

BRITISH CHAMBER OF COMMERCE IN HONG KONG

Annual General Meeting, 2nd September 2020

Chairman's Report

Introduction

Ladies and gentlemen, I would like now to present my report for the Chamber's financial year ending 31st December 2019 and for the period of my Chairmanship since the last AGM in June 2019.

The 2019 financial year for the Chamber, perhaps against expectations and despite the challenging external environment, was one of our best. We beat our budget in all of our revenue lines and kept costs under control. We ended the year with an income surplus of around HKD 154,000 and a healthy cash balance. This allowed us to enter 2020 in a relatively strong position. Although your Chamber is a not-for-profit organisation, the focus on revenues and the cost discipline in 2019 meant we were in a much stronger position to deal with the financial uncertainty at the start of 2020 when we were confronted with the extreme challenges of the Covid-19 pandemic. I will come back to this.

Our Treasurer will give you a more detailed financial report under Agenda Item 2. In my view the 2019 results are a direct outcome of the support and loyalty of our members through a combination of membership fees, sponsorship, events and advertising. I want to acknowledge this right up front and thank all you for your membership.

Let me now turn to the economic and business backdrop in Hong Kong over the last twelve months or so.

Business Background

The period since the last AGM has been unprecedented in Hong Kong's recent history. The economic and societal challenges which have confronted business across the board have been unique, certainly in my career.

In June 2019 the peaceful protests against the Fugitives' Offenders Bill became, at the extreme, more violent and we entered a period of social unrest which carried through to the end of the year.

In February 2020 the Covid-19 pandemic hit Hong Kong hard as the coronavirus began its relentless journey across the globe. The Government's social distancing restrictions and the natural and sensible response of Hong Kongers to avoid anything but essential social contact have ensured, on the one hand, that Hong Kong has kept the worst effect of the virus in check but, on the other hand, have dealt a heavy blow to much of the Hong Kong economy.

In May 2020 the National People's Congress approved a decision to enact Hong Kong's National Security Legislation and this became Hong Kong law on 1st July.

In late May the United States Secretary of State certified that Hong Kong no longer enjoyed sufficient autonomy from mainland China and started the process of revoking Hong Kong's favourable treatment, including for trade.

Later in July the United States Congress passed the Hong Kong Autonomy Act which allowed the President to impose financial sanctions on Identified Foreign Persons and Foreign Financial Institutions. On 7th August 2020 the US Department of Treasury under the Office of Foreign Assets Control (or "OFAC") issued financial sanctions against eleven of Hong Kong Government and mainland officials.

On 1st July the United Kingdom Foreign Secretary announced a change in rules for British National (Overseas) passport holders in Hong Kong to allow BNO's to stay in the United Kingdom for up to five years (instead of six months) and thereafter to apply for settled status and ultimately for UK citizenship.

Since the passing of the National Security Legislation a number of countries have now suspended their extradition arrangements with Hong Kong, including the United Kingdom.

And we should also not forget that on 31st January of this year the United Kingdom's membership of the European Union also came to an end. BREXIT happened - 47 years after the country first joined the Common Market – albeit with a 11-month grace period to sort out a deal.

All of these events have been at the front of our minds as we have sought to help and guide the membership through the consequences for their businesses.

At the Chamber's 2019 AGM I commented on our response to the Fugitives Offenders' Bill and said at that time:

- "As a Chamber we are actively pro-business and strictly nonpolitical. It is not our place to reflect a view on the politics of Hong Kong, of mainland China or indeed of the United Kingdom. We are strong supporters of the principles of One Country, Two Systems, of Hong Kong People Governing Hong Kong and the principle of a High Degree of Autonomy, as set out in the Basic Law."

This remains our position today. In responding to the unprecedented level of political and economic activity in and around Hong Kong we have simply sought to understand better the impacts for our members' business operations and to lobby the Government for policies where these might be helpful or, in our view, necessary to support or alleviate the external challenges facing our members.

