Law of the People's Republic of China on Enterprise Bankruptcy

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President of the People's Republic of China Hu Jingtao

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Chapter I General Provisions

Article 1 The present Law is formulated for purposes of regulating the procedures for enterprise bankruptcy, fairly settling the credits and debts, safeguarding the legitimate rights and interests of creditors and debtors, and maintaining the market order of the socialist economy.

Article 2 Where an enterprise legal person fails to clear off its debt as due, and if its assets are not enough to pay off all the debts or if it is obviously incapable of clearing off its debts, its liabilities shall be liquidated according to the provisions of the present Law.

Where an enterprise legal person is under the aforesaid circumstance or if it is obviously likely that it is unable to pay off its debts, it may be subject to rectification according to the provisions of the present Law.

Article 3 A bankruptcy case shall be governed by the people's court where the relevant debtor is domiciled.

Article 4 The procedures for hearing a bankruptcy case shall, in the absence of relevant provisions in the present Law, be governed by the relevant provisions of the Civil Litigation Law.

Article 5 The procedures for bankruptcy which have been initiated according to the present Law shall have binding force over the assets of the relevant debtor beyond the territory of the People's Republic of China.

Where any legally effective judgment or ruling made by a foreign court involves any debtor's assets within the territory of the People's Republic of China and if the debtor applies with or requests the people's court to confirm or enforce it, the people's court shall, according to the relevant international treaties that China has concluded or acceded to or according to the principles of reciprocity, conduct an examination thereon and, when believing 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, grant confirmation and permission for enforcement.

Article 6 In the hearing of a bankruptcy case, the people's court shall guarantee the legitimate rights and interests of the employers in the insolvent enterprise and subject its mangers to legal liabilities.

Chapter II Application and Acceptance

Section I Application

Article 7 Where a debtor is under the circumstance as prescribed by Article 2 of the present Law, it may file an application with the people's court for rectification, compromise or bankrupt liquidation.

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

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

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

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

(1) Basic introduction to the applicant and respondent;

(2) Purpose of application;

(3) Facts and ground of the application; and

(4) Any other matter that the people's court deems necessary to be indicated.

Where a debtor files an application, it shall submit the statements on financial status, a checklist of debts, a checklist of the credit right, the relevant financial statements, a reserve plan for employee 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 day when the application is received, inform the related debtor. Where a debtor has any different opinion to an application, it shall put forward its demurral to the people's court within 7 days as of the day when a notice is received 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 a demurral.

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 day when the application is received.

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 a higher level.

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

Where a creditor files an application, the people's court shall serve it on the relevant debtor within 5 days as of the day when a decision is made. The relevant debtor shall, within 15 days as of the day when a decision is served, submit to the people's court its statements on financial status, a checklist of debts, a checklist of the creditor's right, 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 serve its decision on the applicant within 5 days as of the day when the decision is made. Where an applicant is dissatisfied with the decision, it may, within 10 days as of the day when the decision is served, file an appeal with the people's court at the next higher level.

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

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

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 matters shall be indicated in the aforesaid notice and announcement:

(1) Name of the applicant and 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 right;

(4) Name of the bankruptcy administrator as well as the address where it undertakes its business;

(5) Requirements that the debtors or asset holders of the debtor shall clear off the debts or deliver the assets;

(6) The time and place where the first creditors' meeting is held; and

(7) Any other matter 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 decides to accept an application for bankruptcy to the day when the procedures for bankruptcy are concluded, the relevant personnel of the debtor shall bear the following obligations:

(1) Properly preserving the assets, seals and account bookss as well as documents under its occupation and management;

(2) Working according to the requirements of the people's court and bankruptcy administrator and answering their inquiries in a faithful manner;

(3) Attending the creditor's meeting and answering the creditors' inquiries;

(4) Not leaving its domicile in the absence of 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 are the legal representatives of an enterprise, which may, upon 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, the repayment of debts made by a debtor to individual creditors shall be 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 administrator.

Where any debtor or asset holder purposely violates the provisions of the preceding paragraph by paying off its debts or delivering the assets to the debtor and thus incurs losses 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 bankruptcy administrator shall decide to rescind or continue to perform a contract that has been established before acceptance yet has not been fully performed by both parties concerned and notify the opposite party concerned of its decision. Where the bankruptcy administrator fails to inform the opposite party concerned within 2 months as of the day of acceptance or to make any reply to an urge made by the opposite party concerned, it shall be deemed as rescission of the contract.

