

**ENTERPRISE BANKRUPTCY LAW OF THE PEOPLE'S REPUBLIC OF CHINA  
ORDER OF THE PRESIDENT OF THE PEOPLE'S REPUBLIC OF CHINA NO.54**

The Enterprise Bankruptcy Law of the People's Republic of China, adopted at the 23rd Meeting of the Standing Committee of the Tenth National People's Congress of the People's Republic of China on August 27, 2006, is hereby promulgated and shall go into effect as of June 1, 2007.

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President of the People's Republic of China

August 27, 2006

Enterprise Bankruptcy Law of the People's Republic of China

(Adopted at the 23rd Meeting of the Standing Committee of the Tenth National People's Congress on August 27, 2006)

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## Chapter I

### General Provisions

Article 1 This Law is enacted with a view to regulating the procedure for enterprise bankruptcy, fairly settling claims and debts, safeguarding the lawful rights and interests of creditors and debtors, and maintaining the order of the socialist market economy.

Article 2 Where an enterprise legal person cannot pay off his debts due and his assets are not enough for paying off all the debts, or he apparently lacks the ability to pay off his debts, the debts shall be liquidated according to the provisions of this Law.

Where an enterprise legal person is under the circumstances as specified in the preceding paragraph or he has apparently forfeited the ability to pay off his debts, he may undergo reorganization according to the provisions of this Law.

Article 3 A bankruptcy case shall be under the jurisdiction of the people's court at the place where the debtor resides.

Article 4 Where there are no provisions in this Law to govern the procedure for hearing a bankruptcy case, the relevant provisions of the Civil Procedure Law shall be applicable.

Article 5 Once the procedure for bankruptcy are initiated according to this Law, it shall come into effect in respect of the debtor's property outside of the territory of the People's Republic of China.

Where a legally effective judgment or ruling made on a bankruptcy case by a court of another country involves a debtor's property within the territory of the People's Republic of China and the said court applies with or requests the people's court to recognize and enforce it, the people's court shall, according to the relevant international treaties that China has concluded or acceded to or on the basis of the principle of reciprocity, conduct examination thereof and, when believing that the said judgment or ruling does not violate the basic principles of the laws of the People's Republic of China, does not jeopardize the sovereignty and security of the State or public interests, does not undermine the legitimate rights and interests of the creditors within the territory of the People's Republic of China, decide to recognize and enforce the judgement or ruling.

Article 6 When trying a bankruptcy case, the people's court shall, in accordance with law, guarantee the legitimate rights and interests of the employees of the enterprise and investigate the business managers of the bankruptcy enterprise for their legal liabilities.

## Chapter II

### Application and Acceptance

#### Section 1 Application

Article 7 Where a debtor is under the circumstances as specified in Article 2 of this Law, he may make an application to the people's court for reorganization, compromise or bankruptcy liquidation.

Where the debtor cannot pay off his debts due, the creditor may make an application to the people's court for the debtor's reorganization or bankruptcy liquidation.

Where an enterprise legal person has been dissolved but has not started or completed liquidation and he does not have enough assets to pay off his debts, the person responsible for liquidation according to law shall make an application to the people's court for bankruptcy liquidation.

Article 8 For applying to a people's court for bankruptcy, an Application for Bankruptcy and the related evidence shall be submitted to it.

The following matters shall clearly be stated in the Application for Bankruptcy:

- (1) a basic introduction to the applicant and the defending party of the application;
- (2) purposes of application;
- (3) facts and grounds of the application; and
- (4) other matters that the people's court deems necessary to state.

Where a debtor makes an application, he shall submit to the people's court statements on his financial position, a complete list of his debts, a complete list of his claims, the related financial statements, a plan for employee arrangements and payment of his employees' wages and social insurance premiums.

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

#### Section 2 Acceptance

Article 10 Where a creditor makes an application for bankruptcy, the people's court shall, within five days from the date it receives the application, notify the debtor concerned. Where the debtor has objections to the application, he shall put forward his objections to the people's court within seven days from the date he receives notification from the people's court. The people's court shall decide whether or not to accept the case within 10 days at the expiration of the period for raising objections.

Except for the circumstances as specified in the preceding paragraph, the people's court shall decide whether or not to accept an application for bankruptcy within 15 days from the date it receives the application.

Under special circumstances where the time limit for deciding whether to accept a case, as specified in the preceding two paragraphs, needs to be extended, it may be extended for another 15 days upon approval by the people's court at the next higher level.

Article 11 Where the people's court decides to accept an application for bankruptcy, it shall serve such decision on the applicant within five days from the date it makes the decision.

Where the application is made by a creditor, the people's court shall serve its decision on the debtor within five days from the date it makes the decision. The debtor shall, within 15 days from the date the decision is served, submit to the people's court statements on his financial position, a complete list of his debts, a complete list of his claims, the related financial statements and payment of his employees' wages and social insurance premiums.

Article 12 Where the people's court decides not to accept an application for bankruptcy, it shall serve the decision on the applicant within five days from the date it makes the decision and explain the reasons why. Where the applicant is dissatisfied with the decision, he may, within 10 days from the date the decision is served, file an appeal with the people's court at the next higher level.

Where during the period from acceptance of an application for bankruptcy to declaration of bankruptcy, the people's court finds through examination that the debtor is not under the circumstances as specified in Article 2 of this Law, it may decide to reject the application. Where the applicant is dissatisfied with the decision, he may, within 10 days from the date the decision is served, file an appeal with the people's court at the next higher level.

Article 13 When the people's court decides to accept an application for bankruptcy, it shall designate an administrator at the same time.

Article 14 The people's court shall, within 25 days from the date it decides to accept an application for bankruptcy, it shall notify the creditors already known and announce its decision.

The following matters shall clearly be stated in the notification and announcement:

- (1) titles or names of the applicant and the defending party of the application;
- (2) the time when the people's court accepts the application for bankruptcy;
- (3) period, place and points for attention with respect to declaration of claims;
- (4) title or name of the administrator and the office address;
- (5) demand made by the administrator upon the debtors or property holders of the debtor for paying off the debts or delivering the property;
- (6) the time and place for the first creditors' meeting to be held; and
- (7) other matters that the people's court deems it necessary to notify of and announce.