Social Unrest

Let me turn to the Chamber's response to the social unrest in the latter half of last year. At the time we made clear our condemnation of the gratuitous violence perpetrated by a small minority. There is no doubt that the violence had a very major impact, not just on business property and the ability for some businesses to operate as usual, but also on the morale of Hong Kong. Business confidence, as measured by IHT Markit's Purchasing Market Index, fell to a low point of 38.5 points

in December of last year. At the time this was the worst downturn in confidence since the SARS epidemic in 2003. Remember that a figure of 50 points or more indicates a positive outlook.

In this period, we held a number of breakfasts for our members where we discussed the impact of the social unrest, how members were dealing with this and what more the Chamber could do. I want to thank the Murray Hotel for providing their facilities *pro bono* for these breakfast discussions.

For me and the Executive team these feedback sessions were very important and allowed us to report with confidence back to Hong Kong Government officials both formally and informally on how our members' businesses were dealing with the upheaval of social unrest.

Covid-19

The side-swipe from Covid-19 over and after Chinese New Year was completely unforeseen. In fact, we started 2020 with a sense of optimism for the Chamber with two excellent and sold out external speaker breakfasts in January and a programme of interesting speakers and subjects for Q1. From February, however, we took the decision, in line with Government recommendations, to cancel these. The result is that the sum total of in-person events so far this year has been seven only and all but one of these were held in January.

We have of course availed ourselves of webinar technology and shifted our membership communication on-line with a number of excellent "zoom" events. In fact, since Chinese New Year, we have held a total of 53 webinars with more than 3,500 attendees joining these remotely. This was uncharted territory for the Chamber but the Executive Team grabbed this initiative early. I think we were one of the first Chambers to move quickly into virtual events.

Importantly we also ramped up our Government lobbying work on behalf of our members. It was clear quite early on in the pandemic, that many businesses were going to suffer significantly without some kind of Government support. In March we coordinated a joint letter from the British, American, Australian, French and German Chambers to lobby for urgent support for the private sector to maintain employment. We were pleased when the Financial Secretary announced the details of the Employment Support Scheme. We also held a number of events to explain how the ESS was intended to operate alongside explanations for a number of the other business support initiatives announced by the Government.

We worked with the French Chamber to lobby the Government for an easing of social restrictions in respect of the examination years in senior schools. This was an initiative spearheaded by our Education Committee. This clearly had some impact and the Chief Executive herself handled the subsequent discussions on this matter. This lobbying effort also resulted in the establishment, for the first time, of a Government official inside the Education Bureau to deal exclusively with the issues of international schools.

Under the leadership of two of the Chamber's business committees, the Construction Industry Group and the International Infrastructure Forum, we have been lobbying the Government to move ahead rapidly with approval and funding for Capital Works Projects. We see this as an important initiative to support economic growth and prosperity in Hong Kong once the Covid-19 pandemic begins to subside.

National Security Legislation

The introduction of national security legislation for Hong Kong on 1st July was a very significant step. We determined at the General Committee that we would not comment on the politics and in particular on the way the ordinance was introduced to the Hong Kong statute book. As a business organisation this was beyond our scope and a matter for constitutional lawyers.

We did, however, believe it was our responsibility to seek clarifications on behalf of our members once the ordinance was published. Indeed, at an International Business Committee meeting in July we led the discussion with the Chief Secretary, the Secretary for Justice and the Secretary for Security to seek clarifications for some of the Articles in the Ordinance. We also set up a Sub Committee of the Chamber to analyse the legislation and to formulate questions for the Government in those areas where greater clarity would help our members.

We will continue to monitor all the developments concerning this legislation and make sure we support our members with information and clarifications as these are made.

BREXIT

This time last year the Chamber was running a programme of events to set out and explain the options and consequences for businesses of the various exit permutations that were emerging in the BREXIT negotiations. Following the General Election result in December of last year it became clear that BREXIT would happen.

It is extraordinary to compare the level of reporting on BREXIT last year with the relative clam today. However, as we get closer to the BREXIT deadline and the question of a BREXIT deal or indeed no deal, we will consider revisiting the subject for our members.