Where the bankruptcy administrator decides to continue a contract, the opposite party concerned shall continue the performance of the contract yet has the right to request the administrator to provide guaranty. Where the administrator does not provide any guaranty, it shall be deemed as rescission of the contract.

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 involving the relevant debtor that is in the process of trial shall be suspended. The action or arbitration can be resumed after a bankruptcy administrator 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 with the very people's court only.

Chapter III Bankruptcy Administrator

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

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

The measures for designating bankruptcy administrators and deciding the remunerations of bankruptcy administrators shall be made by the Supreme People's Court.

Article 23 A bankruptcy administrator shall, according to the provisions of the present Law, perform its functions and duties, report its work to the people's court and accept the supervision of the creditors' meeting and the creditors' committee.

A bankruptcy administrator shall attend the creditors' meeting, report the performance of its duties and functions and answer the relevant inquiries.

Article 24 The post of bankruptcy administrator may be assumed by a liquidation group comprised of the relevant departments and organs or by such social intermediary agencies as

a law firm, an accounting firm, a bankruptcy liquidation firm that have been established according to law.

The people's court may, according to 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 specialties and have obtained the practice qualification for bankruptcy administrators.

Under any of the following circumstances, one shall not assume the post of bankruptcy administrator:

(1) Having been given a criminal punishment for deliberate crime;

(2) Having been deprive of the relevant practice qualification certificate of related specialty;

(3) Having any interest relation to the case; or

(4) Being under any other circumstance where the people's court deems it improper to act as a bankruptcy administrator.

Where an individual assumes the post of bankruptcy administrator, he shall purchase the responsibility insurance.

Article 25 A bankruptcy administrator shall perform the following functions and duties:

(1) Taking over the assets, seals as well as the account books and documents of the debtor;

(2) Investigating into the financial status of the debtor and formulating the financial statements;

(3) Deciding the internal management of the debtor;

(4) Deciding the daily expenditure and other necessary expenditures of the debtor;

(5) Deciding, before the first creditors' meeting is held, to continue or suspend the debtor's business;

(6) Managing and disposing of the debtors' assets;

(7) Participating actions, arbitrations or any other legal procedures on behalf of the debtor;

(8) Proposing to hold creditors' meetings; and

(9) Performing any other functions and duties that the people's court believes it should perform.

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

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

Article 27 A bankruptcy administrator shall be diligent and dutiful, and shall faithfully perform its duties as well.

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

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

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

Chapter IV A Debtor's Assets

Article 30 A debtor's assets refer to all the assets that belong to a debtor when an application for bankruptcy is accepted, as well as the assets as obtained by the debtor during the period from when an application for bankruptcy is accepted to when the procedures for bankruptcy are concluded.

Article 31 Within 1 year before the people's court accepts an application for bankruptcy, a bankruptcy administrator has the right to plead the court to revoke any act relating to the debtor's assets:

(1) Transferring the assets free of charge;

(2) Trading at an obviously unreasonable price;

(3) Providing asset guaranty to those debts without any asset guaranty;

(4) Paying off the undue debts in advance; or

(5) Giving up the creditor's right.

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

Article 33 Any of the following acts involving the debtor's assets shall be deemed as invalid:

(1) Concealing or transferring the assets in order to avoid the debts; or

(2) Fabricating any debt or acknowledging any unreal debt.

Article 34 As to any asset of a debtor as obtained under any circumstance as prescribed by Article 31, 32 or 33 of the present Law, the relevant bankruptcy administrator has 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 administrator 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 Where any director, supervisor or senior manger takes advantage of his power to obtain any abnormal income from his enterprise or embezzles any enterprise asset, the relevant bankruptcy administrator shall recover it.

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

As to the payment of debts or substitutive guaranty, where the value of the pledge or lien is lower than that of the amount of the creditor's right, 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 through the bankruptcy administrator, unless it is separately prescribed by the present Law.

