

# CONTENTS

	<i>Page</i>
<i>Foreword</i> .....	<i>v</i>
<i>Preface</i> .....	<i>vii</i>
<i>About the Author</i> .....	<i>ix</i>
<i>Table of International Instruments</i> .....	<i>xvii</i>
<i>Table of PRC Legislation</i> .....	<i>xix</i>
<i>Table of Judicial Interpretation, Opinions and other Regulations from the Supreme People's Court</i> .....	<i>xxiii</i>
<i>Table of Other PRC Regulatory Instruments</i> .....	<i>xxix</i>
<i>Table of Cases</i> .....	<i>xxxix</i>
<i>Table of Abbreviations and References</i> .....	<i>xlvi</i>
 <b>Chapter 1: Introduction &amp; General Principles .....</b>	<b>1</b>
1.    Overview.....	1
2.    Brief Historical Overview.....	3
2.1    From Imperial China to the Republican Era .....	3
2.2    From a centrally planned economy to opening-up.....	5
2.3    The need for a modern contract law.....	8
2.4    The 2020 Civil Code .....	11
3.    Sources and Institutions .....	13
4.    Defining a Contract.....	21
4.1    Basic characteristics .....	21
4.2    The law of contract or laws of contracts? .....	22
4.3 <i>Negotiorum gestio</i> and unjust enrichment .....	24
5.    Fundamental Principles .....	26
5.1    Principle of equality .....	28
5.2    Principle of voluntariness .....	29
5.3    Principle of fairness.....	31
5.4    Principle of good faith.....	34
5.5    Principle of legality, public order and morals .....	36
5.6    Principle of <i>pacta sunt servanda</i> .....	37
5.7    New <i>Green Principle</i> .....	38
 <b>Chapter 2 : Formation of Contract .....</b>	<b>41</b>
1.    The Basic Concept.....	41
2.    Offer .....	43

2.1	Definition.....	43
2.2	When an offer comes into effect .....	44
2.3	Withdrawal and revocation of the offer.....	45
2.4	Lapse of offer .....	45
2.5	Offer versus invitation to offer.....	46
2.6	Rewards .....	48
3.	Acceptance.....	48
3.1	Definition.....	48
3.2	Form of acceptance and silence .....	49
3.3	Time limit for acceptance.....	52
3.4	When acceptance takes effect .....	53
3.5	Late acceptance .....	53
3.6	Modification of the offer and battle of the forms .....	54
4.	Conclusion and Formality .....	57
4.1	Formality in general .....	57
4.2	Contracts concluded in written form.....	59
4.3	Time of formation and letter of confirmation.....	61
4.4	Place of formation .....	62
4.5	Electronic signatures .....	63
	<b>Chapter 3: Validity of Contracts.....</b>	<b>67</b>
1.	Introduction .....	67
2.	Contracts of Pending Validity .....	69
2.1	Where a contracting party has limited capacity .....	70
2.2	Contract made by a person without authorisation.....	73
2.3	Requirement of approval and other formalities.....	78
2.4	Conditions affecting the validity of contracts .....	81
2.5	Unauthorised disposal of property .....	82
3.	Voidable Contracts.....	84
3.1	Substantial misunderstanding.....	85
3.2	Fraud .....	88
3.3	Coercion .....	89
3.4	Obvious unfairness from taking advantage of the other party's state of distress or lack of judgment.....	92
3.5	Restrictions on rescission.....	97
4.	Void Contracts .....	98
4.1	Violations of laws and administrative regulations .....	99
4.2	Damage to public order and morality.....	101
4.3	False declaration of intent .....	105

4.4	Malicious collusion .....	107
4.5	Exemption clauses (including standard terms) .....	109
5.	Consequences of Invalid Contracts.....	109
5.1	Avoidance and partial avoidance.....	109
5.2	Restitution of property and reimbursement.....	110
5.3	Damages.....	112
5.4	Dispute resolution clause .....	114
<b>Chapter 4: Precontractual Liability .....</b>		<b>117</b>
1.	Basic Concept and Rationale .....	117
2.	Scope of Obligations .....	119
2.1	Negotiating in bad faith.....	119
2.2	Deliberately concealing material facts or providing false information .....	120
2.3	Other acts which violate the principle of good faith.....	121
2.4	Trade secrets.....	122
2.5	Duty to inform and explain standard terms.....	124
2.6	Pre-contracts or preliminary agreements .....	127
3.	Liability for breach .....	129
4.	Damages from precontractual liability .....	131
<b>Chapter 5: Performance of Contract .....</b>		<b>137</b>
1.	Introduction .....	137
2.	Interpretation of Contractual Terms .....	139
2.1	General approach .....	139
2.2	Contract in different languages .....	141
2.3	Interpretation of standard terms .....	141
2.4	Missing or ambiguous terms .....	142
3.	Requirement of Full Performance .....	148
3.1	Partial performance .....	148
3.2	Excessive performance.....	149
3.3	Advance performance .....	149
3.4	Choice in performance .....	150
4.	Good Faith Performance and Ancillary Duties.....	150
5.	Multiple obligors or obligees.....	153
5.1	Difference between several claims and joint and several claims .....	153
5.2	Rules regarding joint and several obligors .....	154
5.3	Rules regarding joint and several obligees .....	155

