed as due.

The calculation of the interests of any creditor's right shall be ceased when the relevant application for bankruptcy is accepted.

Article 47 As for any creditor's rights attached with certain conditions or time limit or any creditor's right that fails to be settled through an action or arbitration, the relevant creditor may declare it.

Article 48 A creditor shall, within the time limit as decided by the people's court, declare its creditor's rights against the custodian.

The wages, subsidies for medical treatment and disability and comfort and compensatory funds as owed by a debtor, the fundamental old-age insurance premiums, fundamental medical insurance premiums that shall have been transferred into the employees' personal accounts as well as the compensation for the employees as prescribed by relevant laws and administrative regulations are not required to be declared, for which the relevant bankruptcy custodian shall make a corresponding checklist upon investigation and make an announcement on them as well. Where any employee has any objection to the relevant checklist, he may request the bankruptcy custodian to make corrections. In case the bankruptcy custodian fails to correct it, the relevant employee may lodge a complaint to the people's court.

Article 49 Where a creditor declares its creditor's rights, it shall make a written statement on the amount of the creditor's rights and whether there is any property guarantee, and submit the relevant evidences as well. In the case of any joint and several creditors' rights, an explanation shall be made.

Article 50 The joint and several creditors may choose one of them to declare their creditor's rights or may declare the creditor's rights together.

Article 51 Where the guarantor of a debtor or any other related joint and several debtor has paid off the liabilities on behalf of the debtor, it may declare its creditor's rights on the basis of its rights to recourse against the debtor.

Where the guarantor of a debtor or any other related joint and several debtor has not yet paid off the debts on behalf of the debtor, it may declare its creditor's rights on the basis of its future right to recourse against the debtor, unless the creditors have declared all the creditor's rights against the relevant bankruptcy custodian.

Article 52 Where several joint and several debtors are ruled to be subjected to the procedures as prescribed in the present law, the creditors thereof shall have the right to declare their whole creditors' rights in each bankruptcy case respectively.

Article 53 Where a bankruptcy custodian or creditor unchains a contract in accordance with the provisions of the present law, the opposite party concerned may declare its creditor's rights on the basis of the right to compensation for the damage as generated therefrom.

Article 54 Where a debtor is the entrusting party of an entrustment contract which has been ruled to be subjected to the procedures as prescribed in the present law, if the entrusted party has not learned the aforesaid facts and continues to deal with the entrusted business, the entrusted party may declare its creditor's rights on the basis of the rights of claim as generated therefrom.

Article 55 Where a debtor is a remitter of bills which have been ruled to be subjected to the procedures as prescribed in the present law, if the relevant payer of the bills continues its payment or acceptance, the payer

may declare its creditor's rights on the basis of the rights of claim as generated therefrom.

Article 56 Within the time limit for declaration of the creditor's rights as decided by the people's court, if the creditor fails to claim its creditor's rights, it may supplement its declaration before the final distribution of insolvent assets. However, if the relevant distribution has already been made, no more declaration may be supplemented. The expenses for examining and confirming the supplementary declaration of the creditor's rights shall be borne by the party who has applied for supplementary declaration.

Where a creditor fails to declare its creditor's rights in accordance with the provisions of the present law, it may not exercise the relevant right pursuant to the procedures prescribed in the present law.

Article 57 Where a bankruptcy custodian receives the declaration materials on the creditor's rights, it shall register them into a book, conduct an examination on the declared creditor's rights and formulate a form of the creditor's rights as well.

The form of the creditor's rights and the declaration materials of the creditor's rights shall be kept by the relevant bankruptcy custodian for reference by the interested parties.

Article 58 The form of the creditor's rights formulated pursuant to the provisions of Article 57 of the present law shall be submitted to the first meeting of creditors for examination.

Where the relevant debtors and creditors have no objection to the form of the creditors' rights, it shall be ruled and confirmed by the people's court.

Where any debtor or creditor has any objection to the form of the creditors' rights, it may file an action to the people's court that has accepted the application for bankruptcy.

Chapter VII The Meeting of Creditors

Section I Common Provisions

Article 59 The creditor declaring its creditor's rights according to law shall be a member of the creditors' meeting, and have the right to attend the creditors' meeting and enjoy the right to vote.

Any creditor whose creditor's right has not yet been decided may not be entitled to exercise its right to vote, unless the people's court can temporarily decide the amount of the creditor's right for the sake of exercising the right to vote.

