

Measures for Annual Inspection of Private Non-enterprise Entities

Order No. 27 of the Ministry of Civil Affairs

The Measures for Annual Inspection of Private Non-enterprise Entities, which were adopted at the executive meeting of the Ministry of Civil Affairs on March 29, 2005, are hereby promulgated and shall come into force as of June 1, 2005.

Minister Li Xueju

April 7, 2005

Measures for Annual Inspection of Private Non-enterprise Entities

Article 1 These Measures are formulated according to the Interim Regulation on the Registration Administration of Private Non-enterprise Entities for the purpose of promoting the sound development of private non-enterprise entities, guaranteeing the legitimate rights and interests of private non-enterprise entities and strengthening the regulation and administration of private non-enterprise entities.

Article 2 The "annual inspection of private non-enterprise entities" (hereinafter referred to as annual inspection) refers to the system in which the registration administrative organs carry out the inspection, supervision and administration on private non-enterprise entities on a yearly basis.

Article 3 A private non-enterprise entity as registered upon the approval of the registration administrative organ shall be subject to the annual inspection of the registration administrative organ in accordance with these Measures.

By the end of December 31 of the previous year, a private non-enterprise entity that has not experienced six months from its establishment and registration date shall not take part in the annual inspection of the current year.

Article 4 The procedures for annual inspection of private non-enterprise entities are:

- (1) A private non-enterprise entity obtains or downloads from the internet the Report on the Annual Inspection of Private Non-enterprise Entities and other relevant materials;
- (2) A private non-enterprise entity submits annual inspection materials to the department in charge of businesses prior to March 31 of each year, and submits them to the registration administrative organ prior to May 31 after the department in charge of businesses puts forward its preliminary opinions;
- (3) The registration administrative organ examines annual inspection materials; and
- (4) The registration administrative organ puts forward the annual inspection results and issues public announcements on annual inspection results.

Article 5 A private non-enterprise entity shall submit the following materials when it is subject to

the annual inspection:

- (1) A Report on the Annual Inspection of Private Non-enterprise Entities filled in;
- (2) A duplicate of the Registration Certificate of Private Non-enterprise Entities;
- (3) Financial statements; and
- (4) Other relevant materials need to be submitted.

A private non-enterprise entity that has obtained the business license shall submit the duplicate thereof.

During the period of annual inspection, the registration administrative organ may, pursuant to the conditions, require a private non-enterprise entity to submit the audit report as produced by registered accountants, other supplementary and explanatory materials and the relevant documents. The registration administrative organ may require the relevant personnel to explain the conditions, and may conduct on-the-spot inspection when necessary.

Article 6 The main contents of annual inspection include:

- (1) Conditions on the compliance of laws, regulations and state policies;
- (2) Conditions on the alteration of registered matters and the fulfillment of registration formalities;
- (3) Conditions on the development of activities pursuant to the articles of association;
- (4) Financial status, sources of funds and the use thereof;
- (5) Conditions on the alteration of institutions and personnel employment; and
- (6) Other conditions need to be inspected.

Article 7 The annual inspection results on private non-enterprise entities are divided into such three categories as "qualified upon annual inspection", "fundamentally qualified upon annual inspection" and "unqualified upon annual inspection".

When the annual inspection is accomplished, the registration administrative organ shall affix the countermark of the annual inspection results on the (duplicate) Registration Certificate of Private Non-enterprise Entities. A private non-enterprise entity that intends to alter its registration certificate shall keep the original records on annual inspection.

Article 8 A private non-enterprise entity that is under any of the following circumstances shall be ordered to make corrections by the registration administrative organ, and shall be confirmed as "fundamentally qualified upon annual inspection" if the circumstances are minor; or be confirmed as "unqualified upon annual inspection" if the circumstances are serious:

- (1) Violating state laws, regulations or the relevant policies;
- (2) Illegally using its registration certificate, seal or financial vouchers;
- (3) Failing to carry out businesses in the current year, or failing to carry out businesses in accordance with the articles of association;
- (4) Without a fixed domicile or necessary places for activities;
- (5) Having confused internal management and thus the activities can not be normally carried out;
- (6) Refusing to accept or failing to accept the supervision, or inspection or annual inspection of the registration administrative organ according to provisions;
- (7) Failing to handle alteration registration according to provisions, or failing to put the alteration on records according to provisions after the alteration of articles of association;
- (8) Establishing any branch;

- (9)Its financial system is not sound, and the sources of funds and the use thereof are against the relevant provisions;
- (10)Its current net capital is lower than the minimum standards as provided for by the relevant state department in charge of the industry;
- (11)Misappropriating, privately dividing or appropriating assets or accepted donations or subsidies of the private non-enterprise entity;
- (12)Accepting charges, raising funds or accepting donations or subsidies in violation of the relevant state provisions; or
- (13)Concealing the actual situation or resorting to frauds in the annual inspection.

Article 9 A private non-enterprise entity that is confirmed as "fundamentally qualified upon annual inspection" or "unqualified upon annual inspection" shall make corrections and improvements, and the period for corrections and improvements are three months. Upon the expiration of the period for corrections and improvements, the private non-enterprise entity shall submit the report on corrections and improvements to the registration administrative organ, which shall evaluate the correction and improvement results and issue its opinions.

A private non-enterprise entity that is confirmed as "unqualified upon annual inspection" may be ordered by the registration administrative organ to suspend its activities according to the conditions during the period for corrections and improvements. In case a private non-enterprise entity is ordered to suspend its activities within the time limit, the registration administrative organ may seal up its registration certificate, seal and financial vouchers for keeping.

Article 10 In case a private non-enterprise entity fails to take part in annual inspection for two consecutive years or is confirmed as "unqualified upon annual inspection" for two consecutive years, the registration administrative organ shall cancel its registration and make a public announcement thereon.

Article 11 The registration administrative organ shall, pursuant to the relevant laws and regulations, implement the administrative sanctions like the suspension of activities and the cancellation of registration.

Article 12 A functionary of the registration administrative organ shall carry out the administration according to laws, and may not misuse his functions or illegally serve his relatives or friends.

Article 13 The formats of Report on the Annual Inspection of Private Non-enterprise Entities shall be formulated by the civil affairs department of the State Council

Article 14 The registration administrative organ may adopt the method of online annual inspection to conduct annual inspection to private non-enterprise entities.

Article 15 The registration administrative organs of all provinces, autonomous regions and municipalities directly under the Central Government may, pursuant to the actual situation, formulate the measures for the implementation of annual inspection of private non-enterprise entities of their respective jurisdictions.

Article 16 These Measures shall come into force as of June 1, 2005.