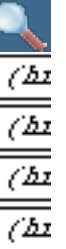


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Property Rights Law of the People's Republic of China

Property Rights Law of the People's Republic of China

Promulgation date: March 16, 2007
 Effective date: October 1, 2007
 Department: National People's Congress

Order of the President of the People's Republic of China (No. 62)

The Property Rights Law of the People's Republic of China, adopted at the 5th Session of the 10th National People's Congress of the People's Republic of China on March 16, 2007, is hereby promulgated and shall come into effect on October 1, 2007.

Hu Jintao
 President of the People's Republic of China
 March 16, 2007

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Property Rights Law of the People's Republic of China

PART I GENERAL PROVISIONS

Chapter I Fundamental Principle

Article

This Law is formulated with a view to maintaining the national basic economic system and the economic order of the socialist market, clarifying the ownership of property, giving full effect to the meaning of property, protecting the obligee's property ownership rights, in accordance with the Constitution.

Article

This Law shall apply to civil relationship arising from the ownership and utilization of property.

The word property as a term used in this Law includes movable and real property. Where there are laws stipulating rights as the objects of property rights, they shall be observed.

The phrase property rights as a term used in this Law refers to the exclusive right enjoyed by the obligee to directly control specific properties including ownership, usufructuary and security right in property rights.

Article

During the primary stage of socialism, the State shall adhere to the basic economic system, with public ownership playing a dominant role and diverse forms of ownership developing side by side. The State shall consolidate and develop unswervingly the public sector of the economy and at the same time encourage, support and guide the development of the non-public sectors of the economy.

The State implements the socialist market economy, ensuring equal legal status and right for development of all market players.

Article

The property rights of the State, collective, individual and other obligees shall be protected by laws and shall not be infringed by any institute or individuals.

Article

The types and content of property rights shall be stipulated by laws.

Article

The establishment, modification, transfer and lapse of the right in real property shall be registered in accordance with relevant laws and regulations. The establishment and transfer of the movable property shall be delivered pursuant to laws and regulations.

Article

The attainment and exercise of property rights shall comply with law, social morality and shall not do harm to the public interests and the legitimate rights and interests of others.

Article

Where there are laws stipulated otherwise in respect of property right such laws shall be observed.

Chapter II Establishment, Modification, and Transfe
and Lapse of the Property Right

Section I Real Property Registry

Article

Unless otherwise provided by law, the establishment, modification, transfe and lapse of the right in real property shall only take effect upc registration pursuant to laws.

The ownership with regard to State-owned natural resources might not b registered.

Article

1

The real property shall be registered in the registration department of th place where it is located.

With regard to real property, the State pursues a uniformed registratic system, of which the scope, departments and methods shall be stipulate by laws and administrative regulations.

Article

1

While applying for registration, the party interested shall provid evidentiary materials showing the ownership as well as other necessar materials specifying the site and size of the real property.

Article

1

The registration department shall perform such duties as stated below:

- (i) Check and examine the evidentiary materials showing the ownership ar other necessary materials submitted by the applican
- (ii) Raise inquiries to the applicant in respect of the registrator
- (iii) Conduct registration according to facts and in a timely manne
- (iv) Other duties provided by laws and administrative regulations;

In the event where further evidence is needed in respect of relevant item of the real property to be registered, the registration department ma require the applicant to provide supplementary materials and conduct fie survey if necessary.

Article

1

The registration department shall not conduct any of the following:

- (i) Require evaluation with regard to the real property
- (ii) Require repetitive registration in the name of annual inspector
- (iii) Other actions beyond the scope of registration authority.

Article

1

The establishment, modification, transfer and lapse of right in real property which is required to be registered, shall take effect upon being registered.

Article 1
The contract entered into by interested parties in respect of the establishment, modification, transfer and lapse of the right in real property shall take effect immediately upon execution thereof unless otherwise provided by law or in the said contract. The validity of the contract shall not be affected if the registration in respect of the right in property is not carried out.

Article 1
The Real Property Register shall be the basis of evidence pertaining to the ownership and content of the property rights and shall be supervised by the registration department.

Article 1
The ownership certificate of real property is the evidentiary material showing the rightful ownership of the obligee in such real property. Items recorded in the ownership certificate of real property shall be in conformity with that registered in the registration certificate, otherwise, the real property registration certificate shall apply.

Article 1
The registration department shall provide assistance to the obligee and interested party to review and make a copy of the registration information.

Article 1
Where the obligee, interested party considers items recorded in the real property register had been wrongly entered, may apply for correction of the registration. In the event that the obligee of the real property register agrees with the correction in writing or have evidences to prove the existence of the mistakes with regard to the registration, the registration department shall make relevant corrections.

In the event that the obligee of the real property register does not agree with the correction, the interested party may apply to oppose to the registration. Where the opposition registration is approved by the registration department, the applicant may bring a suit to a court within fifteen (15) days from the date of registration of such opposition, failing which such opposition registration shall become invalid. When the obligee suffers from inappropriate opposition registration, the obligee may claim damages from the applicant.

Article 2
Where concerned parties reach an agreement pertaining to purchase or sale of a house or other real properties, it may, in order to ensure realization of property rights, apply for pre-notice registration with the relevant registration department in accordance with the agreement. Upon completion of the pre-notice registration, the disposal of such real property without consent from the obligee of the pre-notice registration shall not take effect with regard to property rights.

Upon the registration of the pre-notice, the creditor's rights lapses or within three (3) months from the date on which such registration can be registered, but fails to apply for registration of real property within, the pre-notice registration shall become null and void.

Article 2
The party concerned shall, if providing false materials for registration that does harm to others, bear the responsibility for compensation.

Where the registration department brings damage to others as a result of mistakes in registration, it shall bear the responsibility for compensation and shall have the right of recourse to the person who is liable for such mistake.

Article 2
The registration of real property shall be charged according to the quantity and may not be charged according to the size, volume or price of the real property. Specific charge standard shall be jointly stipulated by relevant department of the State Council and the competent department in charge of pricing.

Section II Delivery of Movable Property

Article 2
Unless otherwise provided by law, the establishment and transfer of the right in movable property shall take effect upon delivery.

Article 2
The establishment, modification, transfer and lapse of the right to property in respect of water-crafts, aero-crafts and motor vehicles without first being registered, shall not affect any bona fide third party.

Article 2
Where the obligee has already in possession of the movable property before the establishment, transfer of the right in such movable property, the property rights shall become effective upon the validity of the legal action.

Article 2
Where a third party has been in possession of the movable property before the establishment, transfer of the right to such movable property, the delivery of such movable property right may be replaced by transfer of the right to request the third party to return the property by the person entitled with the delivery obligation.

Article 2
The assignor shall deliver the movable property to the assignee in case of an assignment of the right to such movable property, provided, however that both parties agree on a continuous possession of such movable property by the assignor, the right to property shall take effect upon the validity of such agreement.

Section III Miscellaneous

Article 2
The establishment, modification, transfer and lapse of the property rights as a result of the legal emanation of the people's court and the arbitral commission, the expropriation decision of the people's government shall become effective upon the effective date of such legal emanation or expropriation decision of the people's government.

Article 2
The property rights obtained as a result of inheritance or acceptance or donation shall take effect upon the commencement of the inheritance or the donation.

Article 3
The establishment or lapse of property rights due to such actual actions as legal construction and demolition of houses shall become valid and effective upon the occurrence of such actions.

Article 3
The disposal of such property rights as enjoyed pursuant to the provision of Article 28 to Article 30 hereof shall not become effective in respect of the property rights if not being registered, provided that such disposal needs to be registered.

Chapter III Protection of the Property rights

Article 3
Where the property rights are infringed, the obligee may handle the problem through such means as pacification, mediation, arbitration or litigation.

Article 3
In case that disputes arise in respect of the ownership and content of the property rights, the interested party may request affirmation of such right.