Any creditor, which has the right to make guarantee on the particular assets of its debtor and has not given up the priority right to be repaid, may not enjoy the right to vote for any matter as prescribed in Item (7) or (10) paragraph 1 of Article 61 of the present law.

A creditor may entrust its agent to attend the creditors' meeting and exercise the right to vote. When an agent attends the creditors' meeting, it shall submit a Power of Attorney to the people's court or the chairman of the creditors' meeting.

The creditors' meeting shall be attended by the employees of the relevant debtor as well as the representatives of its work union, who may therefore declare opinions on the relevant issues.

Article 60 There shall be a chairman of the creditors' meeting, who shall be one of the creditors and designated by the people's court with the right to vote.

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

Article 61 The creditors' meeting shall fulfill the following functions and duties:

- (1) Examining the creditor's rights;
- (2) Apply with the people's court for alteration of the bankruptcy custodians and check the expenses and

remunerations of the bankruptcy custodians;

- (3) To Superintending the bankruptcy custodian;
- (4) Selecting and altering the members of the creditors' meeting;
- (5) Determining whether to continue or terminate the debtor's business operations;
- (6) Ratifying a rectification plan;
- (7) Ratifying a reconciliation;
- (8) Ratifying a management plan of the debtor's assets;
- (9) Ratifying a conversion plan of the insolvent assets;
- (10) Ratifying a distribution plan of the insolvent assets; and
- (11) Executing other functions and powers that the people's court deems the creditors' meeting shall execute.

The records of meetings shall be made for the resolutions made for the matters deliberated at the creditors' meeting.

Article 62 The first meeting of creditors shall be convoked by the people's court within 15 days as of expiration of the time limit for declaration of creditor's rights.

Subsequent creditors' meetings may be held when the people's court deems it necessary or where the bankruptcy custodian, the creditors' committee, or any creditor representing 1/4 or more of the total creditor's right proposes the chairman of the creditors' meeting to hold one.

Article 63 Where a creditors' meeting is held, the relevant bankruptcy custodian shall inform the already known creditors 15 days in advance.

Article 64 A resolution of the creditors' meeting may be adopted, only upon the consent of 1/2 or more of the creditors who attend the meeting and have the right to vote, representing 1/2 or more of the aggregate amount of the creditors' right free from property guarantee, unless it is separately prescribed by the present law. Where any creditor believes that any resolution of the creditors' meeting has violated laws or damaged its interests, it may, within 15 days as of the day when the creditors' meeting makes the resolution, request the people's court to revoke the resolution and order the creditors' meeting to remake a resolution according to law.

The resolution as adopted at the creditors' meeting shall have binding force on all creditors.

Article 65 Any matter as prescribed in items (8) and (9) paragraph 1 Article 61 of the present law that has not been adopted upon the vote of creditors shall be ruled by the people's court.

Any matter as prescribed in item (10) paragraph 1 Article 61 of the present law that has not been adopted after a second voting at the creditors' meeting shall be ruled by the people's court.

As to the ruling as prescribed in the preceding paragraph, the people's court may announce it at the creditors' meeting or separately inform the relevant creditors.

Article 66 Where a creditor is discontent with any ruling made by the people's court according to paragraph 1 Article 65 of the present law, or a creditor representing 1/2 or more of the aggregate creditor's right free from property guarantee is discontent with any ruling made by the people's court according to paragraph 2, Article 65 of the present law, it may apply with the very people's court for review within 15 days as of the day when the ruling is announced or when the relevant notice is received. The ruling shall not be stopped to execute during the review.

Section II The Committee of Creditors

Article 67 The creditors' meeting may decide to establish a committee of creditors, which shall be composed

of the creditor representatives as selected by the creditors' meeting as well as a employee representative of the relevant debtor or a representative of the work union. The members of the creditors' committee shall be not more than 9 persons.

The members of the creditors' committee shall be confirmed by the people's court in written form.

Article 68 The creditors' committee shall fulfill the following functions and duties:

- (1) Superintend the management and disposal of the debtor's assets;
- (2) Superintend the distribution of the insolvent assets;
- (3) proposing to hold a meeting of creditors; and
- (4) Fulfilling other functions and duties as entrusted by the creditors' meeting.

When the committee of creditors fulfills its functions and duties, it shall have the right to require the relevant personnel of bankruptcy custodian and debtor to give an explanation on any matter within the scope of its functions and duties or provide the relevant documents.

In case the relevant personnel of a bankruptcy custodian or debtor refuse to accept the supervision in violation of the provisions of the present law, the committee of creditors shall have the right to request the court to make a decision on supervision, and the latter shall make a decision thereon within 5 days.

