

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

(No. 55)

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

President of the People's Republic of China Hu Jintao

August 27, 2006.

Partnership Enterprise Law of the People's Republic of China

(Adopted at the 24th session of the Standing Committee of the 8th National People's Congress on February 23, 1997 and amended at the 23rd session of the Standing Committee of the 10th National People's Congress of the People's Republic of China on August 27, 2006)

Contents

Chapter I General Provisions

Chapter II General Partnership Enterprises

Section 1 Establishment of A Partnership Enterprise

Section 2 Property of A Partnership Enterprise

Section 3 Execution of Partnership Affairs

Section 4 Relationship Between A Partnership Enterprise and Third Persons

Section 5 Admission to and Withdrawal from A Partnership

Section 6 Special General Partnership Enterprises

Chapter III Limited Liability Partnership Enterprises

Chapter IV Dissolution and Liquidation of Partnership Enterprises

Chapter V Legal Liabilities

Chapter VI Supplementary Provisions

Chapter I General Provisions

Article 1 This law is formulated for the purpose of regulating the acts of partnership enterprises, protecting the legitimate rights and interests of partnership enterprises as well as their partners and creditors, maintaining the social and economic order, and promoting the development of the socialist market economy.

Article 2 The term "partnership enterprise" refers to the general partnership enterprises and limited liability partnership enterprises which are established within China by natural persons, legal persons and other organizations in accordance with the law.

A general partnership enterprise may be formed by general partners. The partners shall bear unlimited joint and several liabilities for the debts of the partnership enterprise. If this Law has any special provisions on the way in which the general partners shall bear liabilities, these special provisions shall prevail.

A limited liability partnership enterprise shall be formed by general partners and limited partners. The general partners shall bear unlimited joint and several liabilities for the debts of the limited liability partnership enterprise. The limited partners bear the liabilities for its debts to the extent of their capital contributions.

Article 3 No wholly state-funded company, state-owned company, listed company, public-welfare-oriented public institution or social organization may become a general partner.

Article 4 A partnership agreement shall be concluded in writing upon the consensus of all partners.

Article 5 The principle of willingness, equality, fairness and good faith in the conclusion of a partnership agreement and in the establishment of a partnership enterprise.

Article 6 For the production and business operation incomes and other incomes of a partnership enterprise, the partners shall pay their respective income tax in accordance with the relevant tax provisions of the state.

Article 7 A partnership enterprise and its partners shall abide by the laws, administrative regulations, social morals, commercial morals and bear social liabilities.

Article 8 The legitimate property, rights and interests of a partnership enterprise and its partners shall be protected by law.

Article 9 To establish a partnership enterprise, the applicant shall submit to the enterprise registration organ a registration application, partnership agreement, identity certificates of the partners and other documents.

If the business scope of a partnership enterprise contains any item which is subject to approval prior to registration under a law or administrative regulation, such business shall be subject to approval in accordance with the law and the approval document shall be submitted at the time of registration.

Article 10 If the registration application materials submitted by an applicant are complete and conform to the statutory form and if the enterprise registration organ can finish the registration on the spot, the enterprise registration organ shall do so and shall issue to the applicant a business license.

Except for the circumstance as mentioned in the preceding Paragraph, the enterprise registration organ shall, within 20 days after it accepts an application, decide whether or not to register. If it decides to register it, it shall issue to the applicant a business license. If it decides not to register it, it shall give a written reply to the applicant and make an explanation.

Article 11 The date of issuance of business license of a partnership enterprise shall be the date of establishment of the partnership enterprise.

Before a partnership enterprise obtains a business license, the partners shall not engage in the partnership business in the name of a partnership enterprise.

Article 12 Where a partnership enterprise intends to establish a branch, it shall apply to the enterprise registration organ of the place where the to-be-established branch is located for registration so as to obtain a business license.

Article 13 Where any of the partnership enterprise registration items is changed, the partners executing the partnership affairs shall, within 15 days after they make a decision of change or after the change occurs, apply to the enterprise registration organ for modifying the registration.

Chapter II General partnership Enterprises

Section 1 Establishment of A Partnership Enterprise

Article 14 To establish a partnership enterprise, the following conditions shall be satisfied:

- (1) Having 2 or more partners. If the partners are natural persons, they shall have complete civil capacity;
- (2) Having a written partnership agreement;
- (3) Having capital contributions subscribed to or actually paid by the partners;
- (4) Having a name and a production and business operation place for the partnership enterprise; and
- (5) Other conditions as provided for by laws and administrative regulations.