Article 3
Where the real property or movable property is possessed by people without rights, the obligee shall have the right to request return of such property.

Article 3
Where the property rights are infringed or likely to be infringed, the obligee may request to remove such encumbrance or hazard.

Article 3
Where the real property or movable property is damaged, the obligee may request repairs, remake, replacement or restoration.

Article 3
Where the obligee suffers from infringement done to the property rights, may claim damages and request the infringing party to bear other civil liabilities.

Article 3
The methods with regard to the protection of the property rights provided in this chapter may be used separately or jointly according to specific circumstances of the infringement of the right. Where the infringement of the property rights violates administrative regulations, the infringing party shall, in compliance with laws, assume the administrative liability, in addition to the civil liability; if such infringement constitutes a crime, the party concerned shall be investigated for criminal responsibility in accordance with law.

PART II OWNERSHIP

Chapter IV General Stipulations

Article 3
The owner shall have the right to possess, utilize, dispose off and obtain profits from its real or movable property in accordance with the laws.

Article 4
The owner shall have the right to establish usufructuary and security right in property rights with regard to its real or movable property. The obligee of the usufructuary and security right shall not do harm to the rights and interests of the owner while exercising their own rights.

Article 4
No institute or individual shall be allowed to obtain the ownership of real or movable properties that are exclusively owned by the State in accordance with the laws.

Article 4
For the purpose of public interest, the collectively-owned land, houses and other real property owned by institutes or individuals may be expropriated in line with the procedure and within the authority provided by laws.

For expropriation of collectively-owned land, such fees shall be paid as compensations for the land expropriated, subsidies for resettlement, compensations for the fixtures and the young crops on land, and the premiums for social security of the farmers whose land is expropriated shall be allocated in full, in order to guarantee their normal lives and safeguard their lawful rights and interests.

Where houses and other real properties of institutes and individuals are expropriated, compensations for demolition and resettlement shall be paid according to law in order to maintain the legal rights and interests of the expropriated; where individual residential house is expropriated, the

residential conditions of the expropriated shall be guaranteed.

No institution or individual shall withhold, misappropriate, embezzle or privately divide the compensation for expropriation.

Article 4

The State adopts special protection with regard to the agriculture land, strictly limiting the transfer of agriculture land to construction land so as to control the total quantity of the construction land. No expropriation of the collectively-owned land in violation of the authority and procedure prescribed by laws shall be allowed.

Article 4

For the purpose of emergency handling or disaster relief, real or movable properties of institutions or individuals may be expropriated in line with the procedure and within the authority provided by laws. After such use or expropriation, the real or movable properties shall be returned to the owner. Compensation shall be made if the real or movable properties of institutions or individuals were damaged or lost after being expropriated.

Chapter V State Ownership, Collective Ownership and Private Ownership

Article 4

With regard to the properties belong to the State according to law, they are owned by the State, that is, by the whole people.

The State of Council shall, on behalf of the State, exercise the ownership with respect to the State properties; if there are provisions otherwise provided, they shall be observed.

Article 4

The mineral resources, waters, sea areas are owned by the State.

Article 4

The urban lands are owned by the State. Such rural land and the land on the outskirts of the city as belonging to the State according to law shall be owned by the State.

Article 4

All natural resources such as forests, mountains, grassland, unclaimed lands and beaches are owned by the State, with the exception of the resources that are collectively-owned in accordance with the law.

Article 4

Such wild animals and plants as belong to the State according to law shall be owned by the State.

Article 5

The radio spectrum resource shall be owned by the State.

Article 5

Such cultural relics as belong to the State according to law shall be owned by the State.

Article 5
The national defence resource shall be owned by the State.

Public facilities like railways, roads, electric power, communications and gas pipes that belong to the State in accordance with the law shall be owned by the State.

Article 5
The State organs shall have the right to possess, use and to dispose of the real or movable properties controlled directly by them in accordance with law and relevant regulations stipulated by the State Council.

Article 5
The institutions held by the State shall have the right to possess, use and obtain benefits from and dispose of the real or movable properties directly controlled by them according to law and relevant regulations stipulated by the State Council.

Article 5
Enterprises that are funded by the State, shall be the responsibility of the State Council, the local people's governments, separately, and shall also enjoy the rights and interests of a capital contributor pursuant to laws and administrative regulations.

Article 5
The properties owned by the State shall be protected by law and shall not be occupied, privately divided, withheld, damaged by any institution or individual.

Article 5
The institution and its staff in charge of management and supervision of the State-owned properties shall, in conformity with the laws, reinforce the administration, supervision of the State-owned properties, fostering the value saving and adding of the State properties and preventing them from being damaged.

Where losses are brought to the State-owned properties as a result of malpractice and misusing of authority, the parties concerned shall bear relevant legal liabilities according to law. Where damage is brought to the State-owned properties as a result of transfer at lower price, private partition, discretionary surety in breach of the regulations on administration of the State-owned properties during the course of system reform, merger and division, connected transaction of the enterprises, the party concerned shall, pursuant to law, bear the relevant legal responsibilities.

Article 5
The collectively owned real and movable properties shall include:

(i) Lands, forests, mountains, grasslands, unclaimed land and beaches owned collectively according to law

-
- (ii) Buildings, production devices, cultivate land and water power facilities owned collectively
 - (iii) Facilities with regard to education, science, culture, health and gymnasium collectively owned
 - (iv) Other real and movable properties owned collectively.

Article 5
The real and movable properties which are collectively-owned by the urban collective shall be collectively owned by members of such collective.

Things stated below shall be decided collectively by the members of the respective collective in accordance with relevant legal procedure:

- (i) The land contract scheme and subcontracting of the lands to institutions or individuals outside of this collective
- (ii) The adjustment of the contracted lands among contractor of the right land contractual management
- (iii) The utilization and distribution ways in respect of such fees as land compensations;
- (iv) Such matters as changes of ownership of the enterprises whose capital is contributed by the collective
- (v) Other matters required by law.

Article 6
The exercise of the ownership of the collectively-owned lands, forest mountains, grasslands, unclaimed land, beaches shall be in accordance with provisions as follows:

- (i) As to those owned collectively by peasants of a village, the village collective economic organization or villagers committee shall, on behalf of the collective, exercise the ownership
- (ii) As to those owned collectively by two or more peasants of a village, the collective economic organizations or groups of villagers shall, on behalf of the collective, exercise the ownership
- (iii) As to those owned collectively by peasants of the townships (town), the collective economic organizations of the townships (town) shall, on behalf of the collective, exercise the ownership.

Article 6
With regard to the real and movable properties collectively-owned by the urban collective, this collective shall, according to laws and administrative regulations, enjoy the right to possess, utilize, dispose of and obtain benefit from such properties.

Article 6
The collective economic organization or villagers committee or village group shall, in light of the laws, administrative regulations, articles of association and rules of the village, make public to the collective members the status of the collectively owned properties.

Article 6

The collectively-owned properties shall be protected by law and shall not be occupied, privately divided, withheld, damaged by any institution or individual.

Where the decisions made by the collective economic organization, villagers' committee or other principals infringe upon the legal rights or interests of members of the collective, the infringed members may claim revocation of such decisions with the people's court.

Article 6
An individual shall enjoy ownership with respect to such real and movable properties as legitimate income, houses, living goods, production tools and raw materials.

Article 6
The legal savings, investment and returns of individuals shall be protected by law.

The State shall protect the right of inheritance and other legal rights or interests of individual.

Article 6
The legitimate properties of individuals shall be protected by law and shall not be occupied and damaged by any institution and individual.

Article 6
The State, collective and individual may, according to law, make contributions to establish limited liability company, joint stock limited company or other enterprises. Where the real or movable properties of the State, collective and individual are made investment into the enterprise, the capital contributor shall, according to agreement or in proportion to his capital contribution, enjoy the right and fulfill the relevant obligation with regard to the lucre of the asset, major decision and designation of managerial staff of the business.