Article 69 Where a bankruptcy custodian conducts any of the following actions, it shall report it to the creditors' committee in a timely manner.

- (1) The transfer of the rights and interests of such realties as land and houses;
- (2) The transfer of such property rights as the right to mine exploitation, mining right and intellectual property right;
- (3) The transfer of all the stockpile or business operation;
- (4) Loans;
- (5) Setting property guarantee;
- (6) The transfer of the creditors' rights and securities;
- (7) Performance of any contract that has not been fully performed by the debtor and the opposite party concerned;
- (8) Abandonment of rights;
- (9) Withdrawal of the guaranty; and
- (10) Any other property disposal that has an important impact on the creditor's interests.

In case no committee of creditors' is established, the bankruptcy custodian shall, when implementing the aforesaid provisions, report it to the people's court in a timely manner.

Chapter VIII Rectification

Section I Application for and Period of Rectification

Article 70 A debtor or creditor may, in accordance with the provisions of the present law, apply directly with the people's court for rectification on the debtor.

Where any creditor applies for bankruptcy liquidation against its debtor, after the people's court accepts the application for bankruptcy and before the debtor is announced bankruptcy, the debtor or its capital contributor whose capital contribution makes up 1/10 or more of the debtor's registered capital may apply with the people's court for rectification.

Article 71 Where the people's court deems, upon examination, that an application for rectification accords

with the provisions of the present law, it shall order the debtor to rectify and announce its decision as well.

Article 72 The period of rectification lasts from the day when the people's court rules that a debtor shall conduct rectification to the day when the procedures for rectification are ended.

Article 73 During the period of rectification, a debtor may, after filing an application and obtaining the approval from the people's court, manage its assets and business operation under the supervision of its bankruptcy custodian.

Under the circumstance as prescribed in the preceding paragraph, a bankruptcy custodian that has taken over the assets and business operation shall deliver the assets and business operation to the debtor in accordance with the provisions of the present law, and the bankruptcy custodian's functions and duties as prescribed herein shall be exercised by the debtor.

Article 74 The bankruptcy custodian, being responsible for managing assets and business operation, may employ the business managers of the debtor to take care of the business operation.

Article 75 During the period of rectification, the right to make guarantee on the particular assets of a debtor shall be suspended. However, in the case of possible damage or significant decrease of value, which may injure the guarantor's right, the guarantor may apply with the people's court for recovering the right to make guarantee.

During the period of rectification, a debtor or bankruptcy custodian who borrows capital to continue the business may set a guarantee on the loan.

Article 76 Where a debtor legally occupies any other's property and the owner of the property right requests to take back the property, it shall meet the requirements as stipulated in advance.

Article 77 During the period of rectification, no capital contributor of a debtor may request distribution of any investment proceeds.

During the period of rectification, no director, supervisor or senior manager of a debtor may transfer the equity it has held to a third party, unless the people's court approves it.

Article 78 During the period of rectification, under any of the following circumstances, the people's court shall, upon the request of a bankruptcy custodian or any party concerned, rule to terminate the procedures for rectification and announce the bankruptcy of the relevant debtor:

- (1) Where the business operation or financial status of a debtor continues to deteriorate and cannot be retrieved in any way;
- (2) Where a debtor has any act of fraud or maliciously reducing its assets or has any act obviously went against its creditor; or
- (3) Where the act of a debtor makes its bankruptcy custodian unable to perform its duties and functions.

Section II Formulation and Approval of a Rectification Plan

Article 79 A debtor or bankruptcy custodian may, within 6 months as of the day when the people's court approves its rectification, submit a draft of the rectification plan to the people's court and the meeting of creditors.

Where the time limit as prescribed in the preceding paragraph expires, the people's court may, upon the request of any debtor or the bankruptcy custodian, and on a justifiable ground, rule an extension of 3 months.

Where a debtor or bankruptcy custodian fails to submit a draft of the rectification plan in light of the schedule, the people's court shall rule to terminate the procedures for rectification and announce bankruptcy of the debtor.

Article 80 Where a debtor manages its own assets and business operation, it shall formulate a draft of rectification plan.

Where a bankruptcy custodian is responsible for managing the assets and business operation of a debtor, it shall formulate a draft of rectification plan.

Article 81 A draft of rectification plan shall include the following contents:

- (1) The business plan of the debtor;
- (2) The Classification of the creditor's rights;
- (3) The adjustment plan of the creditor's rights;
- (4) The repayment plan of the creditor's rights;
- (5) The time limit for the implementation of the rectification plan;
- (6) The time limit for supervising the performance of the rectification plan; and
- (7) Any other plan conducive to the debtor's rectification.