Article 15 During the period from the date when the decision made by the people's court to accept an application for bankruptcy is served on the debtor to the date when the procedure for bankruptcy is concluded, the persons related to the debtor shall fulfill the following obligations:

- (1) properly preserving the property, seals, account books, documents, etc. which are in their possession and under their management;
- (2) proceeding with the work according to the requirements of the people's court and the administrator, and truthfully answering their inquiries;
- (3) attending the creditors' meetings as non-voting participants and truthfully answering the creditors' inquiries;
- (4) remaining at their domiciles, unless otherwise permitted by the people's court; and
- (5) not taking up any post as director, supervisor or senior manager in any other enterprise.

The persons related to the debtor mentioned in the preceding paragraph include the legal representative of an enterprise, which may, upon decision by the people's court, also include the financial managers and business managers of the enterprise.

Article 16 After the people's court accepts an application for bankruptcy, payment of debts made by the debtor to individual creditors shall be invalid.

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

Where the debtors or property holders of the debtor intentionally pay off the debts or deliver the property to the debtor in violation of the provisions of the preceding paragraph, thus causing losses to creditors, they shall not be freed from the obligation of paying off the debts or delivering the property.

Article 18 After the people's court accepts an application for bankruptcy, the administrator shall have the right to decide to rescind or continue to perform a contract that is concluded before the acceptance yet remains to be fulfilled by both the debtor and the other party and shall notify the other party of his decision. Where the administrator fails to notify the other party within two months from the date when the bankruptcy application is accepted or to give any reply to the exhortation made by the other party within 30 days from the date the exhortation is made, the contract shall be deemed to be rescinded.

Where the administrator decides that performance of the contract be continued, the other party shall comply; however, the other party shall have the right to request the administrator to provide guaranty. Where the administrator refuses to do so, the contract shall be deemed to be rescinded.

Article 19 After the people's court accepts an application for bankruptcy, the measures for preserving the property of the debtor shall be lifted and the procedure for execution shall be suspended.

Article 20 After the people's court accepts an application for bankruptcy, any civil action or arbitration involving the debtor that has been started but has not yet been concluded shall be suspended; however, the action or arbitration can proceed after an administrator takes over the debtor's property.

Article 21 After the people's court accepts an application for bankruptcy, a civil action against the debtor can only be filed with the said people's court.

### Chapter III

#### Administrator

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

Where the creditors' meeting believes that the administrator cannot perform his duties according to law or impartially or is incompetent to fulfill his duties, the meeting may apply with the people's court for replacement.

The measures for designating administrators and determining their remunerations shall be formulated by the Supreme People's Court.

Article 23 An administrator shall perform his duties according to the provisions of this Law, report on his work to the people's court and be subject to supervision by the creditors' meeting and the creditors' committee.

The administrator shall attend the creditors' meetings as a non-voting participant, reporting on the performance of his duties and answering inquiries.

Article 24 A liquidation team composed of persons of the departments or authorities concerned or a law firm, a certified public accountant firm, a bankruptcy liquidation firm or any other public intermediary agency that is established according to law may serve as an administrator.

The people's court may, in light of the actual conditions of a debtor and after consulting with the public intermediary agency concerned, designate the person who has the necessary professional knowledge and has obtained the qualifications for the practice to serve as an administrator.

A person shall not serve as an administrator, if:

- (1) he has been subjected to criminal punishment for intentional offense;
- (2) his qualification certificate for the relevant practice has been revoked;
- (3) he has an interest in the case; or
- (4) the people's court deems it improper to have him serve as an administrator.

Where the administrator is served by an individual person, he shall purchase the responsibility insurance for the practice.

Article 25 An administrator shall perform the following duties:

- (1) taking over the property, seals, account books, documents and other data of the debtor;
- (2) investigating into the financial position of the debtor and preparing a report on such position;
- (3) deciding on matters of internal management of the debtor;
- (4) deciding on the day-to-day expenses 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 debtor's property;
- (7) participating in legal actions, arbitrations or any other legal procedure on behalf of the debtor;
- (8) proposing to hold creditors' meetings; and
- (9) performing other duties that the people's court deems that he should.

Where other provisions governing the duties of an administrator are stipulated in this Law, those provisions shall be applicable.

Article 26 If an administrator decides to continue or suspend the business operation of a debtor or if he intends to take any of the actions as specified by the provisions of Article 69 of this Law before the first creditors' meeting is held, the matter shall be subject to approval by the people's court.

Article 27 An administrator shall be hardworking in doing his duties, and shall perform his duties faithfully.

Article 28 An administrator may, upon approval by the people's court, employ the necessary workers.

The remuneration of an administrator shall be determined by the people's court. In case the creditors' meeting has objections to such remuneration, it shall have the right to raise them to the people's court.

Article 29 An administrator shall not resign his post without justifiable reasons. Resignation of an administrator shall be subject to approval by the people's court.

## Chapter IV

### A Debtor's Property

Article 30 A debtor's property includes all of the property that belongs to a debtor when the application for bankruptcy is accepted, as well as the property as obtained by the debtor during the period from the time when the application for bankruptcy is accepted to the time when the procedures for bankruptcy are concluded.

Article 31 An administrator shall have the right to request the court to nullify any of the following actions taken within one year before the people's court accepts the application for bankruptcy in respect of the debtor's property:

- (1) transferring the property gratis;
- (2) trading at an obviously unreasonable price;
- (3) providing property guaranty to unsecured debts;
- (4) paying off debts not due; or
- (5) abandoning claims.

Article 32 Within six months before the people's court accepts the application for bankruptcy, if a debtor is under the circumstances as specified in the first paragraph of Article 2 of this Law but chooses to make repayment to individual creditors, the administrator shall have the right to request the people's court to nullify it, except where such individual repayment is beneficial to the debtor's property.

Article 33 The following actions taken in respect of the debtor's property are invalid:

- (1) concealing or transferring the property in order to avoid repayment of debts; and
- (2) fabricating debts or acknowledging unreal debts.

Article 34 Where the property is obtained from the debtor by means of such actions as specified in Article 31, 32 or 33 of this Law, the administrator shall have the right to recover it.

Article 35 Where after the people's court accepts an application for bankruptcy, any of the debtor's capital contributors that fails to fulfill his obligation of capital contribution in full, the administrator shall require the capital contributor to contribute the capital he has subscribed to, irrespective of the time limit set on capital contribution.