Article 6
The enterprise as a legal person shall have the right to possess, utilize, obtain benefit from and dispose of its real and movable properties in accordance with laws, administrative regulations and articles of association.

Legal person other than enterprise as a legal person shall have the right to its real and movable properties according to the provisions of relevant law, administrative regulations and articles of association.

Article 6
The real and movable properties legally owned by social communities shall be protected by law.

Chapter VI Building Distinction Ownership of the Owner

Article 7
The owner shall enjoy the ownership in respect of such exclusive part within the apartment building as the apartments for residential or commercial purposes, and the co-ownership and common management right with regard to jointly-owned parts other than the exclusive parts.

Article 7
The owner shall enjoy the right to possess, utilize, obtain profits from and dispose of the exclusive parts of the apartment building, provided that the exercise of its rights neither endangers the security of the apartment building, nor do harm to the legitimate rights and interests of other owners.

Article 7
The owner shall enjoy the rights and take on the obligation with respect to the jointly-owned parts other than the exclusive parts of the apartment building and may not flee from its obligation upon waiver of its rights.

Where the owner transfers its apartments of residential or commercial purpose within the apartment building, the co-ownership and the right of common management enjoyed by the owner with regard to the jointly-owned parts of the building shall be deemed to be transferred accordingly.

Article 7
The roads within the zoning of the apartment buildings shall be co-owned by the owners, with the exceptions of those belonging to urban public roads. The green fields within the zoning of the apartment buildings shall be co-owned by the owners, with the exceptions of those belonging to urban public green fields or individuals. Other public sites, facilities and rooms for realty service purpose shall be jointly owned by the owner.

Article 7
The parking lots and garages within the zoning of the apartment building shall firstly meet the demands of the owners. The ownership of the parking lots and garages within the zoning of the apartment buildings shall be decided via such means as selling, donation or leasing by the party concerned.

The parking lots occupying the co-owned roads of the owners or located on other sites shall be jointly owned by the owners.

Article 7
The owner may establish the owners' meeting and elect the owners' committee.

The local people's governments shall provide instructions and assistance with regard to the establishment of the owners' meeting or the election of the owners' committee.

Article 7
The owners shall, in accordance with law, decide matters as Stated below:

-
- (i) The constitution and modification of the rules of the procedure for the owners' meeting
 - (ii) The constitution and modification of the management regulations with regard to the apartment buildings and their accessory facilities;
 - (iii) Election and changing of the member of the owners' committee;
 - (iv) Employment and dismissal of the realty service organizations or other managerial personnel;
 - (v) Raising and utilization of the funds pertaining to the maintenance of the buildings and their accessory facilities;
 - (vi) Repairing, reconstructing, rebuilding the buildings and their accessory facilities;
 - (vii) Other major and important events with regard to the co-ownership and right of common management.

The decision with regard to matters provided in item 5 and item 6 of the foregoing paragraph shall be made with the consent from owners whose exclusive parts account for over two-thirds of the gross area of the apartment buildings and whose number accounts for over two-thirds of the total number of the owners. The decisions made with regard to other matters of the foregoing paragraph shall be made with the consent from owners whose exclusive parts account for over half of the gross area of the apartment buildings and whose number accounts for over half of the total number of the owners.

Article 7
 The owner may not, in violation of the laws, regulations and management rules, change the residential apartment into apartment for commercial purpose. The owner must, in addition to observing laws, regulations and the management rules, obtain consent from the owners in interest before turning the apartment into apartment for commercial purpose.

Article 7
 The decision made by the owners' meeting or committee shall be binding upon the owners.

Where the decision made by the owners' meeting or committee infringes upon the legitimate rights and interests of the owner, the infringed owner may apply for cancellation with the people's court.

Article 7
 The maintenance funds for the apartment building and its accessory facilities shall be co-owned by all owners and be used for the maintenance of such community spaces as elevators and water tanks. Status quo with regard to raising and use of the maintenance funds shall be made public.

Article 8
 The fee apportionment and profits distribution of the apartment building and its accessory facilities shall be in accordance with relevant provisions (if any), or shall be determined in proportion to the exclusive parts possessed by the owners if there is not any or expressly-stated provisions.

Article 8
 The owners may, at their own discretion, either manage the building and its

accessory facilities by themselves or realty-services company or other managerial personnel entrusted by the owners.

The owners shall have the right to make changes with regard to the realty management company or other managerial personnel employed by the construction entity.

Article 8
The realty management company or other managerial personnel shall, in accordance with the entrustment of the owners, manage the apartment building and its accessory facilities within the zoning of the apartment buildings and accept the supervision from the owners.

Article 8
The owners shall abide by laws, regulations and the management provisions stipulated by the owners' meeting.

The owners' meeting and committee shall have the right to request the parties concerned to stop infringement, get rid of the effect, remove impediment and make compensations with regard to such actions that impairing the legal rights and interests of others as willful throwing away of the garbage, possession of the passageways, release of sources of a pollution, making noises, raising animals in breach of regulation, construction in violation of rules and refusal to pay the realty management fee. The owner may, in accordance with laws, bring a lawsuit with the people's court in respect of such actions as infringing its own legitimate rights and interests.

Chapter VII Neighborhood Relationship

Article 8
In the spirit of providing convenience for production, life of the people, enhancing unity and mutual assistance, and being fair and reasonable, neighboring users of the real property shall maintain proper neighborhood relationship.

Article 8
The handling of neighborhood relationship shall be in accordance with relevant provisions stipulated by laws and regulations (if any) or the local practice if there is no such provision stipulated by laws and regulations.

Article 8
The obligee of the real property shall provide necessary convenience to its neighboring user with regard to water supply and drainage.

The natural running water shall be reasonably distributed among the neighboring users of the real property and shall be drained in accordance with the natural running direction.

Article 8
The obligee of the real property shall offer necessary convenience for its

neighboring user who has to use the obligee_s land for passage.

Article 8
In the event that the obligee of the real property has to use the neighboring lands or buildings for construction or repairing the buildings and installation of wire lines, electric cables, pipe lines, heating and gas pipes, the obligee of such lands or buildings shall provide necessary convenience.

Article 8
The construction of buildings shall abide by relevant provisions stipulated by the State with regard to the construction planning and shall not affect the ventilation, sightseeing and lighting of the neighboring buildings.

Article 9
The obligee of the real property may not, in violation of laws of the State, release gas pollutants, water pollutants, solid waste and discharging such harmful objects as noises, lights, magnetic wave radiation.

Article 9
The obligee of the real property may not endanger the security of the neighboring real property while digging the land, constructing the building, laying the pipes and lines and installing the equipments; the obligee of the neighboring real property shall have the right to request the obligee of the real property under construction to provide relevant guarantee.

Article 9
The obligee of the real property shall, while making use of the neighboring real property usage of water supply, drainage, traffic and installation of pipes and lines, make every effort not to do harm to the obligee_s neighbors, and shall make appropriate compensations in case of any damages arising therefrom.

Chapter VIII Joint ownership

Article 9
The real or movable property may be owned jointly by two or more institutions or individuals. There are two kinds of joint ownership, namely co-ownership by proportion and common ownership.

Article 9
Each of the co-owners by shares shall enjoy the ownership in respect of the joint real or movable property in proportion to its share.

Article 9
Each of the common owners shall enjoy the ownership in respect of the joint real or movable property.

Article 9
The co-owners shall carry out management with regard to the real or movable property in accordance with relevant agreement; each of the co-owners shall enjoy the rights and assume the obligations respecting the

management of the joint property.

Article

9

Unless otherwise agreed by the co-owners, the disposal of and major and big repairing with regard to the co-owned real or movable property shall be conducted with the consent from the co-owners by shares whose shares account for two-thirds of the total shares or from the entire co-owners.