Article 15 The name of a partnership enterprise shall be indicated by the words "General partnership".

Article 16 A partner may make capital contributions in money, in kind, or intellectual property right, land use right or other properties, or labor services.

Where a partner intends to make capital contributions in kind, intellectual property right, land use right and other properties, of which the price should be assessed, the price may be

determined by all partners through negotiation or may assessed by the a statutory assessment institution entrusted by all partners.

Where a partner makes capital contributions by labor services, the assessment method shall be determined by all partners and shall be stated in a partnership agreement.

Article 17 A partner shall perform the capital contribution obligation according to the way and amount of capital contribution and the time limit for payment as stipulated in the partnership agreement.

For the capital contributions in non-monetary properties for which the formalities for the transfer of property right shall be gone through under any law or administrative regulation, the partner shall go through the said formalities.

Article 18 A partnership agreement shall state the following matters:

- (1) The name and address of the main business operation place of a partnership enterprise;
- (2) The purpose and business scope of partnership;
- (3)The name and domicile of each partner;

- (4)The ways and amount of capital contribution by partners and the time limit for payment;
- (5)The profit distribution and loss sharing;
- (6)The execution of the partnership affairs;
- (7)The admission to and withdrawal from partnership;
- (8)The settlement of disputes;
- (9)The dissolution and liquidation of the partnership enterprise; and
- (10)The liabilities for breach of contract.

Article 19 A partnership agreement shall enter into force after all partners affix their signatures or seals to it. The partners shall enjoy their rights and perform their duties according to the partnership agreement.

The revision or supplement of an agreement shall be subject to the unanimous consent of all partners, unless it is otherwise stipulated in the partnership agreement.

For any matter which is not stipulated or not expressly stipulated in the partnership agreement, it may be decided by the partners through negotiation. For failure of negotiation, it may be handled in accordance with this Law, other laws and administrative regulations.

Section 2 Property of A Partnership Enterprise

Article 20 All the capital contributions made by partners, the proceeds and other properties acquired in the name of a partnership shall be the properties of the partnership enterprise.

Article 21 Prior to the liquidation of a partnership enterprise, no partner may request for dividing the properties of the partnership enterprise, unless it is otherwise provided for in this Law.

If the partners privately transfer or dispose of the properties of a partnership enterprise prior to liquidation, the partnership enterprise shall not challenge any bona fide third party.

Article 22 Unless it is otherwise provided for in the partnership agreement, when a partner assigns its entire or partial share of properties of a partnership enterprise, it (he) shall acquire the unanimous consent of all other partners.

In the case of assignment of a partner' entire or partial share of properties of a partnership enterprise to another partner, the other partners shall be informed of this assignment.

Article 23 Where a partner intends to assign its (his) entire or partial share of properties of a partnership enterprise to a non-partner, the other partners have a preemptive right under the same conditions, unless it is otherwise stipulated in the partnership agreement.

Article 24 Where a non-partner accepts a partner's share of properties of a partnership enterprise in accordance with the law, it (he) becomes a partner of the partnership enterprise as soon as the partnership agreement is revised and shall enjoy the rights and perform the obligations in accordance with this Law and the post-revision partnership agreement.

Article 25 Where a partner puts its share of properties of the partnership enterprise in pledge, it shall acquire the unanimous consent of other partners. Without unanimous consent of other partners, its (his) act shall be invalidated. If such an act results in any loss to the bona fide third party, the act doer shall be liable for compensation.

Section 3 Execution of Partnership Affairs

Article 26 The partners enjoy equal rights to the execution of partnership affairs.

According to the stipulations of the partnership agreement or upon decision of all partners, one or several partners may be authorized to execute the partnership affairs on behalf of the

partnership enterprise.

Where a legal person partner or any other organization partner executes the partnership affairs, the representative whom it authorizes shall execute the partnership affairs.

Article 27 Where one or several partners are entrusted to execute the partnership affairs in accordance with Paragraph 2 of Article 26 of this Law, the other partners no longer execute the partnership affairs.