Article 36 The administrator shall recover the irregular incomes obtained from the enterprise and the property of the enterprise illegally taken into his possession by a director, supervisor or senior manger of the debtor through taking advantage of his position.

Article 37 After the people's court accepts an application for bankruptcy, the administrator may take back the pledge or lien through paying off the debts or providing a guaranty acceptable to the creditor.

With respect to payment of debts or provision of guaranty as a substitute, as mentioned in the preceding paragraph, if the value of the pledge or lien is lower than the amount of the claim for which the guaranty is provided, the value of the pledge or lien shall be limited to its market value at the time when the pledge or lien was made.

Article 38 After the people's court accepts an application for bankruptcy, the property, which has been taken by a debtor into his possession but which does not belong to the debtor, may be taken back by the obligee of the property through the administrator, unless otherwise provided for by this Law.



Article 39 At the time when the people's court accepts an application for bankruptcy, if the seller has sent the goods to the debtor as the buyer and the latter has neither received the goods nor paid the money in full, the seller may get back the goods in transit. However, the administrator may pay the money in full and request the seller to deliver the goods.

Article 40 Where a creditor is in debt to the debtor before the application for bankruptcy is accepted, the former may lodge a claim with the administrator for offsetting the debts. However, the debts shall not be offset under any of the following circumstances:

(1) being in debt to the debtor, he obtains another person's claims against the debtor after the application for bankruptcy is accepted;

(2) getting into debt to the debtor when he already knows the fact that the debtor is incapable of paying off his debts due or has applied for bankruptcy; unless it is otherwise provided for by law or he gets into debt because of the developments that take place one year before the application for bankruptcy is made; or

(3) being a debtor to the debtor, he obtains the claims from the debtor when he already knows the fact that the debtor is incapable of paying off his debts due or has applied for bankruptcy; unless it is otherwise provided for by law or he obtains the claims because of the developments that take place one year before the application for bankruptcy is made.

## Chapter V

### Expenses for Bankruptcy Proceedings and Debts Incurred for the Common Good of Creditors

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

(1) litigation cost involved in a bankruptcy case;

(2) expenses for management, realization and distribution of the debtor's property; and

(3) expenses involved in the administrator's performance of his duties and paid for his remuneration and expenses for the employees recruited.

Article 42 The following debts incurred after the people's court accepts an application for bankruptcy are debts incurred for the common good of creditors:

(1) debts incurred because the administrator or debtor requests the other party to fulfill a contract which both parties have failed to fulfill;

(2) debts to the debtor through spontaneous agency on the debtor's property;

(3) debts incurred as a result of the debtor's unjust enrichment;

(4) remunerations for work and social insurance premiums payable for sustaining the debtor's business operations, and other debts arising therefrom;

(5) debts incurred by the administrator or an employee who causes losses to another person in the course of performing his duties; and

(6) debts incurred by the debtor's property for causing losses to another person.

Article 43 The expenses for bankruptcy proceedings and the debts incurred for the common good of creditors shall be paid off with the debtor's property at any time.

Where the debtor's property is not enough for paying off all the expenses for bankruptcy proceedings and the debts incurred for the common good of creditors, the former shall be paid off first.

Where the debtor's property is not enough for paying off all the expenses for bankruptcy proceedings or the debts incurred for the common good of creditors, such payment shall be made on a pro rata basis.

Where the debtor's property is not enough for paying off the expenses for bankruptcy proceedings, the administrator shall request the people's court to conclude the procedure for bankruptcy. The people's court shall, with 15 days from the date it receives the request, decide to conclude the procedure for bankruptcy and announce the decision. Chapter VI

#### Declaration of Claims

Article 44 As of the time when the people's court accepts an application for bankruptcy, the creditor that enjoys the claims against the debtor may exercise his right in respect of his claims according to the procedures as prescribed by this Law.

Article 45 After accepting an application for bankruptcy, the people's court shall specify the time limit for a creditor to declare claims. Such time limit, calculated from the date when the people's court announces its acceptance of the application for bankruptcy, shall be not less than 30 days at least but not more than three months at the most.

Article 46 All claims undue shall be deemed to be due at the time when the application for bankruptcy is accepted.

Beginning from the time when the application for bankruptcy is accepted, calculation of the interest on claims shall be stopped.

Article 47 A creditor may declare his claims which are attached with certain conditions or time limit and the claims for which an action or arbitration is pending.

Article 48 A creditor shall, within the time limit specified by the people's court for declaration of his claims, declare his claims to the administrator.

It is not necessary for the debtor to declare the wages, subsidies for medical treatment, injuries and disability and the pensions for the disabled and the families of the deceased which he owes, the basic old-age insurance premiums and medical insurance premiums which he owes and fails to enter in the employees' personal accounts, and the compensations which should be paid to the employees as prescribed by relevant laws and administrative regulations, for all of which the administrator shall compile a list after investigation and have it published. Where an employee has objections to what is recorded in the list, he may request the administrator to make corrections; and if the administrator refuses to do so, the employee may file an action with the people's court.

Article 49 When a creditor declares his claims, he shall make a written statement on the amount of his claims and on whether there is any property guaranty, and present the relevant evidence. If the claims declared are joint-and-several claims, he shall give an explanation thereof.

Article 50 Joint-and-several creditors may choose one from among them to declare their claims on their behalf or declare their claims jointly.

Article 51 Where the debtor's guarantor or any joint-and-several debtor has paid off the debts on behalf of the debtor, he may declare his claims on the basis of his right of recourse to the debtor.

Where the debtor's guarantor or any joint-and-several debtor has not paid off the debts on behalf of the debtor, he may declare his claims on the basis of his future right of recourse to the debtor, unless the creditors have declared all their claims to the administrator.

Article 52 Where it is ruled that the procedure as prescribed in this Law should be applicable to more than one joint-and-several debtor, their creditors shall have the right to declare all of their claims in each of the bankruptcy cases.

Article 53 Where an administrator or debtor revokes a contract according to the provisions of this Law, the other party may declare his claims on the basis of his right to compensation for the damages caused by the revocation.

Article 54 Where it is ruled that a debtor who is the entrusting party of an entrustment contract should be governed by the procedure as prescribed in this Law and the entrusted party, without knowledge of the fact, continues to deal with the entrusted business, the entrusted party may declare his claims on the basis of the right of claim derived therefrom.