Article

9

The management fee and other charges for the joint property shall be in accordance with relevant agreement (if any); if there is no any (expressly-stated) agreement thereof, the co-owners by shares shall bear the relevant responsibility in proportion to his shares while the common owners shall jointly bear the relevant responsibility.

Article

9

Where the co-owners reach an agreement that no partition in respect of the joint real or movable property shall be conducted in order to maintain the co-ownership relations, such agreement shall be observed; however, if the co-owners desire to divide the joint property for important reasons, the co-owners may make such a claim. If there is no such or express agreement respecting the partition, the co-owners by shares may at any time require the partition; the common owners may require partition in the event that the foundation for joint ownership perishes or there are important reasons for such partition. Where the partition results in damages to other co-owners, relevant remedies shall be made.

Article

10

The co-owners shall determine the methods for partition through consultation. Where, if no agreement can be reached, the real or movable property may be divided and, what's more, will not be devaluated due to the partition, the practicality shall be divided; where the joint property is difficult to be divided or may be devaluated due to the partition, partition can be carried out with regard to the payment obtained as a result of the auction, sale of the joint property or make relevant reimbursement of the estimated price respecting the joint property.

As for any flawed real or movable property gained by any co-owner from the division, the other co-owners shall share losses arising therefrom.

Article

10

Each co-owner by shares shall have the right to transfer the joint real property he owned or his own shares of the real property. When he offers to sell his share, the other co-owners shall have a right of pre-emption if all other conditions are equal.

Article

10

For public purposes, the co-owners shall, jointly enjoy the joint creditor's right and bear the joint liability with regard to creditor's rights and debts occurring from the joint real or movable property, unless otherwise provided by law or there is a third party who is aware that the co-owners shall not bear the joint creditor's rights or joint debts. In internal, except as otherwise agreed upon by the co-owners, each of the co-owners by shares

shall enjoy the creditor's rights and bear the relevant debt in proportion to his shares and each of the common co-owners shall jointly enjoy the creditor's rights and bear the relevant debts. The co-owner by shares who repays debts over its due shall be entitled to a recourse to other co-owners.

Article 10
In case that there is no agreement, express or implied, on whether it is ownership by shares or common ownership with respect to the joint real or movable property among the co-owners, the co-owners shall be deemed as co-owners by shares, with the exception that there exists a family relationship among the co-owners.

Article 10
The shares enjoyed by the co-owners by shares with regard to the joint real or movable property shall, if there is no or express agreement hereon, be decided in proportion to the capital contribution of the co-owners, if no such proportion of capital contribution may be specified, shall be construed as equal.

Article 10
Where usufructuary or security property right is jointly owned by two or more institutions or individuals, the provisions of this Chapter shall apply.

Chapter IX Special Regulations pertaining to Attainment of the Ownership

Article 10
Where the real or movable property is transferred to a transferee by a person without the power to do so, the rightful owner shall have the right to recover such property. Unless otherwise provided by law, the transferee shall obtain the ownership respecting such real or movable property in any of the following events:

- (i) The Transferee accepts the transfer in a bona fide
- (ii) Such property is transferred with a reasonable price
- (iii) The transferred property has been registered in accordance with the laws requiring such registration, and those not required to be registered have been delivered to the transferee.

Where the transferee has obtained the ownership in respect of the real or movable property in accordance with the preceding paragraph, the original holder of the right shall enjoy the right to claim damages to the non-holder of the right to dispose of the property.

Where the parties concerned have obtained the other property rights in good faith, the above two paragraphs shall apply.

Article 10
The rightful owner or such other obligee shall have the right to claim and recover properties so stolen, robbed or lost. Where such movable property has been transferred or possessed by others through transfer, such obligee as the holder or the owner of the lost property shall have the right to claim

damages against the non-holder of the right to dispose of such property. Where, if such obligee as the holder or the owner of the lost property claim the property within two (2) years from the date on which he knows or should know the loss of such movable property, the transferee has purchased such property through auction or from an operator with the operation qualification, such obligee as the holder shall pay the transferee the amount the latter one has paid for repossession of the same. Where there are regulations stipulated otherwise by law, such regulations shall be observed.

Article 10
The original rights in the movable property shall lapse upon the attainment of such movable property by the bona fide assignee, except that the bona fide assignee know or should know such rights.

Article 10
The lost property shall be returned to the obligee once being picked up. The person who picks up the lost property shall notify the obligee of such loss of the property to take it back or submit it to the public security department.

Article 11
Where the departments concerned receiving the lost property shall, knowing the obligee or person who lost the property, notify them to take the property back in a timely manner; if not, the person who collected the lost property, shall issue a Lost Property notice in a timely manner.

Article 11
The lost property shall be appropriately kept by the person picking up the property before being submitted to the departments concerned or to the departments concerned before being taken back. Where damages or losses occur to the lost property as a result of deliberate or serious negligence, the parties concerned shall bear relevant civil liabilities.

Article 11
When taking back the lost property, the obligee shall pay such necessary fees as safekeeping fee regarding the lost property to the person picking up such property or departments concerned.

The obligee shall pay the person picking up the property such reward as has offered while looking for the property.

Where the person picking up the lost property misappropriates such property, the person shall neither have the right to claim such necessary fees as safekeeping fee and reward nor to require the obligee to perform such obligations as the obligee has promised to do.

Article 11
The lost property shall, if not claimed within six months as of the date of issuance of the Lost Property notice, be owned by the State.

Article 11
Where items are picked up from drift, buried or the hidden are discovered

relevant regulations with regard to picking up of the lost property shall apply. Where there are provisions stipulated otherwise in the Law of the People's Republic of China on the Protection of Cultural Relics, such provisions shall be observed.

Article 11
Where the principal property is transferred, the affiliated ones shall be transferred accordingly, except as otherwise provided among parties concerned.

Article 11
The natural benefits shall be obtained by the title holder of such properties where there are both the title holder and owner of the usufructuary right. In the natural benefits, the property shall be owned by the owner of the usufructuary right, where there are agreements separately made by parties concerned, such agreements shall be observed.

The legal interests shall be obtained in accordance with relevant agreements between parties concerned (if any); if there is no such or express agreement, the transaction practice shall apply.

PART III USUFRUCTUARY RIGHTS

Chapter X General Stipulations

Article 11
The owner of the usufructuary right shall, within the extent permitted by law, enjoy the rights to possess, utilize and obtain profits from the real or movable properties owned by others.

Article 11
Institutions and individuals may occupy, utilize and obtain profits from such natural resources as owned by the State, or owned by the State while used by the collective and/or collectively-owned according to law.

Article 11
Unless otherwise provided by law, the State introduces the system of compensated use of natural resources.

Article 12
In exercising its rights, the owner of the usufructuary right shall abide by the regulations respecting the protection and reasonable exploration of the resources. The obligee may not intervene in the exercise of rights by the owner of the usufructuary right.

Article 12
Where the expropriation of the real or movable properties lead to the lapse of the usufructuary right or affect the exercise of the usufructuary right, the owner of the usufructuary right shall be entitled to gain relevant compensations pursuant to the provisions of Article 42 and 44 of this Law.

Article 12
The right to use the sea areas gained legally shall be protected by law.

Article 12
The right relating to mineral exploitation, mining, drawing water and the right to engage in aquaculture, fishing from inland waters and beaches obtained legally shall be protected by law.

Chapter XI Right to Land Contractual Management

Article 12
Rural collective economic organizations apply the dual operation system characterized by the combination of centralized operation with decentralized operation on the basis of operation by households under a contract.

Land contractual operation system shall be applied according to law in respect of farmlands, forestlands, grasslands collectively owned by peasants and land owned by the State but collectively used by peasants as well as other lands used for agricultural purpose.

