

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

No. 55

The Partnership Enterprise Law of the People's Republic of China has been 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.

**Hu Jintao, the President of the People's Republic of China**  
**August 27, 2006.**

## **Partnership Enterprise Law of the People's Republic of China (Amended in 2006)**

(Adopted at the 24th session of the Standing Committee of the 8th National People's Congress on February 23, 1997; 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)

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## **Chapter I General Provisions**

**Article 1** The present law is formulated in order to regulate the acts of partnership enterprises, protect the legitimate rights and interests of partnership enterprises as well as their partners and creditors, maintain the social and economic order and promote the development of the socialist market economy.

**Article 2** The term "partnership enterprise" as mentioned in the present Law refers to the common partnership enterprises and limited liability partnership enterprises which are established within China by natural persons, legal persons and other organizations according to the present law.

A common partnership enterprise comprises of common partners who bear unlimited and joint liabilities for the debts of the partnership enterprise. Where the present Law has any special provision on the way by which the common partners shall bear liabilities, these special provisions shall prevail.

A limited liability partnership enterprise comprises of common partners and limited partners. The common partners shall bear unlimited and joint liabilities for the debts of the limited liability partnership enterprise, and the limited partners shall 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 institution or social organization may become a common partner.

**Article 4** The partnership agreement shall be concluded in written form and upon the consensus of all partners.

**Article 5** The principles of willingness, equality, fairness and good faith shall be followed in the conclusion

of a partnership agreement and in the establishment of a partnership enterprise.

**Article 6** As for the production and business operation incomes and other incomes of a partnership enterprise, the partners shall pay their respective income taxes according to the relevant taxation provisions of the state.

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

**Article 8** The legitimate properties, rights and interests of a partnership enterprise and its partners are protected by law.

**Article 9** When applying for the establishment of a partnership enterprise, the applicant shall file with the enterprise registration organ a registration application, the partnership agreement, identity certificates of the partners and other documents.

Where the business scope of a partnership enterprise contains any item that is subject to approval prior to registration according to laws or administrative regulations, such business shall be subject to approval according to law, and the approval document shall be submitted at the time of registration.

**Article 10** Where the registration application materials submitted by an applicant are complete and conform to the legal form, and the enterprise registration organ is able to complete the registration on the spot, the enterprise registration organ shall do so and shall issue a business license to the applicant.

Except for the circumstance as described in the preceding Paragraph, the enterprise registration organ shall, within 20 days after it accepts an application, decide whether or not to register it. If it decides to register it, it shall issue a business license to the applicant; 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 the business license of a partnership enterprise shall be the date of establishment of the partnership enterprise.

Before a partnership enterprise draws a business license, its partners may not engage in any partnership business in the name of a partnership enterprise.

**Article 12** Where a partnership enterprise intends to establish a branch, it shall go to the enterprise registration organ of the place where the to-be-established branch is located to apply for registration and 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 the decision of change or after the cause of change occurs, apply to the enterprise registration organ for modifying the registration.

## Chapter II Common partnership Enterprises

### Section 1 Establishment of a Partnership Enterprise

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

- (1) having two 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 prescribed by laws and administrative regulations.

**Article 15** The words "Common Partnership" shall be indicated in the name of a partnership enterprise.

**Article 16** A partner may make capital contributions by currency, in kind, or by intellectual property right,

land use right or other properties, or labor services.

When a partner intends to make capital contributions in kind, by intellectual property right, land use right or other properties, if the prices thereof need to be assessed, the price may be determined by all partners through negotiation or may be assessed by 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 through negotiation, and shall be stated in the partnership agreement.

**Article 17** A partner shall fulfill the capital contribution obligation in light of the way and amount of capital contribution and the time limit for payment as stipulated in the partnership agreement.

As for the capital contributions in non-monetary properties for which the formalities for the transfer of property right shall be gone through according to laws or administrative regulations, the partner shall go through the said formalities.

**Article 18** The partnership agreement shall clearly state the following matters:

- (1) the name and address of the main business operation place of the partnership enterprise;
- (2) the purpose and business scope of the partnership;
- (3) the name and domicile of each partner;
- (4) the ways and amounts of capital contribution by partners and the time limits for payment;
- (5) the ways for profit distribution and loss sharing;
- (6) the execution of the partnership affairs;
- (7) the admission to and withdrawal from the 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** The partnership agreement shall become effective after all partners affix their signatures or seals to it. The partners shall, in light of the partnership agreement, enjoy their rights and perform their duties.