Article 82 Where the relevant creditor having the following creditor's rights attend the creditor's meeting to discuss the draft of a rectification plan, they shall be grouped in light of the following creditor's rights so as to vote on the draft of rectification plan:

- (1) The creditor's rights with guarantee on the debtor's particular assets;
- (2) The wages, subsidies for medical treatment and disability and comfort and compensatory funds as defaulted by the debtor, the fundamental old-age insurance premiums, fundamental medical insurance premiums that shall have been transferred into the individual accounts of employers as well as the compensation for the employees as prescribed by the relevant laws and administrative regulations;
- (3) The taxes defaulted by the debtor; and
- (4) The common creditor's rights.

The people's court shall, when it is necessary, decide to set up a group of the small-amount creditor's rights in the group of the common creditor's rights so as to vote on the draft of rectification plan.

Article 83 The rectification plan shall not cover any stipulation on the exemption of social insurance premiums as defaulted by a debtor other than what is prescribed in item (2) paragraph 1 Article 82 of the present law. The creditor of social insurance premiums shall not attend the voting of the draft of rectification plan.

Article 84 The people's court shall, within 30 days as of the day when a draft of rectification plan is received, hold a meeting of creditor so as to vote on the draft.

Where 1/2 or more of the creditors in a same voting group at the creditors' meeting agree to the draft of rectification plan and represents 2/3 or more of the total amount of the creditor's rights, it shall be deemed as an adoption of the draft of the rectification plan.

The relevant creditors or bankruptcy custodian shall give an explanation on the draft of the rectification plan and answer the relevant inquiries at the meeting of creditors.

Article 85 The representatives of capital contributors of a debtor may attend the creditor's meeting discussing the draft of rectification plan as a nonvoting delegate.

Where a draft of rectification plan involves the adjustment of the rights and interests of capital contributors, a group of capital contributors shall be formed to vote on this issue.

Article 86 Where all the voting groups agree to the draft of rectification plan, it shall be deemed that the plan is adopted.

Within 10 days as of the day when a rectification plan is adopted, a creditor or bankruptcy custodian shall file

an application with the people's court for approving the rectification plan. Where the people's court deems, upon examination, that the application accords with the present law, it shall, within 30 days as of the day when the application is received, grant a verdict of approval, terminate the relevant procedures for rectification and announce it as well.

Article 87 Where some voting groups do not agree to the draft of rectification plan, the relevant debtor or bankruptcy custodian may negotiate with the aforesaid voting groups, who may vote for another time upon negotiation. And the result of negotiation shall not damage the interests of any other voting group.

Where a voting group that does not agree to the draft of rectification plan refuses to re-vote or does not agree to the draft of rectification plan upon re-voting yet, and the draft of rectification plan meets the following requirements, the relevant debtor or bankruptcy custodian may apply with the people's court for approving the draft of rectification plan.

(1) Where, according to the draft of rectification plan, the creditor's rights as prescribed in item (1) paragraph 1 Article 82 of the present law will be paid off by means of the particular assets and the losses as incurred from postponed payment shall be compensated for in a fair manner, given that the right to make guarantee has not been materially damaged, or the relevant voting groups have adopted the draft of rectification plan;

(2) Where, in light of the draft of rectification plan, the creditor's rights as prescribed in items (2) and (3) of paragraph 1 Article 82 of the present Law shall be paid off, or the relevant voting groups have adopted the draft of rectification plan;

(3) Where, in light of the draft of rectification plan, the repayment proportion of the common creditor's rights shall not be any lower than that as set in the procedures for bankruptcy liquidation when the draft of rectification plan is submitted for approval, or the relevant contributor group has adopted the draft of rectification plan;

(4) Where the draft of rectification plan can bring a fair and justifiable adjustment to the rights and interests of capital contributors, or the contributor group has adopted the draft of rectification plan;

(5) Where the draft of rectification plan does justice to the members of a same voting group fairly and the liquidation order of the creditor's rights does not violate the provisions of Article 113 of the present law;

(6) Where the debtor's business plan is feasible.

Where the people's court deems that the draft of rectification plan accords with the provisions of the preceding paragraph, it shall, within 30 days as of the day when an application is received, approve it, terminate the procedures for rectification and announce it.

Article 88 Where a draft of rectification plan fails to be adopted and fails to be approved in accordance with the provisions of Article 87 of the present law, or an adopted draft of rectification plan fails to be approved, the people's court shall rule to terminate the procedures for rectification and announce bankruptcy of the debtor.