Article 12
The contractor of the right to land contractual management shall enjoy the right to possess, utilize and obtain profits from the farmlands, forestlands and grasslands, and shall have the right to engage in such agricultural production as crop farming, forestry and animal husbandry.

Article 12
The contracted term of farmland shall be thirty years, thirty to fifty years for grassland and thirty to seventy years for forestland. The contracted term for forest land with special forests may be prolonged upon approval of the relevant competent forestry administration department of the State Council.

Where the contracted term provided in the preceding paragraph expires, the contractor of the right to land contractual management may continue the contract according to relevant provisions of the State.

Article 12
The right to land contractual management shall be established upon the effective date of the contract relating to the right to contractual land management.

The people's government above county level shall issue to the contractor of the right to land contractual management the certificate of right to land contractual management, the forest management certificate, certificate of the right to use grassland and register and record them, confirming the right to land contractual management.

Article 12
The contractor of the right to land contractual management shall be entitled to circulate such right by adopting such means as subcontract, exchange and assignment in accordance with the provision of the Rural Land

Contract Law. The circulated term may not exceed the remaining period of the contract term. The contracted land, without being approved in accordance with law, may not be used for purpose other than agricultural construction.

Article 12
Where the contractor of the right to land contractual management exchanges with others or assigns the right to land contractual management, the contractor shall, if required by parties concerned, apply for modification registration regarding the right to land contractual management with the people's government above county level, and shall not be against bona fide third party if no such registration is conducted.

Article 13
The contract letting party may not adjust the land under contract within the contract term.

Where it is necessary to appropriately adjust the farm land and grassland in case that the contracted land is severely damaged by natural disaster, such adjustment shall be handled according to Rural Land Contract Law.

Article 13
The contract letting party shall not withdraw the contracted land within the contract term. If there are provisions otherwise provided for by Rural Land Contract Law, such provisions shall be observed.

Article 13
The contractor of the right to land contractual management shall, pursuant to the provisions of the 2nd paragraph of Article 42 of this Law, obtain the relevant compensations in the event of expropriation of its contracted land.

Article 13
With regard to such rural lands as wasteland contracted out by means of invitation to bid, auction, open consultation, the right to land contractual management shall be circulated by adopting such means as assignment, mortgage and ways otherwise according to Rural Land Contract Law and relevant regulations of the State Council.

Article 13
Where the State-owned farmland is contracted out for operation, relevant provisions of this Law shall apply.

Chapter XII Right to the Use of Construction Land

Article 13
The owner of the right to the use of land for construction use shall, according to law, be entitled to possess, utilize and obtain profits from the State-owned land, and have the right, by utilizing such land, to build buildings and their accessory facilities.

Article 13
The right to the use of land for construction use shall include right to the

use of the land's surface, ground or underground. The newly-established right to the use of land for construction use may not infringe upon the right of already-established usufructuary right.

Article 13
The right to the use of land for construction use may be established by means of assignment or transfer.

Such operation lands as for industrial, commercial, tourism, entertainment and commercial use and one land with two or above intentional users shall be assigned by auction or invitation to bid.

The establishment of the right to the use of land for construction use by way of transfer is strictly restricted. Where the way of transfer is adopted, provisions relating to land use stipulated by laws, administrative regulations shall be observed.

Article 13
Where the right to the use of land for construction use is established by means of auction, invitation to bid and agreement, the parties concerned shall enter into a written contract on assignment of the right to the use of land for construction use.

The contract on assignment of the right to the use of land for construction use shall include the following terms:

- (i) The names and domiciles of the parties concerned
- (ii) The location and size of the land
- (iii) The space occupied by the buildings, structures and the relevant accessory facilities
- (iv) The purpose of the land
- (v) The term of the use
- (vi) Such fees as the assignment fee and terms of payment
- (vii) Disputes resolution;

Article 13
The application for registration of the right to the use of land for construction use shall be filed with the registration departments. The right to the use of land for construction use shall be set up upon registration. The registration department shall issue to the owner of the right to the use of land for construction use the certificate of the right to the use of land for construction use.

Article 14
The owner of the right to the use of land for construction use shall in a reasonable way utilize the land and shall not change the purpose of the land; such change (if necessary) shall occur with the approval from relevant competent administrative department according to law.

Article 14
The owner of the right to the use of land for construction use shall pay such rates as assignment fee pursuant to relevant provisions provided for by law

and the terms of the contract.

Article 14
The ownership of the building, structure and their accessory facilities built by the owner of the right to the use of land for construction use shall belong to such owner, unless there is evidence to the contrary sufficient to invalidate that.

Article 14
Except as otherwise provided for by law, the owner of the right to the use of land for construction use shall have the right to transfer, exchange, make as capital contribution, donate or mortgage the right to the use of land for construction use.

Article 14
Where the owner of the right to the use of land for construction use transfers, exchange, make as capital contribution, donate to others or mortgage the right to the use of land for construction use, the parties concerned shall enter into corresponding contract in writing. The term of such contract to be determined by parties concerned shall not exceed the remaining duration of the right to the use of land for construction use.

Article 14
Where the owner of the right to the use of land for construction use transfers, exchange, make as capital contribution, donate to others or mortgage the right to the use of land for construction use, application for modification registration shall be filed with the registration department.

Article 14
Where the right to the use of land for construction use is transferred, exchanged, made as a capital contribution or donated, the building, structures and their accessory facilities affiliated with such land shall be disposed of accordingly.

Article 14
Where the buildings, structures and their accessory facilities affiliated with land for construction use is transferred, exchanged, made as a capital contribution or donated, the right to the use of such land for construction use as being occupied by such buildings, structure and their accessory facilities shall be disposed of accordingly.

Article 14
Where, prior to expiration of the term of the right to the use of land for construction use, it is necessary to retract such land for public interest, compensations shall be provided with regard to the houses and other real property built on the land pursuant to the provisions of Article 42 of the Law and the corresponding transfer fee shall be returned.

Article 14
The term of the right to the use of land for building houses shall be automatically renewed upon expiration.

The term of the right to the use of land for non-house building purpose shall

be renewed according to laws and regulations upon expiration. With regard to ownership of the houses built on the land and other real property related relevant agreement (if any) shall be abided by, or, if there is no such agreement, the relevant provisions stipulated by law and administrative regulations shall be observed.

Article 15
The assignor shall, promptly upon lapse of the right to the use of land for construction use, proceed with the cancellation registration with the registration department that shall take back the certificate of the right to the use of land for construction use thereafter.

Article 15
Where the collectively-owned land is used for construction purpose, it shall be managed in accordance with such laws and regulations as the Law of Land Administration.

Chapter XIII Right to the use of the Residential Housing Land

Article 15
The owner of the right to the use of residential housing land shall enjoy the right to possess and utilize such land as collectively owned, and the right to build residential house and its accessory facilities on such land.

Article 15
Such laws as the Law of Land Administration and relevant regulations of the State shall be applicable to the attainment, exercise and assignment of the right to the use of residential housing land.

Article 15
The right to the use of residential housing land shall lapse accordingly in the event that such land is destroyed and lost due to natural disasters. No residential housing land shall be relocated to those villagers losing the residential housing land.

Article 15
Where the registered right to the use of the residential housing land lapses or is assigned, modification or cancellation registration shall be handled in a timely manner.

Chapter XIV Easement

Article 15
The owner of easement shall have the right to improve the benefits of the real property of its own by utilization of real property of others according to terms of a contract.

The term “real property of others” as used in the preceding paragraph shall

refer to the Land for Easement, and the _real property of its own_ sha
refer to the _Land Needing Easement_.

Article 15
To establish easement, the parties concerned shall enter into a writte
easement contract, the terms of which are as follows:

- (i) The names or titles and domiciles of the parties concernec
- (ii) The location of the Land for Easement and the Land Needing Easemen
- (iii) The purpose and methods with regard to the utilization of the Land fr
Easement;
- (iv) The term for the utilization
- (v) Relevant fees and the terms of payment
- (vi) Disputes resolution.

