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## New Guidelines May Herald Consolidation Wave for PRC Publishers

In 2003, the Chinese government embarked upon the restructuring of the print media industry. Publishing houses were encouraged to separate their operational functions from editorial functions. While the editorial functions had to remain wholly State-controlled, domestic and foreign private investment in the printing, advertising and distribution functions of print publications was encouraged. Several domestic and overseas listings and Chinese-foreign joint venture projects were implemented under this policy, but it did not fundamentally change the face of China's media industry.

On April 6, 2009, the General Administration of Press and Publication ("GAPP") commenced a new phase of reforms by issuing the *Guidance Opinion to Promote Further Reform of the Press and Publication System* (the "Opinion"). In the Opinion, GAPP articulates its vision for creating large, financially strong and innovative publishing and media groups that can satisfy the public's need for richer content and compete in the worldwide Chinese-language media market.

The GAPP's strategy includes the following key restructuring measures:

- Publishers of books, audio-video products and electronic publications are to convert into corporations by the end of 2010, with publishers of periodicals to follow gradually.
- Large publishing groups will be created by combining existing publishing houses with comparable businesses. Publishing and media companies with nationwide operations may become publicly listed, and large State-owned enterprises are encouraged to become investors in or prior to the initial public offering.
- Private and foreign capital may be used to strengthen the operational functions of print media.
- Chinese publishers are encouraged to invest in, or cooperate with, overseas publishers of Chinese-language newspapers and periodicals and printing companies.

GAPP officials have indicated that transactions under the Opinion must comply with currently existing law. Accordingly, Chinese publishers have to rely on State-owned enterprises if they seek to attract investment in their editorial operations, and foreign investment remains confined to advertising, printing and distribution businesses. However, this distinction is to some extent theoretical: Investment in the revenue generating parts of a media operation inevitably gives

outside investors a measure of influence over major editorial decisions, and investors try to maximize this influence. By putting pressure on publishing houses to consolidate, compete and offer better content across multiple media platforms, GAPP further incites Chinese publishers to seek potential partners with relevant expertise, such as foreign strategic investors.

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