Article 55 Where it is ruled that a debtor being the producer of a negotiable instrument should be governed by the procedures as prescribed in this Law, the payer of the negotiable instrument continues his payment or acceptance, the payer may declare his claims on the basis of the right of claim derived therefrom.

Article 56 Where a creditor fails to declare his claims within the time limit for declaration of claims as specified by the people's court, he may declare such claims afterwards before distribution of the bankruptcy property in the final installment. However, if the property has been distributed earlier, no more distribution shall be made to him. The expenses for examining and confirming the claims declared afterwards shall be borne by the party that makes such declaration.

Where a creditor fails to declare his claims according to the provisions of this Law, he shall not exercise his right according to the procedure as prescribed in this Law.

Article 57 After receiving the materials for declaration of claims, the administrator shall have them registered, examine the claims declared and fill out a form of claims.

The form of claims and the materials for declaration of claims shall be preserved by the administrator for reference by the interested parties.

Article 58 The form of claims as filled out according to the provisions of Article 57 of this Law shall be submitted to the first creditors' meeting for checking.

Where the debtor and creditor have no objections to what is recorded in the form of claims, the people's court shall make a ruling on its confirmation.

Where the debtor or creditor has objections to what is recorded in the form of claims, he may file an action with the people's court that has accepted the application for bankruptcy.

## Chapter VII

### Creditors' Meeting

#### Section 1 General Provisions

Article 59 A creditor declaring his claims according to law is a member of the creditors' meeting and has the right to attend the meetings of the creditors and enjoy the right to vote.

A creditor whose claims are not confirmed is not entitled to exercise the right to vote unless the people's court can temporarily decide on the amount of his claims for the sake of his exercise of such right.

Where a creditor secured by the specific property of the debtor and that has not given up his priority right to be repaid shall not enjoy the right to vote on matters as specified in Subparagraphs (7) and (10) under the first paragraph of Article 61 of this Law.

A creditor may entrust his agent with the task of attending the creditors' meeting and exercising the right to vote. To attend the creditors' meeting, the agent shall submit a letter of power of attorney to the people's court or to the chairman of the creditors' meeting.

A creditors' meeting shall be attended by representatives of the employees and of the trade union of the debtor, who may express their views on 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 such meetings.

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

- (1) checking the claims;
- (2) applying with the people's court for replacing the administrator and examining the expenses and remuneration of the administrator;
- (3) supervising the work of the administrator;
- (4) selecting and replacing members of the creditors' committee;
- (5) deciding on whether to have the debtor continue or discontinue his business operations;
- (6) adopting plans for reorganization;
- (7) adopting agreements for compromise;
- (8) adopting plans for management of the debtor's property;

(9) adopting plans for realizing the bankruptcy property into money;

(10) adopting plans for distribution of the bankruptcy property; and

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

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

Article 62 The first creditors' meeting shall be convened by the people's court within 15 days before the expiration date of the time limit for declaration of claims.

Subsequent creditors' meetings may be held when the people's court deems it necessary, or when the administrator, the creditors' committee, or a creditor holding one quarter or more of the total amount of claims proposes to the chairman of the creditors' meeting that such a meeting be held.

Article 63 For convening a creditors' meeting, the administrator shall notify the known creditors 15 days in advance.

Article 64 A resolution made by the creditors' meeting shall be adopted by more than half of the creditors that attend the meeting, have the right to vote, and represent half or more of the total amount of the unsecured claims, unless otherwise provided for by this Law.

Where a creditor believes that a resolution adopted at a creditors' meeting is at variance with the provisions of law or undermines his interests, he may, within 15 days from the date when the resolution is made at the creditors' meeting, plead with the people's court to decide to revoke the resolution and order the creditors' meeting to have a resolution remade according to law.

A resolution adopted at the creditors' meeting shall be binding on all creditors.

Article 65 Where any of the matters specified in Subparagraphs (8) and (9) under the first paragraph of Article 61 of this Law is not adopted through voting at the creditors' meeting, it shall be subject to decision by the people's court.

Where the matter as specified in Subparagraph (10) under the first paragraph of Article 61 of this Law is still not adopted by a second voting at the creditors' meeting, it shall be subject to decision by the people's court.

The decisions as specified in the preceding two paragraphs may be announced by the people's court at the creditors' meeting or notified to the creditors.

Article 66 Where a creditor is dissatisfied with the decision made by the people's court according to the first paragraph in Article 65 of this Law, or where the creditors representing half or more of the total unsecured claims are dissatisfied with the decision made by the people's court according to the second paragraph in Article 65 of this Law, he or they may, within 15 days from the date when the decision is announced or when the notification thereof is received, apply with the said people's court for review. Execution of the decision shall not be discontinued during the period of review.

Section 2 The Creditors' Committee

Article 67 The creditors' meeting may decide to establish a creditors' committee. The creditors' committee shall be composed of the creditors' representatives who are selected by the creditors' meeting and a representative from among the employees of the debtor or from the trade union of the debtor. The members of the creditors' committee shall not exceed nine persons in number.

The members of the creditors' committee shall be subject to confirmation by decision of the people's court in writing.

Article 68 The creditors' committee shall perform the following functions and powers:

- (1) supervising the management and disposition of the debtor's property;
- (2) supervising the distribution of the bankruptcy property;
- (3) proposing the convening of a creditors' meeting; and
- (4) other functions and powers as entrusted by the creditors' meeting.

When performing its functions and powers, the creditors' committee shall have the right to require the administrator and the relevant employee of the debtor to give an explanation of the matters that fall within the scope of his functions and powers or provide relevant documents.

Where the administrator or the relevant employee of the debtor, in violation of the provisions of this Law, refuses to accept supervision, the creditors' committee shall have the right to plead with the people's court to make a decision on the matters subject to its supervision, and the latter shall make the decision within five days.

Article 69 Before doing any of the following, the administrator shall report to the creditors' committee in a timely manner:

- (1) transferring of the rights and interests of such immovables as land and houses;
- (2) transferring of such property rights as the right to prospecting mineral deposits, the right to mining and the intellectual property right;
- (3) transferring of all the inventory or business operation;
- (4) borrowing of money;
- (5) creating of security on property;
- (6) transferring of claims and securities;
- (7) executing the contract left unfulfilled by the debtor and the other party;
- (8) waivering of rights;
- (9) withdrawing of a pledge; and
- (10) other acts for disposing of the property that has a vital bearing on the creditor's interests.