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

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

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

(2) Where a creditor learns that a debtor is incapable of paying off its due debts is in the process of applying for bankruptcy and if it is indebted with the debtor; with the exception, however, that the creditor assumes its liabilities according to 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 debtd or is in the process of applying for bankruptcy, and therefore obtains the creditor's right from the debtor, except where the debtor's debtor obtains the creditor's right according to law or for any reason as incurred 1 year before the application for bankruptcy.

Chapter V Bankrupt Expenses and Community Liabilities

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

(1) Costs of action on bankruptcy cases;

(2) Expenses for the administration, conversion and distribution of the debtor's assets; and

(3) Expenses for the bankruptcy administrator's performance of its functions and duties, for its remunerations and expenses for the recruitment of employees.

Article 42 The following liabilities that occur after the people's court accepts an application for bankruptcy are community liabilities:

(1) The liabilities as generated from a contract, the performance of which both parties concerned fail to fulfill upon the request of performance raised by the bankruptcy administrator or debtor against the opposite party;

(2) The liabilities as generated from the negotiorum gestio of the debtor's assets;

(3) The liabilities as generated from the ill-gotten gains;

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

(5) The liabilities as generated from the damage that occurs in the performance of functions and duties by a bankruptcy administrator or other relevant personnel; and

(6) The liabilities as generated from any damage due to the debtor's assets.

Article 43 The bankrupt expenses and community liabilities shall be cleared off through the debtor's assets at any time.

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

Where the debtor's assets are not enough to clear off the bankrupt expenses or community liabilities, the liquidation shall be conducted pro rata.

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

Chapter VI Declaration of the Creditor's Right

Article 44 A creditor that enjoys the creditor's right against its debtor when the people's court accepts an application for bankruptcy may exercise its right according to the procedures as prescribed herein.

Article 45 The people's court shall, after accepting an application for bankruptcy, decide the term for a creditor to declare its creditor's right. The term for declaration of the creditor's right shall be calculated as of the day when the people's court announces its acceptance of an application for bankruptcy within a range of no less than 30 days and no more than 3 months.

Article 46 Any undue creditor's right shall be deemed as due when the relevant application for bankruptcy is accepted.

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

Article 47 As to any creditor's right 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 with the people's court.

Article 48 A debtor shall, within the term for declaration of the creditor's right as decided by the people's court, declare its creditor's right.

The wages, subsidies for medical treatment and disability, comfort and compensatory funds as defaulted 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 the relevant laws and administrative regulations are not required to be declared, for which the relevant bankruptcy administrator shall produce a corresponding checklist upon investigation and make an announcement as well. Where any employee has any different opinion to the relevant checklist, he may request the bankruptcy administrator to make correction. Where a bankruptcy administrator fails to correct it, the relevant employee may file an action with the people's court.

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

Article 50 The joint and several creditors may choose one from among them to declare their creditor's right or may jointly declare the creditor's right together.

Article 51 Where the guarantor of a debtor or any other related joint and several debtor has cleared off the liabilities on behalf of the debtor, it may declare its creditor's right on the basis of its right 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 right on the basis of its future right to recourse against the debtor, unless the creditors have declared all the creditor's right against the relevant bankruptcy administrator.

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

Article 53 Where a bankruptcy administrator or creditor rescinds a contract according to the provisions of the present Law, the opposite party concerned may declare its creditor's right 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 governed by the procedures as prescribed in the present Law and if the entrusted party has no knowledge of the aforesaid facts and continues to deal with the entrusted business, the entrusted party may declare its creditor's right on the basis of the right of claim as generated therefrom.

Article 55 Where a debtor is a producer of instruments which have been ruled to be governed by the procedures as prescribed in the present Law and if the relevant payer of the instruments continues its payment or acceptance, the payer may declare its creditor's right on the basis of the right of claim as generated therefrom.

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

Where a creditor fails to declare its creditor's right according to the provisions of the present Law, it may not exercise the relevant right according to the procedures prescribed in the present Law.

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

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

Article 58 A form of the creditor's right as formulated according to the provisions of Article 57 of the present Law shall be submitted to the first creditors' meeting for examination.

Where the relevant debtors and creditors have no different opinion to the form of the creditors' right, it shall be ruled by the people's court.