Section III Implementation of a Rectification Plan

Article 89 The rectification plan shall be implemented charged by the debtor.

Where the people's court has ruled to approve a rectification plan, the bankruptcy custodian that has taken over the assets and business operation shall transfer the assets and business operation to the debtor.

Article 90 As of the day when the people's court ruled to approve a rectification plan and within the time limit for supervision as prescribed in the rectification plan, the relevant bankruptcy custodian shall supervise the implementation thereof.

Within the time limit for supervision, the debtor shall report the information on the implementation of its rectification plan as well as its financial status to the relevant bankruptcy custodian.

Article 91 Upon expiration of the time limit for supervision, the bankruptcy custodian shall submit a supervision report to the people's court. As of the day when a supervision report is submitted, the functions and duties of the bankruptcy custodian shall be terminated.

Where a bankruptcy custodian submits a supervision report to the people's court, any interested party to the rectification plan shall have the right to consult therewith.

Upon the application by a bankruptcy custodian, the people's court may rule to extend the time limit for supervision over the implementation of a rectification plan.

Article 92 The rectification plan as approved by the people's court shall have binding force on the debtor and all the creditors.

Where a creditor fails to declare its creditor's rights in accordance with the provisions of the present law, it shall not exercise any right during the implementation of a rectification plan. When the implementation of a rectification plan is concluded, the relevant creditor may exercise its right in light of the requirements for liquidation of identical creditor's rights as prescribed in the rectification plan.

The right of a creditor against the guarantor of its debtor as well as all joint and several debtors may not be affected by the rectification plan.

Article 93 Where a debtor fails to or refuses to implement a rectification plan, the people's court may, upon the request of the relevant bankruptcy custodian or interested party, terminate the implementation of the rectification plan and announce bankruptcy of the debtor.

Where the people's court decides to terminate the implementation of a rectification plan, the commitment made by the relevant creditor on the adjustment of the creditor's rights in the rectification plan shall be invalidated. The liquidation for the relevant creditor when the rectification plan is implemented remains effective and the creditor's rights that have not been repaid shall be regarded as the credit of bankruptcy. The creditor as prescribed in the preceding paragraph may, only when the other creditors in the sequential order of the liquidation are repaid at a same proportion, continue to join the distribution.

Under any circumstance as prescribed in paragraph 1 of the present article, any guarantee made for the implementation of a rectification plan shall continue to be effective.

Article 94 As to debts which have been exempted in light of the rectification plan, the relevant debtor may, as of the day when the rectification plan is concluded, not bear the liabilities of compensation any more.

Chapter IX Reconciliation

Article 95 A debtor may, in accordance with the provisions of the present law, apply for reconciliation with the people's court, or may, after the people's court accepts its application for bankruptcy and before its announcement of bankruptcy, apply with the people's court for reconciliation.

Where the debtor applies for reconciliation, it shall bring forwards a draft of the reconciliation agreement.

Article 96 Where the people's court deems upon examination that an application for reconciliation accords with the provisions of the present law, it shall rule reconciliation, announce it and hold a meeting of creditors so as to discuss the draft of the reconciliation agreement.

A holder of the right to make guarantee on the debtor's particular assets may exercise its right as of the day when the people's court rules reconciliation.

Article 97 A resolution of reconciliation agreement which is adopted at the creditors' meeting shall be based

on the consent of 1/2 or more of the creditors who attend the meeting with the right to vote, and represent 2/3 or more of the total credit amount free from property guarantee.

Article 98 Where a reconciliation agreement is adopted at the creditors' meeting, the people's court shall decide whether or not to approve it, terminate the procedures for reconciliation and announce it. The relevant bankruptcy custodian shall transfer the assets and business operation to the debtor and submit a report on the performance of its functions and duties to the people's court.

Article 99 Where the draft of a reconciliation agreement fails to be adopted at the creditors' meeting or the reconciliation agreement that has been adopted at the creditors' meeting fails to be approved by the people's court, the people's court shall rule to terminate the procedures for reconciliation and announce bankruptcy of the debtor.

Article 100 The reconciliation agreement that has been approved by the people's court shall have a binding force on the debtor and all the creditors in the reconciliation.

The term "creditor in the reconciliation" refers to a party that enjoys the creditor's rights free from property guarantee against its debtor when the people's court accepts the relevant application for bankruptcy.

