

## HONG KONG: What does the Apple Daily crackdown mean for business and finance?

- The prosecutions of pro-opposition media tycoon Jimmy Lai and his associates signal that political commentary in Hong Kong faces significant new constraints under the National Security Law.
- But Lai's case is unique in some respects, and other media continue to publish hard-hitting straight-news stories on politics, finance, and business.
- Though the direct impact on business and finance will likely be modest, a broader sense that Hong Kong has become less free and open will make the city less attractive to some expatriates.

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Jimmy Lai, founder and publisher of Next Media, publisher of pro-opposition tabloid *Apple Daily*, is facing charges in Hong Kong for "collusion with a foreign country," a crime under the [National Security Law](#) (NSL). Several senior executives at the two companies have also been charged, and the government froze Lai's personal assets and *Apple Daily's* corporate assets, forcing the newspaper to shut down. The charges appear to stem from articles published in *Apple Daily* advocating US sanctions against Hong Kong. The NSL's Article 29 defines the crime of collusion to include "request(ing) a foreign country" to commit acts including the imposition of sanctions.

When prosecutors filed initial charges in December, they appeared to be targeting alleged actions committed prior to the NSL's entry into force in July 2020, despite an explicit provision stating that the law does not apply retroactively. But additional charges announced in April are related to alleged actions after July 2020. Prosecutors did not identify the specific articles or statements but will be required to do so in subsequent court proceedings. The alleged crimes will likely include editorials supporting the US Congress' passage of the [Hong Kong Autonomy Act](#) (HKAA), which authorized sanctions. Lai is also being charged for statements on his personal social media account. The US, UK, EU, and Japanese governments condemned the shutdown of *Apple Daily* following its final edition on 24 June, and a bipartisan group of US senators wrote to President Joe Biden calling for new sanctions under the HKAA.

At a minimum, the prosecutions clearly signal that Hong Kong media face significant new constraints on political commentary. *Stand News*, another opposition-friendly outlet, recently removed at least 65 commentaries dealing with sanctions. Less certain is the impact on straight news reporting, which so far remains largely unaffected. The *South China Morning Post*, the city's flagship English-language newspaper, continues to publish hard-hitting investigations, and reporters there say privately they have not faced censorship.

### A unique case

Lai's case is unique in some respects, suggesting that most other media may avoid *Apple Daily's* fate. As [previously discussed](#), authorities despise Lai not only for his journalism but also for his broader role as a conduit for foreign influence and pro-opposition sentiment in the city. No other media figure in Hong Kong has been so outspoken in criticizing the Communist Party. A longtime friend of ardent anti-communist Milton Friedman, Lai, 73, also met with anti-China hardliners in Washington in 2019, including Vice President Mike Pence, Secretary of State Mike Pompeo, and National Security Advisor John Bolton.

*Apple Daily's* tabloid style also probably rankled authorities. In 2012 the newspaper published an infamous full-page ad – crowd-funded by anti-mainland activists – depicting mainland visitors as locusts devouring the city's resources. The ad was a reference to public concern about stress on the city's hospitals and other social services. Lai is already serving jail time after being convicted of unlawful assembly for his role in organizing an unauthorized protest in 2019. He also faces separate charges for allegedly aiding a protestor's attempt to flee the city to escape prosecution.

### Business and finance commentary

Financial journalism, sell-side research, and short-seller reports so far remain untouched by the NSL. Even before the new law, however, short sellers were under pressure in Hong Kong. The Securities and Futures Commission banned Andrew Left, founder of Citron Research, from the city's financial markets in 2016 for publishing a report critical of [Evergrande Group](#), a large mainland property developer listed in Hong Kong. The agency also fined ratings agency Moody's for a 2011 research report highlighting "red flags" related to several mainland companies. No one in either case faced criminal charges.

For years, sell-side researchers have engaged in informal self-censorship, avoiding excessively bearish macro-economic forecasts and blunt criticism of Chinese government policy or powerful state-owned enterprises. Nevertheless, Hong Kong's financial media continues to cover business stories – including scandals and fraud – aggressively when there are no obvious political overtones. Our base case is that Hong Kong authorities do not use the NSL to target financial journalism and research. This scenario is consistent with [our broader view](#) that authorities want to curtail opposition politics and civil society while maintaining Hong Kong's role as a business and financial hub.

Beyond the direct impact on the business environment, however, the attacks on *Apple Daily* will contribute to a broader sense among expatriates that the city has become less open and cosmopolitan – and therefore less desirable as a place to live. As previously discussed, an [exodus of foreign business](#) is unlikely, but the media crackdown may accelerate the ongoing trend of foreign companies relying less on expatriates and more on mainland Chinese or native Hong Kong employees.

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