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

The matters that are not stipulated or not clearly stipulated in the partnership agreement shall be decided by the partners through negotiation. In the case of failure of negotiation, they may be handled according to the present 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 the partnership shall be the properties of the partnership enterprise.

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

Where a partner privately transfers or disposes the properties of a partnership enterprise prior to liquidation, the partnership enterprise may not challenge any third party with good faith.

**Article 22** When a partner transfers its entire or partial share of his properties in a partnership enterprise, he shall acquire the unanimous consent of all other partners, unless it is otherwise provided for in the partnership agreement.

In the case of transfer of a partner's entire or partial share of properties in a partnership enterprise to another partner, the other partners shall be notified of this transfer.

**Article 23** Where a partner intends to transfer his entire or partial share of properties in a partnership enterprise to a non-partner, the other partners have preemptive rights to purchase the properties under the same conditions, unless it is otherwise provided for in the partnership agreement.

**Article 24** Where a non-partner accepts a partner's share of properties in a partnership enterprise according to law, he becomes a partner of the partnership enterprise as soon as the partnership agreement is modified, and shall enjoy the rights and perform the obligations according to the present Law and the post-modification partnership agreement.

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

### Section 3 Execution of Partnership Affairs

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

In accordance with the stipulations in the partnership agreement or upon the 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 it authorizes shall execute the partnership affairs.

**Article 27** Where one or several partners are entrusted to execute the partnership affairs according to Paragraph 2 of Article 26 of the present Law, the other partners may 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 the partnership affairs, they shall regularly report to the other partners the conditions on the execution of relevant affairs, the business operations and financial status of the partnership enterprise. The proceeds derived from the execution of the 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 conditions on the business operation and financial status of the partnership enterprise, the partners shall have the right to inquire the account books and other financial materials of the partnership enterprise.

**Article 29** Where each partner execute the partnership affairs respectively, the affair-executing partners may raise objections to the affairs executed by other partners. When raising objections, the execution of such affairs shall be suspended temporarily. In case any dispute arises, a decision shall be made according to Article 30 of the present Law.

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

**Article 30** The partners shall make a resolution on the relevant matters of the partnership enterprise, and shall handle them by voting as stipulated in the partnership agreement. If it is not stipulated or not clearly 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.

If it is otherwise provided for in the present Law for the voting method of a partnership enterprise, the

provisions shall prevail.

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

- (1) changing the name of the partnership enterprise;
- (2) changing the business scope and the address of the main business place of the partnership enterprise;
- (3) disposing of the real property of the partnership enterprise;
- (4) transferring or disposing of the intellectual property and other property rights of the partnership enterprise;
- (5) providing guarantees to others in the name of the partnership enterprise; and
- (6) hiring 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 the partnership enterprise.

Unless it is otherwise prescribed in the partnership agreement or is unanimously approved by all partners, no partner may have any trade with the partnership enterprise.

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

**Article 33** The distribution of profits or share of losses of the partnership enterprise shall follow the stipulations in the partnership agreement. In case it is not stipulated or not clearly stipulated in the partnership agreement, a decision shall be made by the partners through negotiation. In case it is failed to conclude any negotiation, the distribution of profits or share of losses shall be made in proportion to the actual capital contributions made by the partners. In case 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 the partnership agreement that all profits will be distributed to only part of the partners or that part of the partners will bear all losses.

**Article 34** The partners may, in accordance with the stipulations in the partnership agreement or the decision of all partners, increase or decrease their capital contributions to the partnership enterprise.

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

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

**Article 36** The partnership enterprise shall, according to laws and administrative regulations, establish an enterprise financial and accounting system.

## Section 4 Relationship between a Partnership Enterprise and a Third Person

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

**Article 38** As for its debts, the partnership enterprise shall first pay with all of its properties.

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

**Article 40** Where the amount of payment made by a partner exceeds the loss-sharing proportion as prescribed in Paragraph 1 of Article 33 of the present Law since he bears unlimited and joint liabilities, he shall have right to demand the other partners to make reimbursements.

**Article 41** Where any debt irrelevant to the partnership enterprise occurs with a partner, the relevant creditor may not offset its credit against the debt it owes to the partnership enterprise, nor may it exercise the said partner's rights in the partnership enterprise by substituting this partner.

**Article 42** In case the partner's own properties are insufficient to pay off its debt irrelevant to the partnership enterprise, this partner may use the proceeds acquired from the partnership enterprise to pay for the debt. The creditor may also request the people's court to enforce the repayment of the debt with the said partner's property shares in the partnership enterprise according to law.