Where there is no such creditors' committee, the administrator shall, before executing what is specified in the preceding paragraph, report to the people's court in a timely manner.

## Chapter VIII

### Reorganization

#### Section 1 Application for and Period of Reorganization

Article 70 A debtor or creditor may, according to the provisions of this Law, directly apply with the people's court for having the debtor reorganized.

Where a creditor applies for putting his debtor into bankruptcy liquidation, the debtor or his capital contributors whose capital contribution makes up one-tenth or more of the debtor's registered capital may, after the people's court accepts the application for bankruptcy and before it declares the debtor bankrupt, apply with the people's court for reorganization.

Article 71 Where upon examination, the people's court deems that an application for reorganization conforms to the provisions of this Law, it shall rule that the debtor should undergo reorganization and shall make the matter known to the public.

Article 72 The period of reorganization shall last from the date when the people's court rules that the debtor should undergo reorganization to the date when the procedure for reorganization is terminated.

Article 73 During the period of reorganization, the debtor may, through his application and upon approval granted by the people's court, manage his property and business operations on his own under the supervision of an administrator.

Under conditions as specified in the preceding paragraph, the administrator that has taken over the property and business operations from the debtor in accordance with the provisions of this Law shall hand over the property and business operations to the debtor, and the functions and powers to be exercised by the administrator as specified by this Law shall be exercised by the debtor.

Article 74 The administrator that takes charge of the property and business operations may appoint a business manager of the debtor to take care of the business operations.

Article 75 During the period of reorganization, the exercise of the security right over the specific property of a debtor shall be suspended. However, in the case of possible damage or marked depreciation of value of the security, which may impair the secured creditor's right, the secured creditor may apply with the people's court for resuming the exercise of his security right.

During the period of reorganization, the debtor or administrator that borrows money for carrying on business may create a security on the loan.

Article 76 In the case of another person's property that is legally taken into possession by a debtor, if the obligee requests to take the property back during the period of reorganization, the terms previously agreed upon shall be met.

Article 77 During the period of reorganization, no capital contributor of a debtor may request for distribution of profits derived from his investment.

During the period of reorganization, no director, supervisor or senior manager of a debtor may transfer to a third party the equity of the debtor he holds, unless with the consent of the people's court.

Article 78 Under one of the following circumstances during the period of reorganization, the people's court shall, upon request by an administrator or an interested party, rule that the reorganization procedure should be terminated and shall declare the debtor bankrupt:

- (1) where the business operations and financial position of the debtor continue to deteriorate and there is no hope of retrieval;
- (2) where the debtor indulges in fraud or maliciously decreases his property, or commits any other act which is obviously disadvantageous to his creditors; or
- (3) where the debtor commits such an act as to make it impossible for the administrator to perform his duties.

## Section 2 Formulation of and Approval for a Reorganization Plan

Article 79 A debtor or administrator shall, within six months from the date when the people's court rules that the debtor should undergo reorganization, submit a draft plan for reorganization to the people's court and the creditors' meeting at the same time.

Upon request made by a debtor or administrator before the expiration of the period as specified in the preceding paragraph and on justifiable grounds, the people's court may rule that the period should be extended for three months.

Where a debtor or administrator fails to submit a draft plan for reorganization on schedule, the people's court shall rule that the procedure for reorganization should be terminated and declare the debtor bankrupt.

Article 80 Where it is the debtor who manages his own property and business operations, a draft plan for reorganization shall be formulated by the debtor.

Where it is the administrator who is in charge of management of the property and business operations, the draft plan for reorganization shall be formulated by the administrator.

Article 81 A draft plan for reorganization shall contain the following:

- (1) the debtor's plan for business operations;
- (2) classification of the creditors' claims;
- (3) the plan for the adjustment of the claims;
- (4) the plan for payment of the claims;
- (5) the period of time for implementing the reorganization plan;
- (6) the period of time for supervising the implementation of the reorganization plan; and
- (7) other plans conducive to the debtor's reorganization.



Article 82 For the creditors holding the following categories of the claims to attend the creditors' meeting at which the draft plan for reorganization is to be discussed, they shall be grouped according to the following categories of the claims when a vote is taken on the draft plan for reorganization:

(1) the secured claims on the debtor's specific property;

(2) the wages, subsidies for medical treatment, injuries and disability and the pensions for the disabled and the families of the deceased which the debtor owes, the basic old-age insurance premiums and the basic medical insurance premiums which he owes and fails to enter in the employees' personal accounts, and the compensations which should be paid to the employees as prescribed by relevant laws and administrative regulations;

(3) the taxes the debtor fails to pay; and

(4) the common claims.

For a vote on the draft plan for reorganization, the people's court may, when necessary, decide to form a group of small-claim creditors under the category of the common claims.

Article 83 It shall not be stipulated in a reorganization plan that the social insurance premiums which a debtor fails to pay, other than the ones which are specified under Subparagraph (2) in the first paragraph of Article 82 of this Law should be reduced or exempted. The creditor involved in the said ones shall not take part in the voting of the draft plan for reorganization.

Article 84 The people's court shall, within 30 days from the date when it receives a draft plan for reorganization, convene a creditors' meeting for a vote on the draft.

When more than half of the creditors in voting group for the same category of claims who are present at the creditors' meeting agree to a draft plan for reorganization and they represent two-thirds or more of the total amount of the said category of claims, the draft shall be deemed to be adopted by the group.

The debtor or administrator shall give an explanation of the draft plan for reorganization at the creditors' meeting and answer inquiries.

Article 85 Representatives of the capital contributors of a debtor may, as non-voting participants, attend the creditors' meeting to discuss a draft plan for reorganization.

Where a draft plan for reorganization involves the adjustment of the rights and interests of capital contributors, a group of capital contributors shall be formed to vote on the matter.

Article 86 When all the voting groups agree to adopt a draft plan for reorganization, the draft shall be deemed to be adopted.

The debtor or administrator shall, within 10 days from the date when the plan for reorganization is adopted, apply with the people's court for approval of the plan. Where upon examination, the people's court deems that the application complies with the provisions of this Law, it shall, within 30 days from the date when it receives the application, decide to grant approval, terminate the procedure for reorganization and announce it.