Article 15
The easement shall be established upon the effective date of the easemen
contract. Where the parties concerned require registration, the applicatio
for easement registration may be filed with the registration departments;
no registration for easement is conducted, such easement shall not b
against any bona fide third party.

Article 15
The obligee of the Land for Easement shall, in accordance with terms of th
contract, allow the easement owner to utilize the land and may not prevent
the easement owner from exercising relevant rights.

Article 16
The easement owner shall make use of the Land for Easement in conformit
with the purpose and methods agreed upon in respect of the utilization o
the Land for Easement and make reasonable efforts to reduce restrictio
upon the property rights of the obligee of the Land for Easement.

Article 16
The term of the easement to be decided by the parties concerned shall no
exceed the remaining duration of the term of such usufructuary right as th
right to land contractual management and to the use of land for
construction use.

Article 16
Where the owner of the land who enjoys or burdens the easemen
establishes the right to land contractual management and/or the right t
the use of residential housing land, the contractor of the land contractu
management and/or the owner of the right to the use of the residenti
housing land shall continue enjoying or burdening the establishe
easement.

Article 16
Where the right to land contractual management, the right to the use o
land for construction use and/or the right to the use of residential housin
land have been established, the owner of the land may not set up th

easement without the consent from the owner of the usufructuary right.

Article 16
The easement may not be assigned alone. Except as otherwise agreed upon in the contract, along with the right to land contractual management, the right to the use of land for construction use, the easement shall be transferred accordingly according to law.

Article 16
The easement may not be mortgaged alone. Where the right to land contractual management and the right to the use of land for construction use is mortgaged, the easement shall be assigned accordingly upon the realization of such mortgage.

Article 16
Where part of the right to land contractual management and the right to the use of land for construction use of the Land Needing Easement are assigned and the assignment involves the easement, the assignee shall enjoy the easement.

Article 16
Where part of the right to land contractual management and the right to the use of land for construction use of the Land for Easement are assigned and the assignment involves the easement, the easement shall be abiding to the assignee.

Article 16
The obligee of the Land for Easement shall have the right to rescind the easement contract to give rise to lapse of such easement in case of any of the following on the part of the owner of the easement:

- (i) Abusing the easement in violation of regulations provided by law or terms of the contract
- (ii) Failing to pay the fee after being reminded to make the payment twice within a reasonable time limit upon the expiration of the scheduled term for payment while utilizing the Land for Easement with charges.

Article 16
Modification or cancellation registration shall be handled promptly in case of modification, assignment or lapse of the registered easement.

PART IV SECURITY INTEREST IN PROPERTY RIGHT

Chapter XV General Stipulation

Article 17
Unless otherwise stipulated by laws, holder of security interest shall have priority in satisfying its claim if a debtor defaults in its obligations.

Article 17
If any guarantee is necessary for the creditor to enforce its claim in civil

activities like accommodation of funds and the circulation of commodities security interest may be provided in accordance with this Law and other laws.

Where a third party provides a guarantee to a creditor for a debtor, the third party may require the debtor to provide him with a counter-guarantee. The provisions on guarantee in this Law and other laws shall apply to the counter-guarantee.

Article 17
When the security interest is provided, a guarantee contract should be entered into in accordance with this Law and other laws. A guarantee contract is an ancillary contract of the principal contract. If the principal contract is null and void, the guarantee contract shall be null and void accordingly, unless otherwise stipulated by laws. .

If a guarantee contract is determined to be null and void, the debtor, the guarantor or the creditor who is in default shall bear civil liability according to their respective fault.

Article 17
The scope of security interest covers principal creditor's right and interest, penalty, liquidated damages and expenses for storage of pledge assets and enforcement of security interests, unless otherwise agreed in the contract.

Article 17
In case of destruction, loss and requisition of the mortgaged property during the period of the surety-ship, the holder of security interest shall have priority in satisfying his claim from the guarantee fund, compensation money or compensatory amounts. The holder of security interest may also have such guarantee fund, compensation money or compensatory amount deposited when the time limit for the performance of the security interest does not expire.

Article 17
Where a third party provides a guarantee to creditor for a debtor, if the creditor permits the debtor to transfer its debt without written consent of such third person, the guarantor shall not undertake surety-ship liability.

Article 17
Where there are both surety-ship and property security for the same claim the creditor shall enforce its claim according to the agreement if the debtor fails to perform its debt; in the absence of an agreed or explicitly agreed mode of surety-ship, if the debtor provides the property security, the creditor shall enforce its claim from such property security; where a third person provide the property security, the creditor may enforce its claim from such property security or request the guarantor to undertake surety-ship liability. The third person that has undertaken the surety-ship liability shall have the right of recourse against the debtor.

Article 17

The security interest shall lapse under any of following circumstances:

- (i) The principal debt lapses;
- (ii) The security interest is enforced;
- (iii) The creditor waives the security interest;
- (iv) Other circumstances provided by law under which the security interest lapses.

Article 17
In case of any discrepancy between the Guarantee Law of the People's Republic of China and this Law, this Law shall prevail.

Chapter XVI Right to Mortgage

Section 1 General Mortgage Right

Article 17
Where a debtor or a third party, for performance of the mortgaged debt, secures the creditor's rights with property without transference of possession, if the debtor defaults, the creditor shall have priority in satisfying his claim from such property;

The debtor or the third party specified in the preceding paragraph is the mortgagor; the creditor is the mortgagee, and the property provided as security is the mortgaged property.

Article 18
The following property which the creditor or third person is entitled to dispose of may be mortgaged:

- (i) Houses and other things firmly fixed on the land;
- (ii) Land use right to building lot;
- (iii) The land-use right to barren land contracted by the mortgagor by way of bidding, auction and discussion;
- (iv) Production equipment, raw materials, semi-finished products and finished products;
- (v) Buildings, ships and aircrafts under construction;
- (vi) Means of transportation;
- (vii) Other property that may be mortgaged according to law and administrative rules.

A mortgagor may at the same time mortgage all the property listed in the preceding paragraph.

Article 18
Enterprises, small business of industry and commerce and rural contractor may mortgage their existing and future production equipment, raw materials, semi-finished products and finished products according to the agreement between the parties, if the debtor defaults, the creditor shall

have priority in satisfying his claim from such property.

Article 18
Where houses are mortgaged, the land use right to the construction lot occupied by the houses shall be mortgaged at the same time. Where the land use right to the construction lot is mortgaged, the houses fixed on the land shall be mortgaged at same time.

If the mortgagor fails to comply with the preceding paragraph, property not mortgaged shall be deemed as mortgaged at the same time.

Article 18
The land-use right to the land used by a township (town) or village enterprise may not be mortgaged separately. Where factories and other buildings of township (town) or village enterprises are mortgaged, the land use right to the land occupied by such buildings shall be mortgaged at the same time.

Article 18
The following property may not be mortgaged:

- (i) Ownership of the land
- (ii) Land-use right to the land owned by the collectives such as cultivated land, house sites, private plots and private hills, with the exception of those provided by law
- (iii) Educational facilities, medical and health facilities of schools, kindergartens, hospitals and other institutions or public organizations established in the interest of the public and other facilities in the service of public welfare
- (iv) Property in relation to which the ownership or the right of use is unknown or disputed
- (v) Property sealed up, distrained or placed under surveillance in accordance with law;
- (vi) Other property which may not be mortgaged as prescribed by law

Article 18
A mortgagor and a mortgagee shall conclude a mortgage contract in writing.

A mortgage contract shall include the following particulars:

- (i) The kind and amount of the debt secured
- (ii) The time limit for the debtor to perform his obligation
- (iii) The name, quantity, quality, condition, location, ownership or ownership of The right to the use of the mortgaged property
- (iv) The scope of the guarantee of mortgage.