When the people's court enforces the repayment of the debt with the said partner's property shares, it shall send a notice to all partners. The other partners have the preemptive right to the property shares of the said partner. If the other partners neither purchase it, nor consent to transfer it to others, a withdrawal settlement shall be made for this partner according to Article 51 of the present Law, or a settlement shall be made to decrease the property shares of this partner correspondingly.

## Section 5 Admission to and Withdrawal from Partnership

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

When concluding an agreement on the admission to the partnership, the original partners shall faithfully inform the new partner(s) of the business operation and financial status of the original partnership enterprise.

**Article 44** The new partners admitted to a partnership enterprise shall enjoy the same rights and bear the same liabilities as the original partners. If it is otherwise prescribed in the partnership agreement, the prescriptions shall prevail.

The new partners shall bear unlimited and joint 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 he shall inform the other partners 30 days prior to 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) He is insolvent of repayment capacity;
- (3) where the partner as a legal person or any other organization is suspended of his business license, or is ordered to close up for revocation, or is declared bankrupt;
- (4) where a partner loses the relevant qualifications as required by law or as stipulated in the partnership agreement; or

(5) where a partner's entire property shares in the partnership business have been executed by the people's court.

Where a partner 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 the unanimous consent of the other parties, and the common partnership enterprise shall be changed into a limited partnership enterprise according to law. In case it fails to conclude the unanimous consent of the other partners, this partner without civil capacity or with limited civil capacity shall withdraw from the partnership.

The withdrawal from the partnership shall 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) bring any loss to the partnership enterprise due to intentional or serious wrongful act;
- (3) conducting any improper act when 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 become effective on the date when the person who is removed receives the removal notice, and the to-be-removed person shall withdraw from the partnership.

Where the removed person challenges the removal resolution, he may initiate a lawsuit to the people's court within 30 days as of the receipt of the removal notice.

**Article 50** Where a partner is dead or declared to be dead, the heritor who enjoys the legitimate right to inherit the said partner's property shares in the partnership enterprise shall, in light of the stipulation of the partnership agreement or upon the unanimous consent of all partners, obtain the qualification as 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 shares of the inherited partner to his heritor:

- (1) where the heritor is unwilling to become a partner;
- (2) where the heritor has not obtained the qualification as a partner as required by any law or as stipulated in the partnership agreement; or
- (3) any other circumstances as stipulated in the partnership agreement, under which the heritor can not become a partner.

Where the heritor of the said partner is a person without civil capacity or with limited civil capacity, he may, upon the unanimous consent of all partners, become a limited partner according to law, and the common partnership enterprise changes into a limited partnership enterprise. In the case of the failure of unanimous consent of all partners, the partnership enterprise shall return the property shares of the inherited partner to the heritor.

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

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

**Article 52** The measures for the return of property shares of the 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** The partner who withdraws from the partnership shall bear unlimited and joint liabilities for the debts that have been incurred to the partnership enterprise before his withdrawal.

**Article 54** When a partner withdraws from the partnership, if the properties of the partnership enterprise are less than its debts, he shall share the losses according to Paragraph 1 of Article 33 of the present Law.

## Section 6 Special Common 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 be set up as a special common partnership enterprise.

The term "special common partnership enterprise" as mentioned in the Law refers to a common partnership enterprise in which the partners bear liabilities according to Article 57 of the Law.

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

**Article 56** In the name of a special common partnership enterprise, the words "special common partnership" shall be indicated clearly.

**Article 57** A partner or several partners shall bear unlimited liabilities or unlimited and joint liabilities for the debts incurred to the partnership enterprise due to his (their) intentional or serious wrongful act, and other partners shall bear liabilities in the limit of their respective shares of property in the partnership enterprise. All partners shall bear unlimited and joint liabilities for the debts incurred by any partner to the partnership enterprise due to his intentional or serious wrongful act, and for other debts of the partnership enterprise.

**Article 58** After the debts incurred by any partner to the partnership enterprise due to his intentional or serious wrongful act are paid with the properties of the partnership enterprise, the said partner shall, in light of the stipulations of the partnership agreement, be liable to compensate for the losses to the partnership enterprise.

**Article 59** The special common 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, and shall be managed by opening a separate bank account. The concrete measures for its management shall be formulated by the State Council.

## Chapter III Limited Partnership Enterprises

**Article 60** A limited partnership enterprise and its partners shall be subject to the provisions of this Chapter. In case any matter is not covered in this Chapter, it shall be subject to the provisions of Sections 1 through 5 of Chapter II of the Law on common 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 prescribed by law.

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

**Article 62** In the name of a limited partnership enterprise, the words "limited partnership" shall be indicated clearly.