Article 87 Where a draft plan for reorganization is not adopted by some of the voting groups, the debtor or administrator may consult with those groups. The said groups may take another vote after consultation. The result of consultation shall not damage the interests of the other voting groups.

Where a voting group that does not adopt a draft plan for reorganization refuses to take another vote on it or the draft plan is not adopted even by a second vote but it meets the following conditions, the debtor or administrator may apply with the people's court for approval of the draft plan:

(1) according to the draft plan for reorganization, the claims as specified in Subparagraph (1) under the first paragraph of Article 82 of this Law will be paid in full as far as the specific property is concerned, the losses caused by postponed payment will be compensated for in a fair manner, and the secured interests will not be substantially impaired, or the voting groups concerned have adopted the draft plan for reorganization;

(2) according to the draft plan for reorganization, the claims as specified in Subparagraphs (2) and (3) under the first paragraph of Article 82 of this Law will be paid in full, or the voting groups concerned have adopted the draft plan for reorganization;

(3) according to the draft plan for reorganization, the proportion for repayment of the common claims will not be lower than that as allotted under the procedures for bankruptcy liquidation at the time when the draft plan is submitted for approval, or the voting groups concerned have adopted the draft plan;

(4) in the draft plan for reorganization, the rights and interests of capital contributors are adjusted in a fair and impartial manner, or the group of capital contributors has adopted the draft plan;

(5) in the draft plan for reorganization, members of the same voting group are treated fairly, and the order arranged therein for payment of the claims does not contravene the provisions of Article 113 of this Law; and

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

Where upon examination, the people's court deems that the draft plan for reorganization complies with the provisions of the preceding paragraph, it shall, within 30 days from the date when it receives the application, decide to grant approval, terminate the procedure for reorganization and announce it.

Article 88 Where a draft plan for reorganization is not adopted and is not approved according to the provisions of Article 87 of this Law, or a draft plan, though adopted, is not approved, the people's court shall rule that the procedure for reorganization should be terminated and shall declare the debtor bankrupt.

### Section 3 Implementation of a Reorganization Plan

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

After the people's court decides to approve a reorganization plan, the administrator that has taken over the management of the property and business operations shall hand over the property and business operations to the debtor.

Article 90 Beginning from the date when the people's court decides to approve a reorganization plan, the administrator shall supervise the implementation of the plan within the period for supervision as specified in the plan.

Within the period when being supervised, the debtor shall report to the administrator on the implementation of his reorganization plan and his financial position.

Article 91 At the expiration of the period when being supervised, the administrator shall submit a report on supervision to the people's court. From the date when the report on supervision is submitted, the administrator's duty of supervision is terminated.

Any interested party to the reorganization plan shall have the right to consult the report on supervision submitted by the administrator to the people's court.

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

Article 92 The reorganization plan approved by decision of the people's court shall have a binding force on the debtor and all the creditors.

Where a creditor fails to declare his claims according to the provisions of this Law, he shall not exercise his right when the reorganization plan is being implemented; however, when the implementation of the plan is concluded, the creditor may exercise his right in compliance with the conditions for payment of claims of the same category as specified in the reorganization plan.

The right enjoyed by a creditor against the debtor's guarantor and all the joint-and-several debtors shall not be affected by the reorganization plan.

Article 93 Where a debtor cannot or fails to implement a reorganization plan, the people's court shall, upon request of the administrator or interested party, decide to terminate the implementation of the plan and declare the debtor bankrupt.

Where the people's court decides to terminate the implementation of a reorganization plan, the commitment taken by the creditors on adjustment of the claims in the plan shall be invalidated. However, the repayment received by the creditors due to implementation of the plan shall remain effective, and the part of the claims for which no repayment has been paid shall be regarded as bankruptcy claims.

The creditors as specified in the preceding paragraph may continue to join the distribution, only when the other creditors in the same sequential order receive the same proportion of repayment.

Under the circumstances as specified in the first paragraph of this Article, the guaranty provided for implementation of the reorganization plan shall continue to be effective.

Article 94 With respect to the debts that are reduced or exempted according to a reorganization plan, the debtor shall cease to be liable for repayment upon complete implementation of the reorganization plan.

## Chapter IX

### Compromise

Article 95 A debtor may, according to the provisions of this Law, directly apply with the people's court for compromise; and he may do so after the people's court accepts the application for bankruptcy and before it declares the debtor bankrupt.

To apply for compromise, the debtor shall present the draft of a compromise agreement.

Article 96 Where upon examination, the people's court deems that the application for compromise conforms to the provisions of this Law, it shall rule on a compromise, announce it and hold a creditors' meeting at which to discuss the draft of a compromise agreement.

The creditor secured by the specific property of the debtor may exercise his right from the date when the people's court rules in favor of compromise.

Article 97 A resolution on a compromise agreement shall be adopted at the creditors' meeting with the consent of more than half of the creditors who are present at the meeting and who have the right to vote, represent two-thirds or more of the total amount of unsecured claims.

Article 98 Where a compromise agreement is adopted at the creditors' meeting, it shall be subject to decision by the people's court to confirm it and terminate the procedure for compromise, and the people's court shall announce the matter. The administrator shall hand over the property and business operations to the debtor and submit to the people's court a report on the performance of his duties.

Article 99 Where the draft of a compromise agreement is not adopted at the creditors' meeting, or the draft, though adopted at the meeting, is not confirmed by the people's court, the people's court shall decide to terminate the procedure for compromise and declare the debtor bankrupt.

Article 100 A compromise agreement that is confirmed by the people's court shall have a binding force on the debtor and all the creditors involved in the compromise.

A creditor involved in the compromise refers to a party that, at the time when the people's court accepts the application for bankruptcy, holds unsecured claims against the debtor.

Where a creditor involved in the compromise fails to declare his claims according to the provisions of this Law, he shall not exercise his right during the period when the compromise agreement is being honored. However, after the complete implementation of the compromise agreement, he may exercise his right according to the conditions for repayment as stipulated by the compromise agreement.

Article 101 The right enjoyed by the creditor in favor of the compromise against the debtor's guarantor and joint-and-several debtors shall not be affected by the compromise agreement.

Article 102 A debtor shall pay off his debts according to the conditions stipulated by the compromise agreement.

