The supply chain is the lifeline of any business. Businesses therefore need to do everything in their power to ensure its resilience and its optimisation amid a fast changing business environment.

Experiences such as Covid-19 have served as a timely reminder that the existing playbook on supply chains may be in need of a rewrite. Key factors which are prompting business to reconsider their supply chains to cater for a post-Covid-19 world include:

- Need to diversify supply chains to mitigate business and geopolitical risks, including through regionalisation or nearshoring of supply chains
- Regulatory and tax changes in both overseas and home jurisdictions that may create new incentives to move supply chains
- Managing logistical capability to transport goods and personnel efficiently
- Evolving trade policies

As the new reality starts to take shape, businesses should seriously consider the measures that need to be taken in order to both safeguard and then enhance their supply chains, especially in the midst of rapid digitalisation and new technologies, shifting consumer demands and pressure for growth, efficiency benefits and profits.

Our approach and how we can help

SF Lawyers is uniquely placed to support clients with their supply chain transformation needs. Put simply, at the heart of our value proposition lies three distinct advantages.

First, we work closely with KPMG tax and advisory professionals on a regular basis to provide holistic end-to-end solutions to supply chain problems, thereby ensuring our advice and assistance is closely integrated with your business needs.

Second, we work closely with our colleagues in KPMG’s global legal services network, to support clients across 80 jurisdictions around the world.

Third, being based in Hong Kong we are familiar with the important role which it plays as an inter-connector with China and with the Asia Pacific region.

We understand that transforming a supply chain is no simple matter. There are many issues which need to be dealt with to ensure that the transformation is properly designed and implemented, including:

- local requirements on ownership, shareholding and funding structure
- local requirements on business license and regulatory approvals
• eligibility for preferential regulatory and tax policies and incentives in local jurisdictions
• corporate formation, management, reporting and governance issues
• financing and equity investments
• due diligence on and negotiation with joint venture partners or investors
• entering into, termination or novation of contracts in different jurisdictions (e.g. customers, suppliers, manufacturing, distribution, warehousing and logistics agreements)
• legal and regulatory issues arising from cross-border transactions
• intellectual property portfolio management (e.g. location of intellectual property assets) and licensing
• data privacy issues and compliance in different jurisdictions
• employment law issues (e.g. hiring, termination or secondment of employees)
• restrictions and approvals on the import and export of raw materials and goods
• payment processing issues
• transfer, winding up or restructuring of underperforming businesses

Of course, the issues identified above cannot be looked at in isolation. Here at SF Lawyers, we understand that each decision will also have implications on other aspects of the business. One of our key strengths is working with different KPMG service lines (including tax, compliance and advisory teams) in order to formulate holistic solutions that work for your business.

By way of illustration, we set out below an example of an end-to-end process or framework we use to assist our clients with supply chain transformation projects:

<table>
<thead>
<tr>
<th>Assess</th>
<th>Plan</th>
<th>Implement</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Understand your current pain points and future requirements</td>
<td>• Analyse pros and cons of different restructuring options for your supply chain</td>
<td>• Assist with the preparation and delivery of contracts to meet your commercial needs</td>
</tr>
<tr>
<td>• Understand your business, operations and contracts in your existing supply chain</td>
<td>• Development of suitable procurement strategies and methodologies</td>
<td>• Provide legal advice and assistance on liquidations, restructuring options, share / asset / business sales</td>
</tr>
<tr>
<td>• Understand your risk / investment appetite</td>
<td>• Set out the process clearly in a detailed step plan</td>
<td>• Assist you to track, understand, and minimise legal and compliance risks in the operating phase of the business</td>
</tr>
<tr>
<td>• Consider the legal and regulatory framework of your industry</td>
<td>• Analyse legal implications on different aspects of your business (e.g. governance, contracts, intellectual property, processes, assets, data, risks and stakeholders)</td>
<td>• Work with other KPMG service lines to enable transformation of your supply chain</td>
</tr>
<tr>
<td>• Legal “health check” assessment of the status of existing operations and contracts and how it will affect available options</td>
<td>• Give you support and advice on legal and regulatory obligations</td>
<td></td>
</tr>
</tbody>
</table>
Many of our clients are now taking the initiative to re-evaluate their present supply chains and moving to streamline operations, cut costs and improve profitability. Here are three selected case studies which illustrate these trends.

**Case study 1:**

Our client is headquartered in Hong Kong and manufactures luxury vinyl tiles for customers worldwide. In order to expand its production capacity, it needed to order new manufacturing equipment from several machinery manufacturers based in Europe. It engaged SF Lawyers to review the relevant supply contracts, with a particular focus on payment terms, liquidated damages, delivery times and quality assurance.

Through ongoing discussions with the client, we analysed their commercial priorities and devised practical amendments on the supply contracts, all while working within the client’s timeline to get the new production line up and running.

**Case study 2:**

Our client is a China-based technology company providing online information and content. To enhance its customers’ experience in using the client’s content platforms, the client intends to import, distribute, market and offer for sale electronic tech accessories in Hong Kong. It engaged SF Lawyers to advise on import requirements, declaration and clearance procedures as well as safety, certification and packaging requirements, recall obligations and liabilities in relation to each type of their proposed products. We also advised the client on intellectual property protection of their proposed products and laws relating to marketing of the same in Hong Kong.

Our timely advice on product compliance and import controls applicable in the client’s target market provided critical support to our client’s product development and expansion of new business offerings.

**Case study 3:**

Our client is a listed company on the Shenzhen Stock Exchange offering a complete suite of point-of-sale products, solutions and services. To help with its ever-expanding geographic footprint, Shanghai SF Lawyers is helping the client build an international network of channel partners in different countries in Europe, Latin America and Asia. For example, we drafted the master manufacturing agreement for the client and its partner in Latin America with a particular emphasis on warranty arrangements, intellectual property protection and compensation guarantees.
Given the complexity of issues, a one-stop multi-disciplinary team (combining consulting, tax and legal expertise) is best placed to serve your needs in remodelling supply chains.

Our legal professionals have both in-depth knowledge and first-hand experience in contracting and commercial transactions across different industries and jurisdictions.

We can quickly bring in subject matter experts from the KPMG global network (including for example, customs and tax, advisory and corporate finance teams) to deliver holistic, high quality solutions to our clients. We are able to work alongside KPMG professionals to deliver integrated business-oriented solutions such as managed legal services, where we map out and standardise legal contracts and processes across your business to gain efficiencies and cut costs.

This unparalleled combination of skills means that you get a business centric yet legally compliant and curated answer to the issues you may have in transforming your business.

Contact us

If a conversation would help, please contact one of the individuals below.

**Shirley Fu**
Partner
SF Lawyers
+852 2685 7828
shirley.fu@kpmglegal.com.cn

**David Murray**
Partner, SF Lawyers
+852 2833 1655
david.murray@kpmglegal.com.cn

**Rodney Chen**
Partner, SF Lawyers
+852 2143 8567
rodney.chen@kpmglegal.com.cn

**Leo Tian**
Registered Foreign Lawyer
SF Lawyers
+852 2847 5185
leo.tian@kpmglegal.com.cn

**Paula Yu**
Senior Partner
上海睿威律师事务所
T: +86 (21) 5203 1573
E: paula.yu@kpmglegal.com.cn

Shirley Fu, a Shanghai law firm which is an independent law firm operating in the PRC and which belongs to the KPMG global legal network. All rights reserved.