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

- (1) the names and addresses of the common 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 the partners to execute the partnership affairs, and the measures for disposing of their breach of contract;
- (4) the conditions for removing 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 common partners.

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

No limited partner may make capital contributions by labor services.

**Article 65** The limited partner shall make full payment of the capital contributions within the time limit as stipulated in the partnership agreement. In case it fails to do so, it shall be obliged to make up the payment, and shall bear the liabilities for breach of the 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 subscribed to by him.

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

**Article 68** A limited partner shall neither execute the partnership affairs, nor represent the limited partnership enterprise outside.

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

- (1) participating in making a decision on the admission or withdraw of a common partner;
- (2) bringing forward a proposal on the business management of the enterprise;
- (3) participating in selecting an accounting firm to cope with the audit business of the limited partnership enterprise;
- (4) obtaining a financial report of the limited partnership enterprise upon audit;
- (5) consulting the account books of the limited partnership enterprise and other financial materials which concern the limited partner's own interests;
- (6) filing claims or lodging a lawsuit against the liable partner(s) when this limited partner's interests in the limited partnership enterprise are impaired;
- (7) When the partner responsible for executing the partnership affairs fails to exercise his right, to urge them to exercise their rights or initiate a lawsuit for protecting the interests of the enterprise; and
- (8) offering a guarantee for this enterprise according to law.

**Article 69** No limited partnership enterprise may distribute all profits to only part of the partners, unless it is otherwise prescribed in the partnership agreement.

**Article 70** A limited partner may trade with the limited partnership enterprise to which he belongs, unless it is otherwise prescribed in the partnership agreement.

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

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

**Article 73** A limited partner may, in light of the stipulations of the partnership agreement, transfer his share of properties of the limited partnership enterprise to a non-partner, but he shall notify the other partners 30 days before.

**Article 74** In case the limited partner's own properties are insufficient to pay off his debt irrelevant to the partnership enterprise, he may use the proceeds acquired from the limited partnership enterprise to pay for the debt. The creditor may also request 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 law.

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

**Article 75** Where only limited partners are left in a limited partnership enterprise, the limited partnership enterprise shall be dissolved. Where only common partners are left in a limited partnership enterprise, the limited partnership enterprise shall be changed into a common partnership enterprise.

**Article 76** Where it is reasonable for a third person to believe a limited partner to be a common partner and trade with him, the limited partner shall bear the same liabilities for the trade as a common partner shall do. Where a limited partner, without authorization, trades with any other person and causes any loss to the limited partnership enterprise or to other partners, he shall be liable for compensation.

**Article 77** A new limited partner shall, in the limit of the amount of capital contributions he subscribes to, bear liabilities for the debts of 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 the Law, he 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 existence of a limited partnership enterprise, the other partners shall not require him to withdraw from the partnership for the reason.

**Article 80** When a natural-person limited partner is dead or declared to be dead, or when a legal person or any other organization as a limited partner is terminated, his heritor or successor to the rights may obtain the qualification to be a limited partner of the limited partnership enterprise.

**Article 81** After the withdraw of a limited partner from the partnership, he shall, in the limit of the properties it (he) acquired from the limited partnership enterprise at the time of withdrawal, bear the liabilities for the debts occurred to the limited partnership enterprise prior to his withdrawal.

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

**Article 83** Where a limited partner is changed into a common partner, he shall bear unlimited and joint liabilities for the debts occurred to the limited partnership enterprise during the period when he is a limited partner.

**Article 84** Where a common partner is changed into a limited partner, he shall bear unlimited and joint liabilities for the debts occurred to the partnership enterprise during the period when he is a common partner.

## Chapter IV Dissolution and Liquidation of a Partnership Enterprise

**Article 85** Under any of the following circumstances, a partnership enterprise shall be dissolved:

- (1) where the time limit of partnership expires and the partners decide not to operate it any more;
- (2) where any of the dissolution causes as stipulated in the partnership agreement occurs;
- (3) where all partners make a decision to dissolve it;
- (4) where 30 days have passed since the number of partners fails to reach the quorum;
- (5) where the aim of partnership as stipulated in the partnership agreement has been reached or is unable to be reached;
- (6) where its business license is revoked, or it is ordered to close up or to be revoked; or
- (7) other reasons as provided for by laws or administrative regulations.

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

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

Where the liquidators are still not confirmed within 15 days as of the occurrence of the cause for dissolution of the partnership enterprise, the partners or other interested parties may apply to the people's court to designate liquidators.