Article 18
The mortgagor and the mortgagee may not stipulate that the ownership or

the mortgaged property shall be transferred to the creditor in case the mortgagee's claim is not satisfied after maturity of the debt.

Article 18
Where a party mortgages assets provided for in Article 180 (i)-(iii) of this Law or houses under construction provided for in Article 180 (v) of this Law, he shall register the mortgaged property, and the mortgage contract shall become effective as of the date of registration.

Article 18
Where a party mortgages movable property provided for in Article 180 (iv) or (vi) of this Law or ships and aircrafts under construction provided for in Article 180 (v) of this Law, the mortgage contract shall become effective as of the date of registration. If a party does not register the mortgaged property, he may not defend against the claims of third party of good faith.

Article 18
Where enterprises, small business of industry and commerce and rural contractors mortgage movable property provided for in Article 181 of this Law, the mortgage contract shall become effective as of the date of registration. If a party does not register the mortgaged property, he may not defend against the claims of third party of good faith.

If a party registers the mortgaged property in accordance with Article 18 of this Law, he may not defend against the claims of third party which has paid the consideration and obtained the mortgaged property in the ordinary course of business operations.

Article 19
If a mortgagor leases the mortgaged property before the execution of the mortgage contract, the original contract of lease continues in effect. If a mortgagor leases the mortgaged property after the establishment of right of mortgage, the lease may not defend against registered right of mortgage.

Article 19
If a mortgagor transfers mortgaged property with the consent of the mortgagee during the period of mortgage, the proceeds which the mortgagor obtains from the transfer of the mortgaged property shall be used to liquidate the claim secured by the mortgage or it shall be deposited with a third party agreed upon by the mortgagor and the mortgagee.

If the proceeds exceed the claim, the balance shall belong to the mortgagor; if the proceeds do not cover the claim, the difference shall be paid by the debtor.

The mortgagor may not transfer the mortgaged property without consent of the mortgagee during the period of mortgage, unless the transferee pays the debts on behalf of mortgagor and the right of mortgage lapses.

Article 19
The right of mortgage may not be separated from the creditor's rights and transferred singly, nor used to secure other creditors' rights. If the

creditor's right is transferred, the right of mortgage shall be transferred at the same time, unless otherwise stipulated by laws or agreed by the parties.

Article 19
Where a mortgagor's acts are likely to cause the value of the mortgage property to decline, the mortgagee shall be entitled to demand that the mortgagor cease and desist from such acts. Where the value of the mortgaged property has declined, the mortgagee shall be entitled to demand that the mortgagor restore the original value of the mortgage property or provide security corresponding to the amount of the lost value. Where a mortgagor fails to restore the original value of the mortgage property and fails to provide security, the mortgagee is entitled to require the mortgagor to liquidate the claim in advance.

Article 19
Mortgagee may waive the right of mortgage or order of right of mortgage. A mortgagor and a mortgagee may change the order of right of mortgage and amount of mortgaged debt by agreement, provided that, the change of right of mortgage shall not have negative impact to other mortgagees without written consent of such mortgagees.

Where a debtor shall provide guarantee of mortgage with its own property, if a mortgagee waives the right of mortgage or order of right of mortgage or changes the right of mortgage, other guarantors shall be relieved of their suretyship liability to the extent that the mortgagee loses the priority in satisfying his claim, unless other guarantors commit to provide a guarantee.

Article 19
The mortgagee, who is not paid at the maturity of the obligation, may, through agreement with the mortgagor, be paid out of the proceeds from the conversion of the mortgaged property or from the auction or sale of the mortgaged property; other creditors may request the People's Court to cancel such agreement within one year after they know or should have known the cause of cancellation if the interest of such creditors is adversely affected.

If the mortgagee and mortgagor fail to reach an agreement, the mortgagee may bring a lawsuit in a People's Court.

Market price should be taken as reference when converting the mortgage assets into money or selling the mortgaged assets.

Article 19
If the right of mortgage is provided in accordance with Article 181 of the Law, the mortgaged property shall be determined if any of the following circumstances occur

- (i) Claim is not paid at the maturity of the obligation
 - (ii) Bankruptcy or dissolution of the mortgagor
 - (iii) Other circumstances which may seriously affect the enforcement of right of mortgage
 - (iv) Other circumstances which may seriously affect the enforcement of
-

claim

Article 19
If the mortgaged property is seized by a People's Court because of the debtor's failure to perform his obligation prior to the maturity of the debt, the mortgagee shall, from the date of seizure, be entitled to collect the natural fruits severed from the mortgaged property and the legal fruits which the mortgagor may collect from the mortgaged property. If the mortgagee fails to notify the person who has the obligation to pay legal fruits of the fact that the mortgaged property is seized, the mortgagee's right shall not extend to such fruits.

The fruits mentioned in the preceding paragraph shall first be used to pay the expenses for collecting the fruits.

Article 19
If the proceeds from auction and sales of mortgaged property exceed the claim, the balance shall belong to the mortgagor; if the proceeds do not cover the claim, the difference shall be paid by the debtor.

Article 19
Where the same property is mortgaged to two or more creditors, the proceeds from the auction or sale of the mortgaged property shall be used for liquidation according to the following provisions:

- (i) Where a mortgage contract takes effect with its registration, the liquidation shall be made in the order of the time of registration of the mortgaged property; if the registration is in the same order, the liquidation shall be made according to the respective proportions of the claims;
- (ii) The claim secured by registered mortgage shall be satisfied prior to the claim secured by unregistered mortgage;
- (iii) Liquidation of unregistered mortgage shall be made according to the respective proportions of the claim.

Article 20
When land use right of construction lot is mortgaged, newly built houses on the land are not mortgaged property. Where it is necessary to auction the land use right to the mortgaged construction lot, the newly-built houses on the land may be disposed of, according to law, together with the mortgaged property, but the mortgagee shall have no right to enjoy the priority of having his claim satisfied with the proceeds from the newly-built houses.

Article 20
Where the land-use right prescribed in Article 181 (iii) or the land-use right to the land occupied by the factories and other buildings of a township (town) or village enterprise is mortgaged prescribed in Article 183, the collective ownership and the uses of the land may not be altered without the legal procedure after enforcement of the right of mortgage.

Article 20
The holder of security interest shall enforce the security interest upon the expiry of prescribed period for litigation; if the holder of security interest

fails to enforce the security interest within such period, it shall not be protected by the People's Court.

Section II Maximum Mortgage Right

Article 20

Where a debtor or a third person provides a guarantee with mortgage property for the claim to be occurred within a given period of time, if the debtor fails to perform his obligations, the mortgagee shall have the priority in satisfying its claim to the extent of the total amount of the claims.

Claim that exists before the establishment of right of mortgage of maximum amount may be converted into the debt secured by the mortgage of maximum amount as agreed by the parties.

Article 20

Where part of claim is transferred before the claim secured by the mortgage of maximum amount is determined, the right of mortgage of maximum amount may not be transferred, unless otherwise agreed by the parties.

Article 20

Before the determination of claim secured by the mortgage of maximum amount, a mortgagor and mortgagee may change the term, scope and maximum amount of the claim through agreement, provided that such change may not cause any negative impact to other mortgagee.

Article 20

The claim of mortgagee is determined under any of the following circumstances:

- (i) Agreed term for determination of claim expires;
- (ii) In absence of an agreed or explicitly agreed term of claim, the mortgagee or mortgagor request to determine the claim upon the expiry of two years as of the date of establishment of right of mortgage of maximum amount;
- (iii) No new claim will occur;
- (iv) The mortgaged property is sealed up or distrained;
- (v) Bankruptcy or dissolution of the debtor or mortgagor;
- (vi) Other circumstances prescribed by law under which a claim is determined.

Article 20

The provisions of this section and Section 1 of this Chapter shall apply to the right of mortgage of maximum amount.