The partners who do not execute the partnership affairs shall have the right to supervise the execution of the partnership affairs.

Article 28 Where one or several partners execute partnership affairs, they shall regularly report to the other partners about the execution of the relevant affairs, the business operations and financial status of the partnership enterprise. The proceeds derived from the execution of partnership affairs shall attribute to the partnership enterprise and the expenses and losses incurred from it shall be paid by the partnership enterprise.

In order to know the business operations and financial status of the partnership enterprise, the partners have the right to consult the account books and other financial materials of the partnership enterprise.

Article 29 If each partner may separately execute the partnership affairs, the partners executing the partners may raise objections to the affairs executed by other partners. When raising objections, the execution of such affairs shall be suspended. If any dispute arises, a decision shall be made in accordance with Article 30 of this Law.

Where a partner which is entrusted to execute the partnership affairs fails to execute the partnership affairs according to the partnership agreement or decision of all partners, the other partners may decide to revoke the entrustment.

Article 30 The partners shall make a resolutions on the relevant matters of the partnership enterprise and shall handle them according to the voting method as stipulated in the partnership agreement. If it is not stipulated or not expressly stipulated in the partnership agreement, the voting method of "one partner, one vote" and "pass upon more than half of the votes of all partners" shall be adopted.

It this Law provides otherwise for the voting method of a partnership enterprise, this Law shall prevail.

Article 31 Unless it is otherwise stipulated in the partnership agreement, the following matters of a partnership enterprise shall be subject to the unanimous consent of all partners:

(1)To change the name of the partnership enterprise;

(2)To change the business scope and the address of the main business place of the partnership enterprise;

(3) To dispose of the real property of the partnership enterprise;

(4) To assign or dispose of the intellectual property and other property rights of the partnership enterprise;

(5) To provide a guaranty to others on behalf of the partnership enterprise; and

(6) To hire a non-partner to act as a business manager of the partnership enterprise.

Article 32 No partner may, solely or jointly with others, operate any business competing with this partnership enterprise.

Unless it is otherwise stipulated in the partnership agreement or unless it is unanimously consented by all partners, no partner may have any transaction with this partnership enterprise.

No partner may engage in any activity which may impair the interests of this partnership enterprise.

Article 33 The distribution of profits or sharing of losses of the partnership enterprise shall follow the stipulations of the partnership agreement. If it is not stipulated or not expressly stipulated in

the partnership agreement, a decision shall be made by the partners through negotiation. In case the negotiations fail, the distribution of profits or sharing of losses shall be made in proportion to the actual capital contributions made by the partners. If it is unable to determine the proportions of capital contributions, the profits or losses shall be distributed or shared equally by the partners.

It shall not be stipulated in any partnership agreement that all profits will be distributed to some of the partners or that some partners will bear all losses.

Article 34 According to the stipulation of the partnership agreement or the decision of all partners, the partners may increase or decrease their capital contributions to the partnership enterprise.

Article 35 A business manager hired by a partnership enterprise shall perform his duties within the scope authorized by the partnership enterprise.

Where a business manager hired by a partnership enterprise performs his duties beyond the scope authorized by the partnership enterprise, or if he causes any loss to the partnership enterprise because of his intentional or serious fault, he shall be liable for compensation.

Article 36 A partnership enterprise shall, in accordance with the laws and administrative regulations, establish an enterprise financial and accounting system.

Section 4 Relationship Between A Partnership Enterprise and Third Persons

Article 37 The restrictions of a partnership enterprise on the partners' execution of partnership affairs as well as on their right to represent the partnership enterprise in the face of outsiders shall not challenge any bona fide third party.

Article 38 A partnership enterprise shall pay for its debts with all of its properties.

Article 39 Where a partnership enterprise fails to settle any mature debt, the partners shall bear joint and several unlimited liabilities.

Article 40 Where the amount of payment made by a partner exceeds the loss sharing proportion as prescribed in Paragraph 1 in Article 33 of this Law because it (he) bears joint and several unlimited liabilities, it (he) has right to demand the other partners to make reimbursements.

Article 41 Where a partner incurs any debt irrelevant to the partnership enterprise, the relevant

creditor shall not offset its credit against the debt it owe to the partnership enterprise, nor may it exercise the said partner's rights in the partnership enterprise by substituting this partner.