Where any creditor in the reconciliation fails to declare its creditor's right in accordance with the provisions of the present law, it may not exercise its right during the period when the reconciliation agreement is conducted. After the implementation of the reconciliation agreement is concluded, it may exercise its right in light of the requirements for repayment as prescribed by the reconciliation agreement.

Article 101 The right as enjoyed by the creditor in the reconciliation against the guarantor of its debtor and other joint and several debtors shall not be affected by any reconciliation agreement.

Article 102 A debtor shall pay off its debts in light of the conditions as prescribed in the relevant reconciliation agreement.

Article 103 As for any reconciliation agreement that is established by fraud or based on any illegal act of a debtor, the people's court shall rule it ineffective and announce bankruptcy of the debtor.

Under any of the aforesaid circumstances, the repayment that a creditor in the reconciliation gets when the reconciliation agreement is performed shall not be returned at the same proportion as the other creditors.

Article 104 Where a debtor is unable or fails to implement a reconciliation agreement, the people's court shall, upon the request of the creditor in the reconciliation, rule to terminate the implementation of the reconciliation agreement, and announce bankruptcy of the debtor.

Where the people's court terminates the implementation of a reconciliation agreement, the commitment made by the creditor in the reconciliation on the adjustment of the creditor's rights shall be invalidated. The repayment made to the creditor in the reconciliation when the reconciliation agreement is implemented shall still be effective and the creditor's rights in the reconciliation that has not been repaid shall be the credit of bankruptcy.

The creditor as prescribed in the preceding paragraph may, only when sharing the repayment at a same proportion as the other creditors, continue to join the distribution.

Under the circumstance as prescribed in paragraph 1 of the present Article, the guarantee made on the implementation of the reconciliation agreement shall remain effective.

Article 105 After the people's court accepts an application for bankruptcy, if the relevant debtor and all the creditors conclude an agreement on settlement of credits and debts by themselves, they may request the court to approve it and terminate the procedures for bankruptcy.

Article 106 As to the debts which have been exempted according to the reconciliation agreement, the relevant

debtor may, as of the day when the reconciliation agreement is concluded, not bear the liabilities of compensation any more.

Chapter X Bankruptcy Liquidation

Section I Announcement of Bankruptcy

Article 107 Where the people's court announces bankruptcy of a debtor according to the provisions of the present law, it shall, within 5 days as of the day when the ruling is made, serve it on the relevant debtor and bankruptcy custodian, and shall, within 10 days as of the day when the ruling is made, inform the already-known creditors and announce it as well.

After a debtor is announced bankruptcy, the debtor shall be named as the bankruptcy and the debtor's assets shall be taken as the insolvent assets. The creditor's rights against the debtor when the people's court accepts an application for bankruptcy shall be the credit of bankruptcy.

Article 108 Before any bankruptcy is announced, under any of the following circumstances, the people's court shall rule to terminate the procedures for bankruptcy and announce it as well:

- (1) Where a third party provides any full-amount guarantee or pays off all the debts as due for the debtor; or
- (2) Where the debtor has paid off all the due debts.

Article 109 An holder of the right to guaranty on the particular assets of the bankruptcy may enjoy the priority right to be repaid by means of the particular assets.

Article 110 Where a creditor, who enjoys the right as prescribed in the provisions of Article 109 of the present law, exercises the priority right to be repaid, the un-repaid creditor's rights shall taken as common ones. Where the priority right to be repaid is given up, the creditor's rights shall be taken as the common creditor's rights.

Section II Conversion and Distribution

Article 111 The bankruptcy custodian shall draft a conversion plan of insolvent assets and submit it to the creditor's meeting for discussion.

The bankruptcy custodian shall, in light of the conversion plan of insolvent assets that has been adopted at the creditor's meeting or that has been ruled by the people's court in accordance with the provisions of paragraph 1 Article 65 of the present Law, sell the insolvent assets by means of conversion at a proper time.

Article 112 The sale of insolvent assets by means of conversion shall be conducted through auction, unless there is any other resolution at the meeting of creditors.

An insolvent enterprise may be wholly or partially sold by means of conversion. Where an enterprise is sold by means of conversion, the intangible assets and other assets thereof may be solely sold by means of conversion.

As to the assets that shall not be auctioned or whose transfer is restricted, it shall be handled through the method as prescribed by the state.