Article 103 With respect to a compromise agreement that is established through fraud or other illegal acts on the part of a debtor, the people's court shall decide to invalidate it and declare the debtor bankrupt.

Under the circumstances as specified in the preceding paragraph, the payment that a creditor involved in the compromise receives due to the honoring of the agreement shall not be returned, provided that it is in the same proportion as that received by the other creditors.

Article 104 Where a debtor cannot or fails to honor a compromise agreement, the people's court shall, upon request by the creditor involved in the compromise, decide to terminate the honoring of the compromise agreement and declare the debtor bankrupt.

Where the people's court decides to terminate the honoring of a compromise agreement, the commitment on adjustment of the claims made by the creditor involved in the compromise shall be invalidated. However, the repayment received by the said creditor due to the honoring of the compromise agreement shall remain effective and the part of the claims involved in the compromise that has not been paid shall be the bankruptcy claims.

The creditor as specified in the preceding paragraph may continue to join the distribution, only when the payment received by the other creditors reaches the same proportion.

Under the circumstances as specified in the first paragraph of this Article, the guaranty provided for the honoring of a compromise agreement shall remain effective.

Article 105 When after the people's court accepts an application for bankruptcy, the debtor and all the creditors themselves conclude an agreement on settlement of the claims and debts, they may request the court to decide to confirm the agreement and terminate the procedure for bankruptcy.

Article 106 With respect to the debts that are to be reduced or exempted according to a compromise agreement, the debtor shall cease to be liable for repayment from the time when the compromise agreement is completely honored.

## Chapter X

### Bankruptcy Liquidation

#### Section 1 Bankruptcy Declaration

Article 107 Where the people's court declares a debtor bankrupt according to the provisions of this Law, it shall, within five days from the date when the decision thereon is made, serve it on the debtor and the administrator and shall, within 10 days from the said date, notify the known creditors and announce the matter.

After a debtor is declared bankrupt, he is known as the bankrupt, his property is known as the bankruptcy property, and the claims established against the debtor at the time when the people's court accepts an application for bankruptcy is known as bankruptcy claims.

Article 108 Under one of the following circumstances prior to declaration of bankruptcy, the people's court shall decide to terminate the procedure for bankruptcy and announce it:

- (1) where a third party provides a full amount of guaranty to, or repays all the debts due for, the debtor; or
- (2) where the debtor has repaid all the debts due.

Article 109 A creditor secured by the specific property of the bankrupt shall enjoy the priority in being repaid with the specific property.

Article 110 Where when a creditor enjoying the priority as specified in the provisions of Article 109 of this Law exercises the priority to repayment but is not repaid in full, the unrepaid part shall be taken as common claims. The claims of a creditor that abandons the priority right to repayment shall be taken as common claims.

## Section 2 Realization and Distribution

Article 111 An administrator shall draw up a realization plan for bankruptcy property in time and submit it to the creditors' meeting for discussion.

The administrator shall, according to the realization plan for bankruptcy property that has been adopted at the creditors' meeting or that has been decided on by the people's court according to the provisions of the first paragraph of Article 65 of this Law, realize the bankruptcy property in a timely manner.

Article 112 Bankruptcy property shall be realized through auction, unless otherwise decided on by the creditors' meeting.

A bankrupt enterprise may be realized as a whole or partially. When an enterprise is being realized, the intangible assets and other property may be realized separately.

With respect to the property which shall not be auctioned or the transfer of which is restricted according to relevant State regulations, it shall be disposed of in a manner as prescribed by the State.

Article 113 The bankruptcy property shall, after the expenses for bankruptcy proceedings are defrayed and the debts incurred for the common good of creditors are repaid first, be liquidated according to the following order:

- (1) the wages, subsidies for medical treatment, injuries and disability and the pensions for the disabled and the families of the deceased which the bankrupt owes, the basic old-age insurance premiums and the basic medical insurance premiums which he owes and fails to enter in the employees' personal accounts, and the compensations which should be paid to the employees as prescribed by relevant laws and administrative regulations;
- (2) the social insurance premiums which the bankrupt fails to pay, other than the ones which are specified in the preceding subparagraph, and the taxes which the bankrupt fails to pay; and
- (3) the common bankruptcy claims.

Where the bankruptcy property is not sufficient to satisfy the demands for repayment that are arranged in the same group, it shall be distributed on a pro rata basis.

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

Article 114 The bankruptcy property shall be distributed in cash, unless it is otherwise decided on by the creditors' meeting.

Article 115 An administrator shall formulate a plan for distribution of the bankruptcy property in time, and submit it to the creditors' meeting for discussion.

The following items shall clearly be stated in a plan for distribution of the bankruptcy property:

- (1) the titles or names and domiciles of the creditors that will share in the distribution of the bankruptcy property;
- (2) the amount of the claims that will share in the distribution of the bankruptcy property;
- (3) the amount of the bankruptcy property available for distribution;
- (4) the order and proportion for, and the amount of the bankruptcy property subject to, distribution; and
- (5) the method for distributing the bankruptcy property.

After the plan for distribution of the bankruptcy property is adopted at the creditors' meeting, it shall be submitted by the administrator to the people's court for confirmation.

Article 116 After a plan for distribution of bankruptcy property is confirmed by decision of the people's court, it shall be executed by the administrator.

Where the administrator has to distribute the bankruptcy property in installments according to the distribution plan, he shall announce the amount of the property and the claims involved in each installment. When the administrator distributes the property in the final installment, he shall make this clear in the announcement and clearly state the matters as specified in the second paragraph of Article 117 of this Law.

Article 117 With respect to a claim to which conditions on its validity or dismissal are attached, the administrator shall preserve the corresponding share of distribution in advance.

With respect to the share of distribution as preserved in advance by the administrator according to the provisions in the preceding paragraph, if, on the day of announcement of distribution in the final installment, conditions on the validity of a claim have not become effective or the conditions on the dismissal of a claim have been fulfilled, it shall be distributed to the other creditors; if on the day mentioned above, the conditions on the validity of a claim have become effective or the conditions on the dismissal of a claim have not been fulfilled, it shall be handed back to the creditors.

Article 118 The shares of the bankruptcy property for distribution that have not been collected by creditors shall be preserved by the administrator. Where a creditor fails to collect his share at the expiration of two months from the date of announcement of distribution in the final installment, he shall be deemed to abandon the right to the share, and the administrator or the people's court shall distribute the preserved share to the other creditors.