Article 42 If the partner's own properties are insufficient to pay off its debt irrelevant to the partnership enterprise, this partner may use the proceeds, which it (he) acquires from the partnership enterprise, to pay for the debt. The creditor may also plead the people's court to enforce the repayment of the debt by the said partner's property share in the partnership enterprise according to the law.

When the people's court enforces the repayment of the debt by the said partner's property share, it shall send a notice to all partners. The other partners have the preemptive right to the property share of the said partner. If the other partners do not purchase it, nor consent to assign it to others, a withdrawal settlement shall be made for this partner in accordance with Article 51 of this Law, or a settlement shall be made to decrease the property share of this partner correspondingly.

Section 5 Admission to and Withdrawal from Partnership

Article 43 The admission of a new partner shall, unless it is otherwise stipulated in the partnership agreement, be subject to an unanimous consent of all partners, and for which a written agreement shall be concluded.

When concluding an agreement on the admission to the partnership, the original partners shall faithfully inform the new partners of the business operation and financial status of the original

partnership enterprise.

Article 44 A new partner admitted to a partnership enterprise shall enjoy the same rights and bear the same liabilities as the original partners. If the partnership agreement stipulates otherwise, the said agreement shall prevail.

A new partner shall bear joint and several liabilities for the debts of the partnership enterprise incurred before it is admitted to a partnership enterprise.

Article 45 Where the term of operation of a partnership business has been set in the partnership agreement, a partner may, during the period of existence thereof, withdraw from partnership in any of the following cases:

(1) Any cause for withdrawal from partnership as stipulated in the partnership agreement occurs;

(2) All partners agree to the withdrawal;

(3) Any cause to make the said partner difficult to remain in the partnership occurs; or

(4) Other partners seriously violate their obligations as stipulated in the partnership agreement.

Article 46 Where a partnership agreement fails to stipulate the term of partnership, a partner may withdraw from the partnership, provided that the execution of the affairs of the partnership enterprise will not be affected, but it (he) shall inform the other partners 30 days prior to its (his) withdrawal.

Article 47 Where any partner withdraws from a partnership in violation of Articles 45 and 46, he shall compensate for the losses that he has incurred to the partnership enterprise.

Article 48 Where any partner is under any of the following circumstances, the said partner shall be deemed to have withdrawn naturally from the partnership:

(1) A natural person partner is deceased or declared deceased according to law;

(2) It (he) is insolvent;

(3) A partner as a legal person or any other organization whose business license is revoked, or who is ordered to close up for revocation, or who is declared bankrupt;

(4) A partner loses the relevant qualifications as required by law or as stipulated in the partnership agreement; or

(5) A partner's entire property share in the partnership business has been executed by the people's court.

For a partner who is determined as a person without civil capacity or with limited civil capacity according to law, he may be changed into a limited partner upon unanimous consent of the other parties and the general partnership enterprise shall be changed into a limited partnership enterprise in pursuance of law. For failure of unanimous consent of the other partners, this partner without civil capacity or with limited civil capacity shall withdraw from the partnership.

The withdrawal from partnership shall be take effect on the date when it is actually made.

Article 49 Where a partner is under any of the following circumstances, a resolution may be made to remove the said partner upon the unanimous consent of the other partners:

- (1) Failing to perform the obligation to make capital contributions;
- (2) Causing any loss to the partnership enterprise for intentional or serious wrongful act;
- (3) Conducting any improper act in executing the partnership affairs; and
- (4) Other causes as stipulated in the partnership agreement.

A written notice of the resolution on the removal of a partner shall be sent to the person who is removed. The removal shall take effect on the date when the person who is removed receives the removal notice, and the person who is removed shall withdraw from partnership.

Where the person who is removed challenges the removal resolution, it (he) may be initiate a lawsuit to be people's court within thirty days after receipt of the removal notice.

Article 50 Where a partner is deceased or declared deceased, the heir who enjoys the legitimate right to inherit the said partner's property share in a partnership enterprise shall, according to the stipulation of the partnership agreement or upon the unanimous consent of all partners, obtain the qualification for being a partner of the said partnership enterprise as of the date of succession.

Under any of the following circumstances, the partnership enterprise shall return the property share of the inherited partner to his heir:

(1)The heir is unwilling to become a partner;

(2)The heir has not obtained the qualifications of a partner as required in any law or as stipulated in the partnership agreement; or

(3)Any other circumstances as stipulated in the partnership agreement, under which the heir can not become a partner.

