

Summary of the *Supplemental Rules II to Measures on the Administration of Foreign Invested Books, Newspapers and Journals Distribution Enterprises and Supplemental Rules to Measures on the Administration of Sino-foreign Cooperative Videos and Sound Recording Products Distribution Enterprises* (effective on October 1, 2009)

To promote a closer economic and trade relationship between the mainland and Hong Kong/Macau, and to encourage service suppliers from Hong Kong and Macau to establish commercial enterprises in the mainland, pursuant to the *Supplement VI to the Mainland and Hong Kong Closer Economic Partnership Arrangement* and *Supplement VI to Mainland and Macau Closer Economic Partnership Arrangement* (collectively, the “**CEPA Supplement VI**”) as approved by the State Council, on August 20, 2009, the General Administration of Press and Publication (“**GAPP**”) and the Ministry of Commerce (“**MOFCOM**”) jointly issued the *Supplemental Rules II to Measures on the Administration of Foreign Invested Books, Newspapers and Journals Distribution Enterprises* (GAPP and MOFCOM Order [2009] No.45, “**Circular 45**”) and the *Supplemental Rules to Measures on the Administration of Cooperative Videos and Sound Recording Products Distribution Enterprises* (GAPP and MOFCOM Order [2009] No.46, “**Circular 46**”). These two circulars became effective on October 1, 2009.

According to Circular 45, the minimum registered capital requirements for publication distribution enterprises set up in the mainland by Hong Kong and Macao service suppliers shall be determined by reference to those for mainland enterprises. Compared to the minimum registered capital requirements as set forth in the *Measures on the Administration of Foreign Invested Enterprises Engaged in Distribution of Books, Newspapers and Journals*, which is RMB 30,000,000 for wholesale enterprises and RMB 5,000,000 for retail enterprises, the *Regulations on the Administration of Publication Market*, which regulates the operation of mainland publication distribution enterprises, requires a minimum registered capital of RMB 2,000,000 for wholesale enterprises but imposes no requirements on the registered capital of retail enterprises. Hence, following the implementation of Circular 45, the registered capital of wholesale publication distribution enterprises established by Hong Kong and Macao service suppliers shall not be less than RMB 2,000,000, and the registered capital of retail publication distribution enterprises established by Hong Kong and Macao service suppliers shall be in compliance with the relevant provisions of the PRC Company Law, unless local regulations provide otherwise.

Circular 46 allows Hong Kong and Macao service suppliers to provide, in the form of wholly-owned operations, videos and sound recording products (including motion picture products) distribution services in the mainland. Before the implementation of Circular 46, pursuant to the *Measures on the Administration of Cooperative Videos and Sound Recording Products Distribution Enterprises* which became effective on January 1, 2004, Hong Kong and Macao service suppliers

may only set up videos and sound recording products distribution enterprises in the mainland in the form of joint ventures, and may only own no more than 70% of the interest or shareholding of the joint ventures. Circular 46 further states that in undertaking distribution services in the mainland in respect of videos and sound recording products, Hong Kong and Macao service suppliers should comply with the relevant laws, regulations and requirements of the review system in the mainland.

If you have any question to the above, please feel free to contact us. Thank you!

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If you have any questions regarding this publication, please contact:



Beijing Office

Tel.: +86-10-8525 5500
Suite 906, Office Tower C1
Oriental Plaza, 1 East Chang An Ave.
Beijing 100738, P. R. China

Leia ZHANG Attorney at-law

Tel.: +86-10-8525 5547
Email: leia.zhang@hankunlaw.com

Wenyu JIN Attorney at-law

Tel.: +86-10-8525 5557
Email: wenyu.jin@hankunlaw.com



Shanghai Office

Tel.: +86-21-6080 0919
Suite 5709, Tower 1, Plaza 66,
1266 Nanjing West Road,
Shanghai 200040, P. R. China

Yinshi CAO Attorney at-law

Tel.: +86-21-6080 0980
Email: yinshi.cao@hankunlaw.com

Joseph HWANG Attorney at-law

Tel.: +86-21-6080 0988
Email: joseph.hwang@hankunlaw.com



Shenzhen Office

Tel.: +86-755-2681 3854
Suite 4715, Diwang Commercial Centre,
Shun Hing Square, 5002 Shennan Dong
Lu, Luohu District, Shenzhen, P. R. China

Jason WANG Attorney at-law

Tel.: +86-755-2681 3854
Email: jason.wang@hankunlaw.com