

# ALL BASES COVERED

Stephenson Harwood & Lo has comprehensive on-the-ground resources ready to guide foreign investors through the nuances of investing in the Mainland



Front row from left: Ethle Tang, Hilda Chiu, Dongyu Zhao, Iris Shum, Daniel Wan and John Gale  
Back row from left: Jeremy Sargent, Owen Chan and Allen Wong

**O**ne obvious distinction between us and our competitors is that not many firms can offer the hands on approach that we do," says Jeremy Sargent over the phone from Stephenson Harwood & Lo's office in Guangzhou. "We have been in operation here for many years, doing projects in and around the delta. We know the people." Sargent himself has been based for six years in the Pearl River Delta, the fastest growing region in the fastest growing economy in the world.

Only 25 years ago, the delta region was mostly farming land dotted with small villages. A combination of market forces, government initiatives and proximity to financial and legal service providers in Hong Kong has amounted to a rapid pace of development. China's - and some of the world's - top manufacturers of everything from telephones to footwear can be found in the region.

If the "clustering effect" that Hong Kong partner Allen Wong has picked up on as a recent trend continues, then the region's importance is only sure to grow. Clustering describes the phenomenon of suppliers in a particular industry following their customers into China. The new entrants tend to set up in the same vicinity as the pioneers. For Stephenson Harwood & Lo, the trend is a welcome one as these supplier companies, both large and small, become a growing source of work.

Stephenson Harwood & Lo's presence in Guangzhou is an integral part of its strategy to cover all bases in which investors are interested. Managing partner John Gale explains: "Our three offices are in the gateways of FDI into China. Hong Kong - it's obvious why we're here. Guangzhou is the centre of the Pearl River Delta, and Shanghai is a commercial centre. With about a third of China's FDI pouring into each of the Pearl River Delta and Shanghai, we can cover the principal locations where our clients are likely to want to invest. We are the only international firm with this combination of offices. In Guangzhou, we wouldn't be exaggerating to say that we are the most active office."

The offices often work as a team. For example, with a recent due diligence exercise for a European manufacturer with facilities situated in Shenzhen, Ningbo (near Shanghai) and in Guangzhou, the firm drew on the capabilities of both of its Mainland offices. "We got instructions at short notice - the client needed multiple companies to be done and we have the resources to do that," says Sargent.

The depth of Stephenson Harwood & Lo's presence on the Mainland is exhibited through its local knowledge. The firm is currently advising a client on various regulatory aspects, including unfair competition law. The competition issues reach into various aspects of the business of the client's Chinese trading entity, including trade, distribution and marketing.

As well as advising newcomers to China, the firm advises established players who have had significant investments in place for some time. These larger and more experienced clients are also driving the increasing trend towards expansion by making acquisitions in China, rather than pure greenfield investment projects.

For investors, the government's initiatives to change what Gale calls the original "cowboy" approach of some foreign investors is good news. Another positive development is the opening up of sectors that were previously off limits to wholly foreign owned enterprises. The deregulation on wholesale and retail activities comes into effect on 11 December.

As the firm benefits from its relations in Hong Kong and on the Mainland, its London office gives its clients access to a European network. An example of how European connections can prove to be useful is in the case of an outbound PRC company. The firm helped the company establish a Danish entity formed for an R&D purpose.

This trend for outbound work is one to watch, and represents yet another promising source of growth for this dynamic firm that is well-positioned to take advantage of the flurry of activity in China. **ALB**

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