If the heir of the said partner is a person without civil capacity or with limited civil capacity, he may, upon unanimous consent of all partners, become a limited partner in accordance with the law, and the general partnership enterprise changes into a limited partnership enterprise. For failure of unanimous consent of all partners, the partnership enterprise shall return the property share of the inherited partner to this heir.

Article 51 When a partner withdraws from the partnership, the other partners shall, on the basis of the property status of the partnership enterprise at the time of withdrawal, make a settlement and return the property share to him. If he is liable to compensate the losses to the partnership, the amount of compensation shall be deducted from the aforesaid property share.

If there is any pending partnership affair at the time of withdrawal from partnership, the settlement shall not be made until it is finished.

Article 52 The measures for the return of property shares of partnership enterprise to a partner who withdraws from the partnership shall be stipulated in the partnership agreement or be decided by all partners. The return of property shares may be in money or in kind.

Article 53 A partner who withdraws from the partnership shall bear joint and several unlimited liabilities for the debts which have been incurred to the partnership enterprise before his withdrawal.

Article 54 When a partner withdraws from the partnership, if the partnership enterprise's properties are less than its debts, he shall share the losses in accordance with Paragraph 1 of Article 33 of this Law.

Section 6 Special General partnership Enterprises

Article 55 A professional service institution, which provides its clients with paid services on the basis of professional knowledge and special skills, may set up a special general partnership enterprise.

The term "special general partnership enterprise" refers to a general partnership enterprise which the partners bear liabilities in accordance with Article 57 of this Law.

A special general partnership enterprise is governed by the provisions of this Section. If any matter is not provided for in this Section, it shall be governed by the provisions of Sections 1 through 5 of this Chapter.

Article 56 The name of a special general partnership enterprise shall be indicated by the words "special general partnership".

Article 57 A partner or several partners shall bear unlimited liabilities or unlimited joint and several liabilities for the debts incurred to the partnership enterprise because of his (their) intentional or serious wrongful act.

All partners shall bear joint and several liabilities for the debts incurred by any partner(s) to the partnership enterprise because of his (their) intentional or serious wrongful act, and for other debts of the partnership enterprise.

Article 58 If the debts incurred by any partner(s) to the partnership enterprise because of his (their) intentional or serious wrongful act are paid with the properties of the partnership enterprise, the said partner(s) shall, according to the stipulations of the partnership agreement, be liable to compensate for the losses to the partnership enterprise.

Article 59 A special general partnership enterprise shall prepare a practicing risk fund and buy an occupational insurance.

The practicing risk fund shall be used for repaying the debts incurred by the partners during their practices. It shall be managed by opening a separate bank account. The concrete management measures shall be formulated by the State Council.

Chapter III Limited Partnership Enterprises

Article 60 A limited partnership enterprises and its partners shall be governed by the provisions of this Chapter. If any matter is not covered in this Chapter, it shall be governed by the provisions of Sections 1 through 5 of Chapter II of this Law on general partnership enterprises and their partners.

Article 61 A limited partnership enterprise shall be established by not less than 2 but not more than 50 partners, unless it is otherwise provided by law.

A limited partnership enterprise shall have at least one general partner.

Article 62 The name of a limited partnership enterprise shall be indicated by the words "limited partnership".

Article 63 A partnership agreement shall not only meet the provisions of Article 18 of this Law, but also state the following items:

- (1) The name and address of the general partners and limited partners;
- (2) The conditions which the partners to execute the partnership affairs shall meet, and the procedures for selecting such partners;
- (3) The limits on the power of partners to execute the partnership affairs, and the measures for handling their breach of contract;
- (4) The conditions for the removal of partners to execute the partnership affairs, and the procedures for replacing them by new ones;
- (5) The conditions and procedures for the admission and withdrawal of limited partners, and other relevant liabilities; and
- (6) The procedures for the mutual conversion of limited partners and general partners.

Article 64 A limited partner may make capital contributions in money, in kind, or intellectual property right, land use right or other properties.

No limited partner may make capital contributions in labor services.