Where any debtor or creditor has any different opinion to a form of the creditors' right, it may file an action with the people's court that has accepted the application for bankruptcy.

Chapter VII The Creditors' Meeting

Section I General Provisions

Article 59 A creditor declaring its creditor's right according to law is a member of the creditors' meeting that has the right to attend the creditors' meeting and enjoy the right to vote.

Any creditor whose creditor's right has not yet been decided is not entitled to exercise any 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 that has the right to guaranty on the particular assets of its debtor and that 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. Where an agent attends the creditors' meeting, it shall submit a Power of Attorney with the people's court or the chairman of the creditors' meeting.

A creditors' meeting shall be attended by the employees of the relevant debtor as well as the representatives of its work union, who may therefore air their views on the relevant issues.

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

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

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

(1) Examining the creditor's right;

(2) Applying with the people's court for alteration of the bankruptcy administrators and examining the expenses and remunerations of the bankruptcy administrator;

(3) Supervising the bankruptcy administrator;

(4) Selecting and altering the members of the creditors' meeting;

(5) Deciding to continue or stop the debtor's business operations;

(6) Deciding whether to adopt a rectification plan;

(7) Deciding whether to adopt a compromise;

(8) Deciding whether to adopt a management plan of the debtor's assets;

(9) Deciding whether to adopt a conversion plan of the insolvent assets;

(10) Deciding whether to adopt a distribution plan of the insolvent assets; and

(11) Exercising any other functions and powers that the people's court deems the creditors' meeting shall exercise.

Meeting minutes shall be made for the resolutions made for the matters deliberated at the creditors' meeting.

Article 62 The first creditors' meeting shall be held by the people's court within 15 days as of expiration of the term for declaration of creditor's right.

Subsequent creditors' meetings may be held when the people's court deems it necessary or where the bankruptcy administrator, 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 administrator shall notify the already-known creditors 15 days before.

Article 64 A resolution of the creditors' meeting may be adopted only upon the consent of 1/2 or more of the creditors that 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 guaranty, unless it is separately prescribed by this Law.

Where any creditor believes that any resolution of the creditors' meeting has violated any law or damaged its interest, it may, within 15 days as of the day when the creditors' meeting makes a resolution, plead the people's court to revoke the resolution and order the creditors' meeting to re-make a resolution according to law.

A resolution as adopted at the creditors' meeting shall be binding 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 at the creditors' meeting 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 notify the relevant creditors.

Article 66 Where a creditor is dissatisfied with any ruling made by the people's court according to paragraph 1, Article 65 of the present Law, or where a creditor representing 1/2 or more of the aggregate creditor's right free from property guaranty is dissatisfied 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 execution of the ruling shall not be stopped in the duration of review.

Section II The Creditors' Committee

Article 67 The creditors' meeting may decide to establish the creditors' committee, which shall comprise of the creditor representatives as selected at 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 no 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 perform the following functions and duties:

(1) Supervising the management and disposal of the debtor's assets;

(2) Supervising the distribution of the insolvent assets;

(3) Proposing to hold a creditors' meeting; and

(4) Performing the other functions and duties as entrusted at the creditors' meeting.

Where the creditors' committee performs its functions and duties, it has the right to require the relevant bankruptcy administrator and debtor to give an explanation on any matter within the scope of its functions and duties or provide the relevant documents.

Where the relevant personnel of a bankruptcy administrator or debtor refuse to accept the supervision in violation of the provisions of the present Law, the creditors' committee has the right to plead the court to make a decision on supervision, and the latter shall make a decision thereon within 5 days.

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

(1) Transfer of the right and interests of such realties as land and houses;

(2) Transfer of such property rights as the right to mine exploitation, mining right and intellectual property right;

(3) Transfer of all the inventory or business operation;

(4) Loans;

(5) Setting of property guaranty;

(6) Transfer of the creditors' right and securities;

(7) Performance of any contract that has not been fully performed by the debtor and the opposite party concerned;

(8) Waiver of the right;

(9) Withdrawal of the pledge; and

(10) Any other property disposal that has an important impact on the creditor's interest.

In the case of no such creditors' committee, a bankruptcy administrator 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, according to the provisions of the present Law, apply directly with the people's court for rectification against the debtor.

