

The establishment of Audio-visual Product Distribution Enterprises with foreign investment

According to “Measures for Administration of Chinese-Foreign Contractual Distribution ventures of Audio-Visual Products” and “Catalogue for the Guidance of Foreign Investment Industries”, Chinese investors shall be the majority shareholder of Chinese-foreign contractual joint enterprises which engage in audio-visual product distribution. Presently, Chinese-foreign joint ventures and wholly foreign-owned ventures are not allowed. Since Jan. 1st 2004, service suppliers in Hong Kong and Macao are permitted to establish audio-visual product distribution enterprises, cooperatively. They could own the majority of shares but not exceed 70% in equity joint ventures, while the majority equities not exceed 70% in contractual joint ventures.

The “Chinese-foreign cooperative audio-video product distribution enterprises” as mentioned in the present Measures refer to the enterprises that are, upon the approval of relevant departments of the Chinese government, cooperatively established inside the territory of China in light of the principles of equality and mutual benefits between foreign enterprises, other economic organizations or individuals (hereinafter referred to as the foreign cooperators) and Chinese enterprises and other economic organizations (hereinafter referred to as the Chinese cooperators) to engage in the business of wholesaling, retailing or leasing audio-video products.

Audio-video products as mentioned in the present Measures refer to audio tapes, video tapes, gramophone records, laser audio discs and laser video discs, etc. on which contents are recorded.

I. The Chinese investors should apply for name pre-registration, and then obtain the approval certificate of pre-approval for the name of enterprises

II. The Chinese investors should submit the following documents to the Ministry of Culture:

1. Application form of the project listing (with the name, location, business scope, source and amount of investment in it)
2. The feasibility study report made by all the investors
3. The business license or certification of registration, bank certificates of credibility and valid certification of the legal representative
4. (If the Chinese joint investor is investing the project with state-owned asset) The confirmation of the evaluation report of the planned investment issued by the state-owned asset administrative organizations
5. Other related documents required by Ministry of Culture

III. The joint investors should submit the following documents to the Ministry of Commerce:

1. Application form of establishment
2. Feasibility study report made by all the investors or approved by the Ministry of Culture
3. The approval of the project listing by the Ministry of Culture
4. The contract and articles of association of the audio-visual product distribution enterprise to be established signed by the legal representatives of the investors
5. (If the Chinese joint investor is investing the project with state-owned asset) The confirmation of the evaluation report of the planned investment issued by the state-owned asset administrative

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organizations

6. The business license or certification of registration, bank certificates of credibility and valid certification of the legal representative
7. Approval notification of the name of the enterprise to be established
8. List of the chairman of the board, vice chairman of the board, board members, director and deputy director and members of the united management commission
9. Other documents required by the Ministry of Commerce

IV. The Chinese investors should submit the following documents to Shanghai Municipal Culture, Radio-Broadcasting, Film and Television Bureau:

1. Application form of the project listing (with the name, location, business scope, source and amount of investment in it)
2. The feasibility study report made by all the investors
3. The business license or certification of registration, bank certificates of credibility and valid certification of the legal representative
4. (If the Chinese joint investor is investing the project with state-owned asset) The confirmation of the evaluation report of the planned investment issued by the state-owned asset administrative organizations
5. Other related documents required by Shanghai Municipal Culture, Radio-Broadcasting, Film and Television Bureau

V. The Chinese investors should submit the following documents to Shanghai Foreign Investment Commission:

1. Application form of establishment
2. Feasibility study report made by all the investors or approved by the Ministry of Culture
3. The approval of the project listing by the Ministry of Culture
4. The contract and articles of association of the audio-visual product distribution enterprise to be established signed by the legal representatives of the investors
5. (If the Chinese joint investor is investing the project with state-owned asset) The confirmation of the evaluation report of the planned investment issued by the state-owned asset administrative organizations
6. The business license or certification of registration, bank certificates of credibility and valid certification of the legal representative
7. Approval notification of the name of the enterprise to be established
8. List of the chairman of the board, vice chairman of the board, board members, director and deputy director and members of the united management commission
9. Other documents required by Shanghai Foreign Investment Commission

Shanghai foreign investment shall make a written decision on whether to approval or not within 30 working days. The certificate of approval foreign-funded enterprise is issued to those complying with conditions. There are written explanations to those not be approved.

Then, the Chinese investors shall, holding the certificate of approval for foreign-funded enterprises and the approval for project listing approved by Shanghai Municipal Culture,

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Radio-Broadcasting, Film and Television Bureau, within 30 days from the day of receiving the certificate of approval for establishment of foreign-funded enterprises, apply for collecting “audio-visual product distribution license”.

Finally, the Chinese investors shall, holding “audio-visual product distribution license” and the “certificate of approval for a foreign enterprise”, with 30 days from the day of receiving the audio-visual product distribution license, handle the matters concerning on business register, according with the regular on industrial and commercial management, and then collect the business license.



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