6.	Performance and Third Parties .....	155
6.1	Privity/relativity of contract .....	155
6.2	Performance to a third party.....	157
6.3	Performance by a third party.....	158
6.4	Performance by third party on behalf of the obligor.....	159
7.	Defences for Withholding Performance .....	160
7.1	Overview .....	160
7.2	Simultaneous performance.....	161
7.3	Consecutive performance.....	162
7.4	Defence of insecurity .....	164
8.	Change of Circumstances .....	169
8.1	Change of circumstances.....	169
8.2	Force majeure.....	170
8.3	Change of circumstances and commercial risks .....	172
8.4	Change of circumstances and COVID-19 .....	174
9.	Protection of Contractual Rights .....	175
9.1	Overview .....	175
9.2	Subrogation .....	175
9.3	Revocation of the obligor's act.....	182
9.4	Procedural aspects and consequences of revocation .....	185
<b>Chapter 6: Modification and Transfer of Contract .....</b>		<b>189</b>
1.	Introduction .....	189
2.	Modification of Contract .....	190
3.	Overview of assignment and delegation .....	193
4.	Assignment of Obligee's Claims .....	194
4.1	Conditions for assignment.....	194
4.2	Procedural aspects of assignment.....	197
4.3	Consequences of an assignment.....	198
5.	Delegation of Contractual Obligations .....	200
5.1	Requirement of obligee's consent .....	200
5.2	Consequences of delegation .....	201
5.3	Combined transfer of rights and obligations.....	202
<b>Chapter 7: Discharge and Termination of Contract.....</b>		<b>207</b>
1.	Introduction .....	207
2.	Termination by Agreement .....	208
3.	Statutory Grounds for Terminating a Contract .....	209

3.1	Overview .....	209
3.2	Force majeure .....	210
3.3	Anticipatory repudiation .....	212
3.4	Delayed performance .....	214
3.5	Fundamental non-performance .....	215
3.6	Termination for other reasons provided by law .....	217
3.7	Termination of contract by a breaching party? .....	217
4.	Procedural Aspects and Effect of Termination .....	222
4.1	Time limit for exercising the right to terminate a contract....	222
4.2	Notice and other procedures.....	222
4.3	Consequences of termination .....	224
5.	Discharge of a Contract in Other Ways .....	225
5.1	Set-off.....	225
5.2	Escrow.....	227
5.3	Release of obligation.....	229
5.4	Vesting of claims and obligations in the same person.....	230
6.	After the Discharge of a Contract.....	230
6.1	Continuing obligations of good faith .....	230
6.2	Extinguishment of accessory rights .....	230
6.3	Priority in discharging several obligations .....	231
6.4	Survival of certain clauses.....	231
<b>Chapter 8 : Liability and Remedies for Breach of Contract.....</b>		<b>235</b>
1.	Introduction .....	235
2.	Breach and Attribution of Liability.....	236
2.1	Types of breach .....	236
2.2	Mutual breach.....	237
2.3	Strict liability.....	239
3.	Exemptions from Liability for Breach .....	240
3.1	Force majeure .....	240
3.2	Liability arising from change of circumstances .....	243
3.3	Exemption clauses.....	246
4.	Remedies for Breach of Contract .....	248
4.1	Overview .....	248
4.2	Continuing (specific) performance.....	249
4.3	Remedial measures for defective performance .....	252
4.4	Compensation for losses / damages .....	253

5.	Scope of Damages .....	256
5.1	Foreseeability .....	256
5.2	Mitigation .....	258
5.3	Offsetting the aggrieved party's gains from breach .....	259
5.4	Contributory negligence or fault.....	259
5.5	Non-pecuniary loss.....	260
5.6	Loss of acquirable profits .....	261
6.	Liquidated Damages .....	263
6.1	Purpose and scope .....	263
6.2	Judicial adjustment of liquidated damages .....	264
6.3	Effect of liquidated damages upon termination of contract.....	269
7.	Forfeiture of Deposit .....	270
7.1	Overview .....	270
7.2	Mutual forfeiture .....	271
7.3	Relationship with other remedies.....	271
8.	Election of Remedy in Contract or Tort .....	272
	<i>Index</i> .....	277