Where any creditor applies for bankrupt liquidation against its debtor, after the people's court accepts the application for bankruptcy and before the debtor is announced bankrupt, 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 complies 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 terminated.

Article 73 In the duration of rectification, a debtor may, upon filing an application and obtaining an approval from the people's court, manage its assets and business operation under the supervision of its bankruptcy administrator.

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

Article 74 A bankruptcy administrator that takes charge of assets and business operations may employ the business managers of the debtor to take care of the business operations.

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

In the period of rectification, a debtor or bankruptcy administrator that borrows money for business carry-on may set a guaranty on the loan.

Article 76 Where a debtor legally occupies any other's property and if 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 for 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 In the duration of rectification, under any of the following circumstances, the people's court shall, upon the request of a bankruptcy administrator or any interested party, rule to terminate the procedures for rectification and announce the relevant debtor bankrupt:

(1) Where the business operation or financial status of a debtor goes worse off and cannot be remediedin any way;

(2) Where a debtor has any act of cheating or maliciously deducting its assets or has any act obviously against its creditors; or

(3) Where the act of a debtor makes its bankruptcy administrator unable to perform its duties and functions.

Section II Formulation and Approval of a Rectification Plan

Article 79 A debtor or bankruptcy administrator 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 creditors' meeting.

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

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

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

Where a bankruptcy administrator takes charge of the assets and business operations of a debtor, it shall formulate a draft of rectification plan.

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

(1) A business plan of a debtor;

(2) Classification of the creditor's right;

(3) An adjustment plan of the creditor's right;

(4) A repayment plan of the creditor's right;

(5) Term for implementing the rectification plan;

(6) Term for supervising the performance of the rectification plan; and

(7) Any other plan conducive to the debtor's rectification.

Article 82 Where the relevant creditors who have the following creditor's rights attend the creditor's meeting to discuss a draft of rectification plan, they shall be grouped according to the following creditor's rights so as to vote a draft of rectification plan:

(1) The creditor's right with guaranty 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 as defaulted by the debtor; and

(4) The common creditor's right.

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

Article 83 A rectification plan shall not cover any stipulation on the exemption of the social insurance premium 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 a 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 creditor's meeting so as to vote the draft.

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

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

Article 85 The representatives of capital contributors of a debtor may attend the creditor's meeting to discuss a draft of rectification plan.

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

Article 86 Where all the voting groups agree to a 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 administrator 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 complies with the present Law, it shall, within 30 days as of the day when the application is received, grant an approval, terminate the relevant procedures for rectification and announce it as well.

Article 87 Where some voting groups do not agree to a draft of rectification plan, the relevant debtor or bankruptcy administrator may negotiate with the aforesaid voting groups. The latter may vote for one more times upon negotiation. The result of negotiation shall not damage the interest of any other voting group.

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

(1) Where, according to a draft of rectification plan, the creditor's right as prescribed in item (1), paragraph 1, Article 82 of the present Law shall be cleared 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 guaranty has not been materially damaged, or the relevant voting groups have adopted the draft of rectification plan;

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

(3) Where, according to the draft of rectification plan, the repayment proportion of the common creditor's right shall not be any lower than that as set in the procedures for bankrupt 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 treats the members of a same voting group fairly and the liquidation order of the creditor's right 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 complies 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 according to the provisions of Article 87 of the present Law, or where an adopted draft of

rectification plan fails to be approved, the people's court shall rule to terminate the procedures for rectification and announce the debtor bankrupt.

Section III Implementation of a Rectification Plan

Article 89 A rectification plan shall be implemented under the debtor's charge.

Where the people's court decides to approve a rectification plan, the bankruptcy administrator 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 decides to approve a rectification plan and within the term for supervision as prescribed by the rectification plan, the relevant bankruptcy administrator shall supervise the implementation thereof.

Within the term for supervision, a debtor shall report the implementation of its rectification plan as well as its financial status to the relevant bankruptcy administrator.

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

Where a bankruptcy administrator submits a supervision report with the people's court, any interested party to the rectification plan has the right to consult therewith.

Upon application by a bankruptcy administrator, the people's court may decide to extend the term for supervision over the implementation of a rectification plan.

