

# THE CONTRACT LAW OF THE PEOPLE'S REPUBLIC OF CHINA 中华人民共和国合同法

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#### 中华人民共和国合同法

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## The Contract Law of the People's Republic of China

(Adopted at the Second Session of the Ninth National People's Congress on March 15, 1999, and effective as of October 1, 1999)

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#### **General Provisions**

### Chapter 1 Ordinary Stipulations

Article 1 This Law is formulated for the purpose of protecting the lawful rights and interests of parties to contracts, safeguarding the social economic order, and promoting the cause of socialist modernization.

Article 2 Contracts referred to in this Law are agreements between equal natural persons, legal persons and other organizations for the purpose of establishing, altering and terminating mutual civil rights and obligations.

Other agreements concerning marriage, adoption, guardianship and other status relationships shall be governed by the provisions of other laws.

Article 3 Parties to contracts shall enjoy equal legal status, and no party shall force its views on the other party.

Article 4 Parties shall enjoy the right to sign contracts on their own according to law, and no unit or individual shall interfere illegally unless legally authorized to do so.

- **Article 5** Parties shall adhere to the principle of fairness in designating each party's rights and obligations.
- **Article 6** Parties shall adhere to the principle of honesty and trustworthiness in exercising their rights and performing their obligations.
- Article 7 When signing and performing a contract, the parties concerned shall abide by the law and administrative regulations, respect social morality, and shall not disturb the social economic order or infringe upon the public interest.
- Article 8 A contract concluded according to law shall be legally binding on the parties concerned. The parties shall perform the obligations stipulated in the contract. No party may unilaterally modify or rescind the contract.

Contracts concluded legally are protected by law.

#### Chapter 2

#### The Conclusion of Contracts

Article 9 The parties to a contract must have appropriate capacity of civil rights and for civil actions.

The parties concerned may, according to law, entrust agents to conclude a contract.

**Article 10** Contracts shall include written, oral and other forms.

In cases the law and administrative regulations specify that the written form be adopted, a written contract shall be signed. When parties agree to adopt the written form for their contract, a written contract shall be signed.

Article 11 A written form of contract includes agreements, letters and electronic data (including telegrams, telexes, faxes, electronic data exchange and E-mail) displaying the contents of the contract discernibly.

Article 12 The contents of a contract shall be decided by the parties concerned. In general, a contract shall contain the following items:

- (1) The titles or names of the parties concerned, and their addresses;
  - (2) Object;

- (3) Quantity;
- (4) Quality;
- (5) Price or remuneration;
- (6) Time limit, place and method of performance;
- (7) Liability for breach of contract; and
- (8) Methods of solving disputes.

The parties may sign a contract with reference to model copies of various kinds of contracts.

**Article 13** When concluding a contract, the parties shall adopt the offer-and-commitment form.

**Article 14** Here offer means that one party expresses its wish to enter into a contract with the other party, and the wish expressed should include the following provisions:

- (1) The concrete contents are designated; and
- (2) Once the offeree accepts the offer, the offerer shall be bound by the offer.

Article 15 An offer invitation means that one party invites other parties to issue offers to it. An offer invitation includes, mailed or delivered by other means, price lists, auction announcements, tendering notices, the directions for raising capital by floating shares and commercial advertisements.

Commercial advertisements whose content are in conformity with the provisions of offers shall be regarded as offers.

**Article 16** An offer shall go into effect as soon as it reaches the offeree.

If a contract is concluded through the medium of electronic data, and the receiver designates a specified system to receive the electronic data texts, the time for the data to enter the specified system shall be regarded as the arrival time. If the receiver does not designate a special system, the time the data enters any system of the receiver shall be regarded as the arrival time.

Article 17 If an offer is recalled, the notice of recall should arrive before the offeree receives the offer or at the same time as the arrival of the offer.

Article 18 The offer may be canceled. The notice for canceling an offer should be received by the offeree before he or she issues a commitment notice.

**Article 19** In any of the following situations, the offer may not be canceled:

- (1) The offerer has decided on the time limit for commitment or has indicated through other forms that the offer was not be canceled; or
- (2) The offeree has reason to believe that the offer cannot be canceled, and has made preparations for the performance of the contract.

Article 20 In any of the following situations, the offer shall cease to be effective:

- (1) A notice of refusal of the offer has been received by the offerer;
  - (2) The offerer has canceled the offer legally;
- (3) The offeree has not made commitment at the time of the expiration of the commitment term; or
- (4) The offeree has made substantive changes to the offer's contents.
- **Article 21** Commitment means that the offeree agrees to accept the offer.
- Article 22 Commitment shall be expressed through a written notice, except as otherwise dictated by trading practice or as prescribed in the offer that commitment may be expressed through actions.
- **Article 23** Commitment should reach the offerer within the time limit as prescribed by the offer.