Article 65 A limited partner shall make full payment of the capital contributions within the time limit as stipulated in the partnership agreement. If it fails to do so, it shall be obliged to make up the payment and shall bear the liabilities for breach of contract to the other partners.

Article 66 The registration items of a limited partnership enterprise shall specify the name of each limited partner, and the amount of capital contributions which he subscribes to.

Article 67 The partnership affairs of a limited partnership enterprise shall be executed by the general partners. The partners to execute the partnership affairs may request for determining their remunerations and the way of obtaining the remunerations in the partnership agreement.

Article 68 A limited partner may not execute the partnership affairs, nor may he represent the limited partnership enterprise before outsiders.

The following acts of a limited partner shall not be deemed as execution of partnership affairs:

- (1) To participate in making a decision about the admission or withdraw of a general partner;
- (2) To put forward a proposal on the business management of the enterprise;
- (3) To participate in choosing an accounting firm to handle the audit business of the limited partnership enterprise;
- (4) To obtain a financial report of the limited partnership enterprise upon audit;
- (5) To consult the account books of the limited partnership enterprise and other financial materials which concern the limited partner's own interests;
- (6) To file claims or lodge a lawsuit against the liable partner(s) when this limited partner's interests in the limited partnership enterprise are impaired;
- (7) When the partner(s) responsible for executing the partnership affairs is (are) fails to exercise his (their rights), to urge them to exercise their rights or initiate a lawsuit for protecting the interests of this enterprise; and
- (8) To offer a guaranty for this enterprise in accordance with the law.

Article 69 No limited partnership enterprise may distribute all profits to some of the partners,

unless it is otherwise stipulated in the partnership agreement.

Article 70 A limited partner may make transactions with the limited partnership enterprise to which it (he) belongs, unless it is otherwise stipulated in the partnership agreement.

Article 71 A limited partner may, solely or jointly with others, operate a business which is competing with this limited partnership enterprise, unless it is otherwise stipulated in the partnership agreement.

Article 72 A limited partner may put its share of properties of the partnership enterprise in pledge, unless it is otherwise stipulated in the partnership agreement.

Article 73 A limited partner may, according to the stipulations of the partnership agreement, assign its share of properties of the limited partnership enterprise to a non-partner, but he shall notify the other partners 30 days in advance.

Article 74 If the limited partner's own properties are insufficient to pay off his debt irrelevant to the partnership enterprise, this partner may use the proceeds which he acquires from the limited partnership enterprise to pay for the debt. The creditor may also plead the people's court to enforce the repayment of the debt with the said limited partner's property share in the partnership enterprise according to the law.

When the people's court enforces the repayment of the debt with the said limited partner's property share, it shall send a notice to all partners. The other partners have the preemptive right to the property share of the said partner under the same conditions.

Article 75 Where merely limited partners are left in a limited partnership enterprise, this limited partnership enterprise shall be dissolved. Where merely general partners are left in a limited partnership enterprise, this limited partnership enterprise shall be changed into a general partnership enterprise.

Article 76 Where it is reasonable for a third person to believe a limited partner as a general partner and make a transaction with him, this limited partner shall bear the same liabilities for this transaction as a general partner shall do.

Where a limited partner makes, without authorization, a transaction with any other person and causes any losses to the limited partnership enterprise or to other partners, he shall be liable for compensation.

Article 77 A new limited partner shall, to the extent of the amount of capital contribution he

subscribes to, bear liabilities for the debts incurred to the limited partnership enterprise prior to his admission.

Article 78 Where any limited partner is under any of the circumstances as listed in Items (1), (3) and (5) of Paragraph 1 of Article 48 of this Law, the said limited partner shall be deemed to have withdrawn naturally from the partnership.

Article 79 Where a natural person as a limited partner loses his civil capacity during the period of existence of a limited partnership enterprise, the other partners shall not require him to withdraw from the partnership for this reason.

Article 80 When a natural-person limited partner is deceased or declared deceased, or when a legal person or any other organization limited partner is terminated, his heir or its successor to the rights may obtain the qualifications of the limited partner in the limited partnership enterprise.

Article 81 After a limited partner withdraws from the partnership, it (he) shall, to the extent of the properties it (he) takes back from the limited partnership enterprise at the time of withdrawal, bear the liabilities for the debts incurred to the limited partnership enterprise prior to its (his) withdrawal.