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

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

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

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

Where the people's court decides to terminate the implementation of a rectification plan, the commitment of the relevant creditor on the adjustment of the creditor's right 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 right that has 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 this Article, any guaranty set for the implementation of a rectification plan shall continue to be effective.

Article 94 As to the liabilities that is exempted according to a rectification plan, the relevant debtor is not required to make repayment therefor upon conclusion of the rectification plan.

Chapter IX Compromise

Article 95 A debtor may, according to the provisions of the present Law, apply for compromise with the people's court; or may, after the people's court accepts its application for bankruptcy and before it is announced bankrupt, apply with the people's court for compromise.

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

Article 96 Where the people's court deems upon examination that an application for compromise complies with the provisions of the present Law, it shall rule on a compromise, announce it and hold a creditors' meeting so as to discuss the draft of a composition deed.

A holder of the right to guaranty on the debtor's particular assets may exercise its right as of the day when the people's court rules on a compromise.

Article 97 The adoption of a resolution of a composition deed at the creditors' meeting shall be based on the consent of 1/2 or more of the creditors with the right to vote who attend the meeting, representing 2/3 or more of the total credit amount free from property guaranty.

Article 98 Where a composition deed is adopted at the creditors' meeting, the people's court shall decide whether to confirm it, terminate the procedures for compromise and announce it. The relevant bankruptcy administrator 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 composition deed fails to be adopted at the creditors' meeting or a composition deed that has been adopted at the creditors' meeting fails to be confirmed by the people's court, the people's court shall rule to terminate the procedures for compromise and announce the debtor bankrupt.

Article 100 A composition deed that has been confirmed by the people's court shall have a binding force on the debtor and all the creditors in the composition.

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

Where any creditor in the composition fails to declare its creditor's right according to the provisions of the present Law, it may not exercise its right during the period when the composition deed is conducted. After the implementation of a composition deed is concluded, it may exercise its right according to the requirements for repayment as prescribed by the composition deed.

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

Article 102 A debtor shall pay off its debts according to the conditions as prescribed in the relevant composition deed.

Article 103 As to any composition deed that is established by fraud or based on any illegal act of a debtor, the people's court shall rule it as ineffective and announce the debtor bankrupt.

Under any of the aforesaid circumstances, the repayment that a creditor in the composition gets when the composition deed 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 composition deed, the people's court shall, upon request of the creditor in the composition, rule to terminate the implementation of the composition deed, and announce the debtor bankrupt.

Where the people's court terminates the implementation of a composition deed, the commitment as made by the creditor in the composition on the adjustment of the creditor's right shall be invalidated. The repayment made to the creditor in the composition when the composition deed is implemented shall still be effective and the creditor's right in the composition 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 this Article, the guaranty set on the implementation of a composition deed 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 confirm it and terminate the procedures for bankruptcy.

Article 106 As to the liabilities that has been exempted according to a composition deed, the relevant debtor may, as of the day when the composition deed is concluded, not bear the liabilities of compensation.

Chapter X Bankrupt Liquidation

Section I Announcement of Bankruptcy

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

Where a debtor is announced bankrupt, the debtor is named as the bankrupt and the debtor's assets are taken as the insolvent assets. The creditor's right against the debtor when the people's court accepts an application for bankruptcy is the credit of bankruptcy.

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

(1) Where a third party provides any full-amount guaranty to 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 owner of the right to guaranty on the particular assets of the bankrupt may enjoy the priority right to be repaid by means of the particular assets.

Article 110 Where a creditor that 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 right shall be the common creditor's right. Where the priority right to be repaid is given up, the creditor's right shall be taken as the common creditor's right.

Section II Conversion and Distribution

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

A bankruptcy administrator shall, according to the conversion plan of insolvent assets that has been adopted at the creditor's meeting or that has been confirmed by the people's court according to 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 A sale of insolvent assets by means of conversion shall be conducted through auction, unless there is any other resolution at the creditor's meeting.

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 proceedings and community liabilities are repaid in priority, be liquidated according to the following sequence:

(1) The wages and subsidies for medial treatment and disability, comfort and compensatory expenses as defaulted by the bankrupt, 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 for employees as prescribed by the relevant laws and administrative regulations;

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

(3) The common credit of bankruptcy.