Chapter XVII Right of Pledge

Section 1 Pledge of Movable Property

Article 208
The debtor or a third party transfers the possession of his movables to the creditor as a security for debt. If the debtor defaults, the creditor shall be entitled to enjoy priority of having his claim satisfied with the proceeds of the auction or sale of the pledged property.

The debtor or the third party mentioned in the preceding paragraph shall be the pledgor, the creditor shall be the pledgee, and the movable transferred shall be the pledged property.

Article 209
Movables that transfer is strictly forbidden according to relevant laws and administrative regulations must not be used as security for debt.

Article 210
A pledgor and a pledgee shall conclude a pledge contract in writing.

A pledge contract shall include the following particulars:

- (i) The kind and amount of the principal debt secured
- (ii) The time limit for the debtor to perform his obligation
- (iii) The name, quantity, quality and condition of the pledged property
- (iv) The scope of the guarantee of pledge
- (v) The time for delivering the pledged property

Article 211
A pledgor and a pledgee may not stipulate in the contract that ownership of the pledged property shall be transferred to the pledgee if the obligation is not discharged at its maturity.

Article 212
The pledge shall be effective upon delivery of the pledged property.

Article 213
The pledgee shall be entitled to collect the fruits derived from the pledged property. If otherwise provided for in the pledge contract, the provisions there shall apply.

The fruits mentioned in the preceding paragraph shall first be used to pay the expenses for collecting the fruits.

Article 214
During the existence of the pledge, the pledgee, without consent of the pledgor, shall be civilly liable for any losses arising from his use, lease or disposal of the pledged property.

Article 215
The pledgee shall have the obligation to maintain the pledged property in good condition. The pledgee shall be civilly liable for the loss or destruction of or damage to the pledged property resulting from his negligence in storage.

Where the pledgee is unable to maintain the pledged property in good

condition and may thus cause loss or destruction of or damage to the pledged property, the pledgor may demand that the pledgee have the pledged property deposited, or demand that his obligation be discharged in advance and the pledged property returned.

Article 21
Where there is a possibility for the pledged property to perish or for its value to obviously decline, the pledgee may demand that the pledgor provide additional security in like amount. If the pledgor refuses to provide the additional security, the pledgee may auction or sell the pledged property, and conclude an agreement with the pledgor that the proceeds from the auction or sale shall be used to pay in advance the debt secured and be deposited with a third party as agreed upon with the pledgor.

Article 21
During the existence of the pledge, with the consent of the pledgor, the pledgee may transfer the right of pledge. However, the pledgee shall bear civil liability for any loss or destruction of or damage to the pledged property.

Article 21
The pledgee may abandon the right of pledge. Where the debtor pledges his own property and the pledgee abandon such right of pledge, then other guarantors may be exempted from their liability to the extent that the pledgee would have the priority in satisfying his claim from the proceeds of auction or sale of the property, unless other guarantors have committed to providing security in any event.

Article 21
Where the debtor performs his obligation at its maturity, or where the pledgor pays, prior to maturity, the debt secured, the pledgee shall return the pledged property.

If the pledgee is not paid at the maturity of the obligation, he may conclude an agreement with the pledgor that the pledged property be converted into money in order to pay the debt, or he may enjoy priority of having his claim satisfied with the proceeds of auction or sale of the pledged property.

Market prices shall be used as reference in conversion and/or sale of the pledged property.

Article 21
The pledgor may request the pledgee to enforce the right of pledge in a timely manner. Where the pledgee fails to do so, the pledgor may request the court to conduct auction and/or sale of the pledged property.

Where the pledgor requests the pledgee to enforce the right of pledge in a timely manner, the pledgee shall compensate for any losses arising from his delay in exercising his right that is due.

Article 22
Where the money converted from the pledged property or the proceeds from auction or sale exceed the debt secured, the balance shall be paid to

the pledgor. Where the money or the proceeds do not cover the whole debt secured, the difference shall be paid by the debtor.

Article 22
The pledgor and the pledgee may set by mutual agreement a pledge of maximum amount.

The provisions of mortgage of maximum amount set forth in Section 17 of Chapter 17 of Part Four, shall apply to the pledge of maximum amount.

Section 2 Pledge Rights

Article 22
The following rights that a debtor or a third party is entitled to dispose of may be pledged:

- (i) Bills of exchange, cheques, promissory notes;
- (ii) Bonds, certificates of deposit;
- (iii) Warehouse receipts, bills of lading;
- (iv) Shares of stocks or certificates of stocks which are transferable;
- (v) The rights to exclusive use of trademarks, the property right among patent rights and copyrights which are transferable according to law;
- (vi) The right of collecting fees for use of road and power grid infrastructures;
- (vii) Other rights which may be pledged according to laws and administrative regulations.

Article 22
Where a bill of exchange, cheque, promissory note, bond, certificate of deposit, warehouse receipt or bill of lading is pledged, the pledgor and the pledgee shall conclude a pledge contract in written form and the document of title shall be effective upon delivery to the pledgee.

Article 22
Where a bill of exchange, cheque, promissory note, bond, certificate of deposit, warehouse receipt or bill of lading, which carries the date of payment or the date of delivery of goods, is pledged and if the date of payment or delivery of goods is prior to the time limit for the performance of the obligation, the pledgee may be paid or accept the delivery of the goods, and conclude an agreement with the pledgor that the payment of the goods accepted shall be used to pay in advance the debt secured or be deposited with a third party as agreed upon with the pledgor.

Article 22
Where portions of fund and/or shares are pledged, the pledgor and the pledgee shall conclude a pledge contract in writing. Where the portions of fund and/or shares that have been registered with relevant securities registration and settlement authority are pledged, the right of pledge shall become effective upon registration with the securities registration authorities. Where the shares of any other kinds are pledged, the right of pledge shall become effective upon registration with the administrative

department in charge of commerce and commerce.

The portions of fund and/or shares pledged may not be transferred, unless otherwise agreed by the pledgor and the pledgee. The proceeds the pledge obtained from the transfer of the portions of fund and/or shares shall be used to pay in advance the pledgee's claims secured, or be deposited with third party.

Article 22
Where the right to exclusive use of trademarks, the property rights among patent rights and copyrights are pledged, the pledgor and the pledgee shall conclude a contract in writing. The right of pledge shall become effective upon registration with the administrative department in charge of commerce and industry.
If the property rights in the foregoing paragraph are pledged, the pledgee may not transfer or permit the right to be used by another, unless otherwise agreed by the pledgee and the pledgor. The proceeds from the transfer or license of use obtained by the pledgor shall be used to pay in advance the pledgee's claims secured or be deposited with a third party.

Article 22
Where the right of collecting receivables is pledged, the pledgor and the pledgee shall conclude a contract in writing and the right of pledge shall become effective upon registration with the competent authority.

The right of receivables collection, once it is pledged, shall not be transferred unless otherwise agreed by the pledgee and the pledgor. The proceeds from the transfer of the right shall be used to pay in advance the pledgee's claims secured or be deposited with a third party.

Article 22
The pledge of rights is governed not only by the provisions of this Section but also by the provisions of Section 1 of this Chapter.

Chapter XIX Lien

Article 23
If a debtor defaults in his debt, the creditor shall be entitled to retain the property under legal possession and to the priority of having the debt paid with the money converted from the property or proceeds from sale (or auction) of the property.

The creditor mentioned in the preceding two paragraphs shall be the lien holder and the movables possessed shall be the retained property.

Article 23
Retained movables shall fall within the scope of creditor's rights except in the case of a retention between enterprises.

Article 23

Where the property must not be retained according to law, such law shall prevail. Where the property shall not be retained as agreed upon by the parties concerned, such an agreement shall prevail.

Article 23
Where the retained property is divisible, the total amount of the retained property shall be equal to the value of the debt involved.

Article 23
The lien holder shall have the obligation to maintain