Article 113 The insolvent assets shall, after the costs for bankruptcy liquidation and community liabilities are repaid in priority, be liquidated in light of the following sequence:

- (1) The wages and subsidies for medial treatment and disability, comfort and compensatory expenses as defaulted by the bankruptcy, the fundamental old-age insurance premiums, fundamental medical insurance premiums that shall have been transferred to the employees' personal account as well as the compensation fees

for employees as prescribed by the relevant laws and administrative regulations;

(2) The social insurance premiums other than those as prescribed in the aforesaid provisions and tax fees as defaulted by the bankruptcy; and

(3) The common credits of bankruptcy.

Where the insolvent assets are not enough to meet the requirements for liquidation in a same sequence, it shall be distributed in light of the proportion.

The wages of the directors, supervisors as well as senior managers of an insolvent enterprise shall be calculated in light of the average wage of employees.

Article 114 The insolvent assets shall be subject to monetary distribution, unless it is separately decided at the meeting of creditors.

Article 115 A bankruptcy custodian shall formulate a distribution plan of insolvent assets in a timely manner, and submit it to the creditor's meeting for discussion:

In the distribution plan of insolvent assets, the following matters shall be indicated:

(1) Names and domiciles of the creditors attending the distribution of insolvent assets;

(2) The amount of the creditor's rights that is involved in the distribution of insolvent assets;

(3) The amount of insolvent assets as ready for distribution;

(4) The sequence, proportion and amount of insolvent assets subjected to distribution; and

(5) The measures for distributing the insolvent assets.

After a distribution plan of insolvent assets is adopted at the meeting of creditors, the relevant bankruptcy custodian shall submit the plan to the people's court for an approval ruling.

Article 116 The distribution plan of insolvent assets shall, upon the approval of the people's court, be executed by the relevant bankruptcy custodian.

Where a bankruptcy custodian implements a distribution in installments in light of the distribution plan of insolvent assets, it shall announce the amount of assets and the creditor's rights in the distribution. Where the bankruptcy custodian implements a conclusive distribution in a lump sum, it shall be indicated in the announcement, wherein the matters as prescribed in paragraph 2, Article 117 of the present law shall be indicated as well.

Article 117 As to any creditor's right subject to the requirement for effectiveness or unchain, the bankruptcy custodian shall deposit the distribution share.

As to the distribution share as deposited by the bankruptcy custodian in the preceding paragraph, on the announcement day of the conclusive distribution, where the requirement for effectiveness is not satisfied or the requirement for rescission is satisfied, it shall be distributed to other creditors; on the announcement day of the conclusive distribution, where the requirement for effectiveness is satisfied or the requirement for rescission is not satisfied, it shall be delivered to the creditors.

Article 118 The distribution shares of insolvent assets that have not been collected by creditors shall be deposited by the relevant bankruptcy custodian. Where a creditor fails to collect its share within 2 months as of the last day of distribution announcement, it shall be deemed as waiver of the right to collect the distribution share. The bankruptcy custodian or the people's court shall distribute the deposited distribution share to other creditors.

Article 119 When distributing the insolvent assets, as to any creditor's right that has not been settled by action or arbitration, the bankruptcy custodian shall deposit the distribution share. Where any distribution share fails to be collected within 2 years as of the day when the procedures for bankruptcy are terminated, the people's

court shall distribute the deposit distribution share to other creditors.

Section III Termination of the Procedures for Bankruptcy

Article 120 In the case of no asset for bankruptcy to distribute, the relevant bankruptcy custodian shall request the people's court to terminate the procedures for bankruptcy.

The bankruptcy custodian shall, after the termination of a conclusive distribution, submit to the people's court a report on the distribution of insolvent assets in a timely manner and request the people's court to terminate the procedures for bankruptcy.

The people's court shall, within 15 days as of the day when a request of a bankruptcy custodian to terminate the procedures for bankruptcy is received, make a decision on whether to terminate the procedures. Any decision on terminating the procedures shall be announced.

Article 121 A bankruptcy custodian shall, within 10 days as of the day when the procedures for bankruptcy are terminated, go through the formalities for writing-off in the organ as originally in charge of the registration of the bankruptcy upon the strength of the decision of the people's court on terminating the procedures for bankruptcy.

Article 122 The bankruptcy custodian shall terminate the performance of its functions and duties on the following day after it has gone through the formalities for the registration of writing-off, unless the relevant action or arbitration has not been terminated.

Article 123 Within 2 years as of the day when the procedures for bankruptcy are terminated in accordance with the provisions of paragraph 4 Article 43 or Article 120 of the present law, under any of the following circumstances, a creditor may request the people's court to make an additional distribution in light of the distribution plan of insolvent assets:

- (1) Where the relevant assets shall be recovered in accordance with the provisions of Article 31, 32, 33 or 36 of the present law; and
- (2) Where the bankrupt has any other asset that shall have been distributed.