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

- (1) to liquidate the properties of the partnership enterprise, and prepare the balance sheets and the property lists;
- (2) to dispose of the unfinished affairs of the partnership enterprise that are related to the liquidation;
- (3) to pay off taxes payable;
- (4) to settle credits and debts;
- (5) to handle the remaining properties after the partnership enterprise repays its debts; and
- (6) to take part in lawsuits or arbitrations on behalf of the partnership enterprise.

**Article 88** The liquidators shall, within 10 days as of the decision of dissolution is made, inform the creditors of the relevant matters of dissolution and make an announcement on a newspaper within 60 days. The creditors shall, within 30 days as of the day when they receive a notice or within 45 days as of the announcement date if it fails to receive a notice, declare their credits to the liquidators.

When declaring its credits, the creditor shall state the relevant matters of the credits and submit supporting materials. And the liquidators shall record the credits.

During the process of liquidation, the partnership enterprise still exists but shall not undertake any business activity irrelevant to the liquidation.

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

**Article 90** After the liquidation is ended, the liquidators shall prepare a liquidation report, which shall, within 15 days as of the liquidation report is affixed with the signatures and seals of all partners, be submitted to the enterprise registration organ for writing off and registration of the partnership enterprise.

**Article 91** After the writing off and registration of a partnership enterprise, the former common partners shall still bear limited and joint liabilities for the debts occurred during the existence of the partnership enterprise.

**Article 92** Where a partnership enterprise is unable to pay off its due debts, the creditors may apply to the people's court for bankruptcy liquidation, or may request the common partners to make repayments.

Where a partnership enterprise is declared bankrupt, the common 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 the Law, such as providing false documents or taking other fraudulent means, shall be ordered to make corrections by the enterprise registration organ and shall be given a fine of 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 violates the Law by failing to indicate its name with the words "common partnership" or "special partnership" or "limited partnership", it shall be ordered to make corrections by the enterprise registration organ and shall be given a fine of 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 operation 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 operation by the enterprise registration organ and shall be given a fine of 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 according to the Law, it shall be ordered to go through the registration formalities. If it fails to do so within the time limit, it shall be given a fine of not less than 2, 000 yuan but not more than 20, 000 yuan.

Where the partners executing the partnership affairs fail to timely go through the registration modification formalities when any registration item of a partnership enterprise changes, they shall compensate for any loss occurred 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 occupies any benefit that attributes to the partnership enterprise by taking the advantage of his position, misappropriates any property of the partnership enterprise by other illegal means, he shall return the benefit or property to the partnership enterprise. In case his act results in any loss to the partnership enterprise or to other partners, he shall bear the compensation liabilities.

**Article 97** Where any partner, with no unanimous consent of all partners, executes by himself any affair which shall be subject to the unanimous consent of all partners according to the Law or the partnership agreement, if his act results in any loss to the partnership enterprise or to other partners, he shall bear the compensation liabilities.

**Article 98** Where any partner, who does not have the power to execute the partnership affairs, illegally executes such affairs, if his act results in any losses to the partnership enterprise or to other partners, he shall bear the compensation liabilities.

**Article 99** Where any partner, in violation of the provisions of this Law or the stipulations of the partnership agreement, undertakes any business competing with the partnership enterprise or trades with the partnership enterprise, the relevant proceeds shall attribute to the partnership enterprise. If any loss is caused to the partnership enterprise or to other partners, he shall bear the compensation liabilities.

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

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

**Article 102** Where any liquidator, in violation of the Law, conceals or transfers any property of the partnership enterprise, makes any false record in the balance sheets or the property lists, distributes properties prior to the settlement of debts, or impairs the interests of creditors, he shall bear the compensation liabilities.

**Article 103** Where any partner breaches the partnership agreement, he shall be liable for breach of contract. Where there is any dispute between the partners on the execution of the partnership agreement, the partners may settle it through negotiation or mediation. If they are unwilling or fail to settle it through negotiation or medication, they may apply to the arbitration institution for arbitration pursuant to the arbitration clause in the partnership agreement or according to the written arbitration agreement concluded afterwards. If there is no arbitration clause in the partnership agreement and they fail to reach any written arbitration agreement afterwards, they may initiate a lawsuit to the people's court.

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

**Article 105** Anyone who commits any act in violation of the Law and constitutes a crime shall be investigated for criminal liabilities.

**Article 106** Anyone who violates the Law shall bear civil compensation liabilities and pay the monetary penalties or fines. In case 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 according to the relevant laws, the liabilities of its partners shall be subject to the provisions of the Law on the liabilities of the partners of a special common partnership enterprise.

**Article 108** The measures for the administration on 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.