If the offer does not set a time limit for commitment, commitment should reach the offerer in accordance with the following regulations:

- (1) If an offer is made through dialogue, commitment should be made immediately, except as otherwise agreed by both parties; and
- (2) If an offer is not made through dialogue, commitment should arrive within a reasonable time limit.
- Article 24 If an offer is made by letter or telegram, the commitment time limit shall be calculated from the date on

the letter or the day when the telegram is sent. If there is no date on the letter, the postmark date shall be regarded as the starting date. If an offer is made by telephone, fax or other quick forms of communication, the time limit for commitment shall be counted from the day when the offer reaches the offeree.

**Article 25** The contract becomes valid from the time the commitment goes into effect.

Article 26 The commitment notice shall go into effect upon reaching the offerer. If a commitment does not need a notice, it shall go into effect in accordance with trading practice or when commitment actions begin in light of the requirements of the offer.

If a contract is signed via electronic data, the time of arrival of commitment shall be governed by the provisions of paragraph two of Article 16 of this Law.

Article 27 Commitments may be recalled. The notice for recalling a commitment should reach the offerer before it receives the commitment notice, or at the same time as the commitment notice arrives.

Article 28 If an offeree issues a commitment after the commitment time limit, it shall be regarded as a new offer, unless the offerer informs the offeree that the original offer is still valid.

Article 29 If, within the time limit, an offeree issues a commitment which should be received by the offerer under normal conditions, but the commitment is received by the offerer after the commitment time limit due to unforeseen circumstances, the commitment shall still be valid, unless the offerer informs the offeree in time that he or she does not accept the commitment because the time limit has been expired.

Article 30 The contents of a commitment shall be identical with the offer's contents. If an offeree makes substantive changes in the offer's contents, it shall be taken as a new commitment. The alteration of a contract's object, quantity, quality, price or remuneration, time limit, place and method of performance or liability for breach of contract shall be regarded as substantial changes in the offer's contents.

Article 31 If a commitment makes non-substantial changes in an offer's contents, the commitment shall be effective unless the offerer raises objections in time or the offer indicates that a commitment shall make no alterations in the contents of an offer. The contents of the contract shall take the commitment contents as the standard.

Article 32 If the parties enter into a contract in written form, the contract shall go into effect when the parties sign or stamp it.

Article 33 If the parties make a contract in the form of a letter or electronic data, an affirmation document may be signed before the contract goes into effect. The contract shall be valid from the time the affirmation document is signed.

**Article 34** The place where a commitment goes into effect is where the contract becomes valid.

If a contract is signed via electronic data, the main business place of the receiver shall be the place where the contract goes into effect. The regular residence of the receiver shall be regarded as the place where the contract goes into effect if there is no main business place. If there is another agreement by the parties, the agreed place shall be the place where the contract goes into effect.

Article 35 If the parties enter into a contract in written form, the place where both parties sign or stamp the contract shall be regarded as the place where the contract goes into effect.

Article 36 If the law or administrative regulations stipulate or both parties agree that a written contract be signed, but the parties have failed to adopt the written form, the contract shall be valid when one party has performed its main obligations and the other party accepts the fact.

Article 37 If a written contract is to be signed, but one party has performed its main obligations before both

parties sign or stamp the contract and the other party accepts the fact, the contract shall be valid.

Article 38 When the state issues a mandatory task or an order of goods according to demand, the relevant legal persons and organizations shall sign a contract covering the rights and obligations as prescribed by the relevant laws or administrative regulations.

Article 39 If a contract is concluded by adopting clause de style, the party which provides clause de style should follow the principle of fairness to decide the rights and obligations of each party, and adopt a reasonable way to call the other party's attention to the articles for relieving it of or restricting its duties, and explain the articles according to the other party's requirements.

Clause de style, worked out by the parties in advance for repeated use, includes articles which have not been discussed with the other party when the contract is signed.

Article 40 If clause de style includes the conditions as prescribed in articles 52 and 53 of this Law, or the party providing clause de style relieves itself of its own duties, adds to the other party's duties or abolishes the other party's major rights, the articles shall be void.

Article 41 If a dispute occurs concerning a contract's articles, the articles shall be explained according to normal understanding. If there are two or more different explanations

of clause de style, the explanation unfavorable to the supplier of clause de style shall work. If clause de style is not identified with non-clause de style, the non-clause de style shall be adopted.

Article 42 If any of the following situations occur during the conclusion of a contract, and one party causes loss to the other, the former should be held responsible for the loss:

- (1) Conducting negotiations with malice by pretending to enter into a contract;
- (2) Deliberately concealing important facts related to the conclusion of a contract or providing false information; or
- (3) Other actions in violation of the principle of honesty and trustworthiness.

Article 43 Commercial secrets learned by the parties during the conclusion of a contract should not be revealed or used illegally whether the contract is reached or not. If one party causes loss to the other by revealing or using illegally commercial secrets, it shall be responsible for compensation for the loss.