Where the insolvent assets are not enough to satisfy the requirements for liquidation in a same sequence, it shall be distributed according to 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 creditors' meeting.

Article115 A bankruptcy administrator shall formulate a distribution plan of insolvent assets in a timely manner, and submit it to the creditor's meeting for discussion:

A distribution plan of insolvent assets shall indicate the following matters:

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

(2) The amount of the creditor's right 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 subject to distribution; and

(5) The measures for distributing insolvent assets.

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

Article 116 A distribution plan of insolvent assets shall, upon confirmation of the people's court, be executed by the relevant bankruptcy administrator.

Where a bankruptcy administrator implements a distribution in installments according to a distribution plan of insolvent assets, it shall announce the amount of assets and the creditor's right in the distribution. Where a bankruptcy administrator 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 rescission, a bankruptcy administrator shall preserve the distribution share in advance.

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

Article 119 Where the insolvent assets are distributed, as to any creditor's right that has not been settled by action or arbitration, a bankruptcy administrator shall preserve the distribution share in advance. Where any distribution share fails to be collected within 2 years as of the day when the procedures for bankruptcy are concluded, the people's court shall distribute the preserved distribution share to other creditors.

Section III Conclusion of the Procedures for Bankruptcy

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

A bankruptcy administrator shall, upon conclusion of a conclusive distribution, report 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 administrator to conclude the procedures for bankruptcy is received, make a decision on whether to conclude the procedures. Any decision on concluding the procedures shall be announced.

Article 121 A bankruptcy administrator shall, within 10 days as of the day when the procedures for bankruptcy are concluded, handle the formalities for write-off in the organ as

originally in charge of the registration of the bankrupt upon the strength of the decision of the people's court on concluding the procedures for bankruptcy.

Article122 A bankruptcy administrator shall terminate the performance of its functions and duties on the following day after it completes the formalities for the registration of write-off, unless the relevant action or arbitration has not been concluded.

Article 123 Within 2 years as of the day when the procedures for bankruptcy are concluded according to 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 according to the distribution plan of insolvent assets:

(1) Where the relevant assets shall be recovered according to 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 following circumstances as prescribed in the preceding paragraph, yet where the amount of assets are 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, upon conclusion of the procedures for bankruptcy, bear the joint and several liabilities of repayment of the creditor's right that has not been repaid according to the procedures for bankrupt liquidation and 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 leads to enterprise bankruptcy, he shall be subject to the 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 concluded, assume the post of director, supervisor or senior manager of any enterprise.

Article 126 For any staff member of a debtor who is obligated to attend the creditor's meeting yet fails to do so upon summon of the people's court without any justifiable reason, the people's court may summon 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 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 material to the people's court or submit thereto any fraud statement on financial status, checklist of debts, checklist of the creditor's right, financial statement or payment statement of its employees' wages or social insurance premiums, 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 such materials 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 a debtor has any act as prescribed in Article 31, 32 or 33 by damaging the interest of its creditors, the legal representative of the debtor or any other directly liable person shall be subject to the liabilities of compensation according to law.

Article 129 Where any staff member of a debtor violates the provisions of the present Law by unlawfully leaving his domicile, the people's court can give an admonition or detainment, and may impose a fine upon him concurrently according to law.

Article 130 Where a bankruptcy administrator fails to perform its functions and duties in a diligent and faithful manner according to the provisions of the present Law, the people's court can impose upon it a fine according to law. Where any loss is incurred to a creditor, a debtor or a third party, the bankruptcy administrator shall be subject to the liabilities of compensation according to law.

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

Chapter XII Supplementary Provisions

Article 132 After the present Law is implemented, as to 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 for the

employees as prescribed by the relevant laws and administrative regulations, where the assets are not enough for repayment upon liquidation according to 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 guaranty on the particular assets.

Article 133 Any special matter in the bankruptcy of a state-owned enterprise within the term and scope as prescribed by the State Council before the present Law comes into force shall be handled according to the relevant provision of the State Council.

Article 134 Where such financial institutions as a commercial bank, securities company or insurance company is under any of the following 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 organ under the State Council adopts, according to law, such measures as take-over and custody to a 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 law, which falls within the category of bankrupt liquidation, shall be governed by 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 abolished.