Article 82 Unless it is otherwise stipulated in the partnership, the change of a general partner into a limited partner or the change of a limited partner into a general partner shall be subject to unanimous consent of all partners.

Article 83 Where a limited partner is changed into a general partner, it (he) shall bear joint and several unlimited liabilities for the debts incurred to the limited partnership enterprise during the period when it (he) is a limited partner.

Article 84 Where a general partner is changed into a limited partner, it (he) shall bear joint and several unlimited liabilities for the debts incurred to the partnership enterprise during the period when it (he) is a general partner.

Chapter IV Dissolution and Liquidation of A Partnership Enterprise

Article 85 A partnership enterprise shall be dissolved under any of the following circumstances:

(1) The term of partnership expires and the partners decide not to operate it any longer;

- (2) Any of the dissolution causes as stipulated in the partnership agreement occurs;
- (3) All partners make a decision to dissolve it;
- (4) 30 days have lapsed since the number of partners fails to reach the quorum;
- (5) The partnership aim as stipulated in the partnership agreement has been realized or is unable to be realized;
- (6) Its business license is revoked, or it is ordered to close up or to be revoked; or
- (7) Other reasons as provided for by any law or administrative regulation.

Article 86 When a partnership is dissolved, it shall be liquidated by liquidators.

All partners shall act as liquidators. Upon consent of more than half of all partners, one or several partners or third persons may, after the occurrence of the cause for the dissolution of the partnership enterprise, be designated or entrusted to act as liquidators.

With 15 days after the occurrence of the cause for the dissolution of the partnership enterprise, the partners or other interest parties may apply to the people's court to designate liquidators.

Article 87 The liquidators shall handle the following affairs during the process of liquidation:

- (1) To sort out the properties of the partnership enterprise, and prepare the balance sheets and the property list of the said business;
- (2) To handle the pending affairs of the partnership enterprise that are related to the liquidation;
- (3) To pay up taxes payable;
- (4) To settle credits and debts;
- (5) To handle the remaining properties after the partnership enterprise repays its debts; and
- (6) To participate in lawsuits or arbitrations on behalf of the partnership enterprise.

Article 88 The liquidators shall, within 10 days after a decision of dissolution is made, inform the creditors of the relevant matters and publish an announcement on a newspaper within 60 days. A creditor shall, within 30 days from the day when it receives a notice or within 45 days from the announcement date if it fails to receive a notice, declare its credits to the liquidators.

When a creditor declares its credits, it shall state the relevant matters of the credits and provide supporting materials. The liquidators shall record the credits.

During the process of liquidation, the partnership enterprise still exists but it shall not carry out

any business activities irrelevant to the liquidation.

Article 89 After paying off the liquidation expenses, wages of employees, social insurance premiums and legal indemnities, the outstanding taxes and the debts with the properties of the partnership enterprise, the residual properties may be distributed in accordance with Paragraph 1 of Article 33 of this Law.

Article 90 After the liquidation is ended, the liquidators shall prepare a liquidation report. Within 15 days after the liquidation report is affixed with the signatures and seals of all partners, it shall be submitted to the enterprise registration organ for deregistration of the partnership enterprise.

Article 91 After the deregistration of a partnership enterprise, the former general partners shall still bear joint and several liabilities for the debts incurred during the existence period of the partnership enterprise.

Article 92 Where a partnership enterprise is unable to meet its mature debts, the creditors may apply to the people's court for bankruptcy liquidation or may demand the general partners to make repayments.

Where a partnership enterprise is declared bankrupt, the general partners shall still bear joint

and several liabilities for the debts of the partnership enterprise.

Chapter V Legal Liabilities

Article 93 Anyone who obtains the registration of a partnership enterprise by violating this Law, such as providing false documents or taking other fraudulent means, shall be ordered to make a correction by the enterprise registration organ and shall be fined not less than 5, 000 yuan but not more than 50, 000 yuan. If the circumstance is serious, the enterprise registration shall be revoked and a fine of not less than 50, 000 yuan but not more than 200, 000 yuan shall be given.

Article 94 Where a partnership enterprise fails to indicate his name with the words "general partnership" or "special partnership" or "limited partnership" as in violation of this Law, it shall be ordered to make a correction by the enterprise registration organ and shall be fined not less than 2, 000 yuan but not more than 10, 000 yuan.