Article 119 With respect to a claim that involved in a legal action or pending arbitral decision at the time when the bankruptcy property are distributed, the administrator shall preserve the share involved in distribution in advance. Where a share of distribution remains

uncollected at the expiration of two years from the date when the procedure for bankruptcy is terminated, the people's court shall distribute the preserved share to the other creditors.

### Section 3 Termination of the Procedure for Bankruptcy

Article 120 Where a bankrupt has no property available for distribution, the administrator shall request the people's court to decide to terminate the procedure for bankruptcy.

After completion of distribution in the final installment, the administrator shall submit a report on the distribution of the bankruptcy property to the people's court in a timely manner and request the people's court to decide to terminate the procedure for bankruptcy.

The people's court shall, within 15 days from the date when it receives the request of the administrator for terminating the procedure for bankruptcy, make a decision on whether to terminate the procedure. If it decides to terminate the procedure, it shall announce such decision.

Article 121 The administrator shall, within 10 days from the date when the procedure for bankruptcy is terminated and, on the strength of the decision made by the people's court on terminating the procedure for bankruptcy, go through the formalities for cancellation of registration with the authority that originally has the bankrupt registered.

Article 122 An administrator shall cease performing his duties on the day following his completion of the formalities for cancellation of registration, unless a legal action or arbitral decision is still pending.

Article 123 Within two years from the date when the procedures for bankruptcy are terminated according to the provisions of the fourth paragraph in Article 43 or of Article 120 of this Law, a creditor may request the people's court to make an additional distribution according to the plan for distribution of the bankruptcy property under one of the following circumstances:

- (1) such property as should be recovered according to the provisions of Articles 31, 32, 33 or 36 of this Law are discovered; and
- (2) it is discovered that the bankrupt still has other property available for distribution.

Under the circumstances as specified in the preceding paragraph, where the amount of the property is not sufficient for paying the expenses for distribution, no additional distribution shall be made and the said property shall be turned over by the people's court to the State Treasury.

Article 124 The guarantor and the joint-and-several debtors of the bankrupt shall, after termination of the procedure for bankruptcy and according to law, continue to bear the liabilities of payment of the claims that have not been paid according to the procedure for bankrupt liquidation.

## Chapter XI

### Legal Liability



Article 125 Where a director, supervisor or senior manager, going against his obligations, fails to be honest and hardworking, which leads to bankruptcy of the enterprise where he works, he shall bear civil liability according to law.

The person as specified in the preceding paragraph shall not serve as a director, supervisor or senior manager of any enterprise within three years from the date when the procedure for bankruptcy is terminated.

Article 126 Where, summoned by the people's court, a person who is related to a debtor and is obligated to attend the creditors' meeting as a non-voting participant refuses to attend the meeting without justifiable reasons, the people's court may force him to appear in court and impose on him a fine according to law. Where a person related to a debtor, in violation of the provisions of this Law, refuses to make representations or answer questions, or makes false representations or responds with false answers, the people's court may impose on him a fine according to law.

Article 127 Where a debtor, in violation of the provisions of this Law, refuses to submit to the people's court such data as statements on his financial position, a complete list of his debts, a complete list of his claims, relevant financial statements or payment of his employees' wages or social insurance premiums, or submits untruthful data to it, the people's court may, according to law, impose a fine on the person who is directly responsible.

Where a debtor, in violation of the provisions of this Law, refuses to hand over to the administrator his property, seals or such materials as account books and documents, or fabricates or destroys the evidentiary material concerning his property, thereby making his financial position unclear, the people's court may, according to law, impose a fine on the person who is directly responsible.

Article 128 Where a debtor commits an act as specified in Article 31, 32 or 33, thereby undermining the interests of his creditors, the legal representative of the debtor and the person who is directly responsible shall bear the liability for compensation according to law.

Article 129 Where a person related to a debtor, in violation of the provisions of this Law, leaves the place where he resides, the people's court may give him an admonition or take him into custody, and may concurrently impose a fine on him according to law.

Article 130 Where an administrator fails to perform his duties diligently and faithfully, as is required by the provisions of this Law, the people's court may impose on him a fine according to law; and where losses are caused to a creditor, a debtor or a third party, the administrator shall bear the liability for compensation according to law.

Article 131 Where a violation of the provisions of this Law constitutes a crime, the violator shall be investigated for criminal liability according to law.

## Chapter XII

### Supplementary Provisions

Article 132 Where after this Law is put into effect, the wages, the subsidies for medical treatment, injuries and disability and the pensions for the disabled and the families of the deceased that the bankrupt owes to his employees, the basic old-age insurance premiums and

the basic medical premiums that the bankrupt owes and fails to enter in the personal accounts of the employees and the compensations that should be paid to the employees as prescribed by relevant laws and administrative regulations--all prior to the date when this Law is promulgated and for which repayment is made according to the provisions of Article 113 of this Law but which are not fully paid, the specific property as prescribed in Article 109 of this Law shall be used to repay the rest before being used to repay the creditor secured by the specific property.

Article 133 Special matters involved in the bankruptcy to be effected among certain State-owned enterprises within the period and scope as are prescribed by the State Council before this Law is put into effect shall be handled according to the relevant regulations of the State Council.

Article 134 Where a commercial bank, securities company, insurance company or any other financial institution is under the circumstances as specified in Article 2 of this Law, the financial regulatory authority under the State Council may lodge an application with the people's court for reorganization or bankruptcy liquidation of the financial institution. Where the financial regulatory authority under the State Council adopts, according to law, such measures as take-over and trusteeship with respect to a financial institution that operates at grave risks, it may apply with the people's court for suspending the proceedings for civil action or execution, wherein the said financial institution is the defendant or the party against whom a judgment or order is being executed.

Where a financial institution goes into bankruptcy, the State Council may, according to the provisions of this Law and other laws, formulate the measures for effecting bankruptcy.

Article 135 The liquidation of the organizations other than the enterprise legal persons as prescribed by other laws, which falls within the category of bankruptcy liquidation, shall be governed, *mutatis mutandis*, by the procedure as prescribed by this Law.

Article 136 This Law shall go into effect as of June 1, 2007. The Law of the People's Republic of China on Enterprise Bankruptcy (for Trial Implementation) shall be annulled simultaneously.