Under any of the circumstances as prescribed in the preceding paragraph, yet the amount of assets is not enough to meet the expenses for distribution, no additional distribution may be held and the relevant assets shall be turned over by the people's court into the state treasury.

Article 124 The guarantor and other joint and several debtors of the bankrupt shall, after the termination of the procedures for bankruptcy, bear liabilities of repayment of the creditor's rights that have not been repaid according to the procedures for bankruptcy liquidation according to law.

Chapter XI Legal Liabilities

Article 125 Where a director, supervisor or senior manager violates his obligations of being honest and diligent and thus causes enterprise bankrupt, he shall be subject to relevant civil liabilities according to law. No person under any circumstance as prescribed in the preceding paragraph may, within 3 years as of the day when the procedures for bankruptcy are terminated, assume the post of director, supervisor or senior manager of any enterprise.

Article 126 As for any staff member of a debtor who is obligated to attend the meeting of creditors as a nonvoting delegate yet fails to do so upon the summons of the people's court without any justifiable reason, the people's court may summons him by force and impose upon him a fine according to law. Where any staff member of a debtor violates the provisions of the present law by refusing to illustrate or answer, or by

producing any false statement or answer, the people's court may impose upon him a fine according to law.

Article 127 Where a debtor violates the provisions of the present law by refusing to submit any required materials include statement on financial status, checklist of debts, checklist of the creditor's rights, financial statements or payment statement of its employees' wages or social insurance premiums, or submit the inauthentic materials to the people's court the people's court may impose a fine upon the directly liable person according to law.

Where any debtor violates the provisions of the present law by refusing to transfer its assets, seals or materials such as book accounts and documents, or fabricating or destroying the relevant materials of financial evidences, thereby making its financial status ambiguous, the people's court may impose a fine upon the directly liable person according to law.

Article 128 Where any debtor conducts any act as prescribed in Article 31, 32 or 33 by damaging the interests of its creditors, the legal representative of the debtor or any other directly liable person shall be subject to the compensation liabilities according to law.

Article 129 Where any staff member of a debtor violates the provisions of the present law by presuming to leaving his domicile, the people's court may give him a warning or detention, and may impose a fine upon him concurrently according to law.

Article 130 Where a bankruptcy custodian fails to perform its functions and duties diligently and faithfully in accordance with the provisions of the present law, the people's court may impose upon it a fine according to law. If any loss is caused to a creditor, a debtor or a third party, the bankruptcy custodian shall be subject to the compensation liabilities according to law.

Article 131 Any entity that violates the provisions of the present law and thus constitutes a crime shall be investigated for criminal liabilities according to law.

Chapter XII Supplementary Provisions

Article 132 Where the defaulted wages and subsidies for medical treatment and disability, comfort and compensatory expenses, the fundamental old-age insurance premiums and fundamental medical insurance premiums that shall have transferred into the individual accounts of employees as well as the compensation fees for the employees as prescribed in the relevant laws and administrative regulations after the implementation of the present law and before the promulgating day, where the assets are not enough for repayment upon liquidation in accordance with the provisions of Article 113 of the present law, the particular assets as prescribed in Article 109 of the present law shall be liquidated prior to the repayment for the owner of the right to make guarantee on the particular assets.

Article 133 Any special matter in the bankruptcy of a state-owned enterprise within the time limit and scope as prescribed by the State Council before the present law comes into force shall be handled in accordance with the relevant provisions of the State Council.

Article 134 Where such financial institutions as commercial banks, securities companies or insurance companies is under any of the circumstances as prescribed in Article 2 of the present law, the financial supervision organ under the State Council shall file an application with the people's court for rectification or bankruptcy liquidation of the financial institution. Where the financial supervision institution under the State Council adopts, according to law, measures such as taking-over and custody to financial institutions carrying major business risks, it may apply with the people's court for suspending the procedures for civil action or execution, wherein the said financial institution is the defendant or party against whom a judgment or order is

being executed.

Where a financial institution is under bankruptcy, the State Council may, according to the present law and other relevant laws, formulate the corresponding measures for implementation.

Article 135 The liquidation of the organizations other than enterprise legal persons as prescribed by other laws, which falls within the category of bankruptcy liquidation, shall be subject to the procedures as prescribed by the present Law.

Article 136 The present law shall come into force as of June 1, 2007. The Law of the People's Republic of China on Enterprise Bankruptcy (for Trial Implementation) shall be simultaneously repealed.