Article 95 Anyone who has not obtained a business license but is engaging in partnership business operations in the name of a partnership enterprise or branch of a partnership enterprise as in violation of this Law shall be ordered to stop such business operations by the enterprise registration organ and shall be fined not less than 5, 000 yuan but not more than 50, 000 yuan.

Where a partnership enterprise fails to modify the registration for the change of any registration item as in violation of this Law, it shall be ordered to go through the registration formalities. If it fails to do so, it shall be fined not less than 2, 000 yuan but not more than 20, 000 yuan.

Where any registration item of a partnership enterprise changes, if the partners executing the partnership affairs fail to timely go through the registration modification formalities, it shall compensate for any loss incurred therefrom to the partnership enterprise, other partners or bona fide third persons.

Article 96 Where any partner executing the partnership affairs or any practitioner of a partnership enterprise, by taking the advantage of his position, usurps any benefit which should attribute to the partnership enterprise, occupy any property of the partnership enterprise by other illegal means, it (he) shall return the benefit or property to the partnership enterprise. If its (his) act causes any loss to the partnership enterprise or to other partners, it (he) shall bear the compensation liabilities.

Article 97 Where any partner, with no unanimous consent of all partners, handles by himself any affair which shall be subject to the unanimous consent of all partners under this Law or according to this partnership agreement, if his (its) act causes any loss to the partnership enterprise or to other partners, it (he) shall bear compensation liabilities.

Article 98 Where any partner, who does not have the power to execute the affairs of the partnership affairs, illegally executes such affairs, if its (his) act causes any losses to the partnership enterprise or to other partners, it (he) shall bear compensation liabilities.

Article 99 Where any partner engages in any business competing with this partnership enterprise or makes transactions with this partnership enterprise as in violation of the provisions of this Law or the stipulations of the partnership agreement, the relevant proceeds shall attribute to the partnership enterprise. If any loss is caused to the partnership enterprise or to other partners, it (he) shall bear compensation liabilities.

Article 100 Where any liquidator fails to submit a liquidation report to the enterprise registration organ as required by this law, or submit a liquidation report which conceals or omits any important fact, he shall be ordered to make a correction by the enterprise registration organ. The expenses and losses incurred therefrom shall be paid and compensated by the liquidator.

Article 101 Where any liquidator seeks any illegal income or usurps any property of a partnership enterprise during the process of executing the liquidation affairs, he shall return the said income or property to the partnership enterprise. Where any loss is caused to the partnership enterprise or to other partners, he shall bear compensation liabilities.

Article 102 Where any liquidator impairs the interests of creditors as in violation of this Law, such as concealing or transferring any property of a partnership enterprise, or making any false record in the balance sheet or in the property list, or distributing properties prior to the settlement of debts, he shall bear compensation liabilities.

Article 103 Where any partner breaches the agreement of partnership, it (he) shall be liable for

breach of contract.

Where there is any dispute between the partners over the execution of the partnership agreement, the partners may settle it through negotiations or mediation. If they are unwilling or fail to settle it through negotiations or medication, they may apply to the arbitration institution for arbitration according to the arbitration clause in the partnership agreement or under the written arbitration agreement concluded afterwards. If there is no arbitration clause in the partnership agreement and if they fail to reach any written arbitration agreement afterwards, they may initiate a lawsuit in the people's court.

Article 104 Where any of the functionaries of the relevant administrative organs impairs the legitimate rights and interests of the partnership enterprise as in violation of this law, such as abusing his power, seeking private benefits, accepting bribes, he shall be given an administrative sanction.

Article 105 Anyone who commits any act in violation of this Law shall bear criminal liabilities.

Article 106 Anyone who violates this Law shall bear civil compensation liabilities and pay the monetary penalties or fines. If his property is insufficient to pay the said items simultaneously, he shall first bear civil compensation liabilities.

Chapter VI Supplementary Provisions

Article 107 Where a non-enterprise professional service institution takes the form of partnership in accordance with the relevant law, the liabilities of its partners shall be governed by the provisions of this Law on the liabilities of the partners of a special general partnership enterprise.

Article 108 The administrative measures for the establishment of partnership enterprises by foreign enterprises or individuals shall be formulated by the State Council.

Article 109 This Law shall come into force as of June 1, 2007.