Relationship with the Hong Kong SAR Government

The Chamber seeks to maintain an open and constructive tone in our dealings with the HKSAR administration. Our thoughts on business policies are actively canvassed by the Government and we are able to draw on the very significant resources of the membership to formulate policy responses across a very wide range of business segments in the economy. I am sure it is for this reason that we were invited to join a Task Force on External Relations under the chairmanship of the Secretary for Commerce and Economic Development. We have easy and ready access to all Government bureau and are able to conduct a dialogue, exchange views and contextualise our advocacy in what is best for our members' businesses.

This year we have also met three times with officials in Hong Kong representing mainland authorities. This is a new development. The meetings have all been very friendly and thoughtful. In my view this demonstrates that mainland China wants to see Hong Kong continue to attract international businesses and wants existing businesses to benefit from the attractions of One Country Two Systems, particularly in the context of the Greater Bay Area initiative. I will return to this subject in a minute.

Interaction with the United Kingdom

In the past 18 months we have spent more time with the British Government than previously has been the case. We continue, in my view, to have an excellent relationship with the British Consulate and with their representatives from the Department of International Trade. I want in particular to mention the considerable support we get from the Consul General, Andy Heyn, and from the DIT Director General, Paul McComb and all their people. There is a clear understanding of the importance of the role that British business plays in Hong Kong and of the contribution that your Chamber can make to ensure this is both understood and promoted.

We have also spent some time with Government officials back in Whitehall – in the Foreign & Commonwealth Office, in the Department for International Trade and in the Treasury. The Executive Director and I spent time in October, during our so-called “London Door Knock”, and in January, meeting Government officials, MP’s and other stakeholders. We have also met London based ministers and officials via conference facilities in the last few months. In my view it has been particularly important, in and amongst the international focus on Hong Kong, to ensure that the business voice is heard and that officials understand the possible impact of policy for British businesses based in Hong Kong and for their potential in the mainland and in GBA. There is, in my view, no doubt that this is understood. However, I do not intend to relax and we will continue to ensure that your voice is heard – loudly and clearly.

Policy Work of the Chamber

I have laid out in the course of my report the principal areas of policy in the last twelve months. I want to mention four further matters:

- In August last year the Healthcare Committee produced an excellent paper on Cancer Care. There is no doubt that this resonated with the Government and we had a number of meetings including with the Secretary for Food & Health;
- The SME Committee has been very pro-active throughout the pandemic in lobbying Government for relief measures on behalf of this critical segment of the Hong Kong economy;
- In June this year we submitted the first of two papers on the opportunities for our members in the GBA. We intend to submit a second before the end of the year; and
- In August we made our submission to the Chief Executive in advance of her Policy Address for 2020.

The associated papers are all available on our website. I want to thank the Healthcare Committee, the SME Committee, the China Committee and the Business Policy Unit (“BPU”) for their very considerable work in spearheading this work and these papers and all the business committees and their Chairs for their ideas, feedback and support in contributing to these papers.

Greater Bay Area

In the course of the last twelve months the GBA has taken something of a back seat as business and the community have been wrestling in particular with Covid-19. We want now to accelerate our support for our members in this initiative. You will recall that last year we set up a GBA Forum with a number of British business associations, including the Chambers in Macao, Guangzhou and Shenzhen, the China Britain Business Council and the Confederation of British Industry. The intention is to work together on how we can get the best for our members across the GBA borders. During the past twelve months the GBA Forum has been relatively inactive but we will be doing more together in the latter half of this year. I continue to believe that the GBA offers our members huge upside potential as the border frictions for the movement of goods, services, capital and people begin to be removed. This is a long-term project so we must not expect a completely free market in the short term. But we absolutely have to be in the middle of these developments to lobby, to represent and to understand on behalf of our members. You will see more of this in the next few months.

Committees

As I said last year the committees are the absolute backbone of the Chamber helping to drive our events programme and contributing to our policy work. This year I am particularly grateful to all the Committee Chairs for their work. It has not been easy to maintain outreach to the membership and dialogue through virtual media arrangements. Your drive and commitment have seen us through this difficult period and our committees have been one of the reasons why the Chamber continues to offer value for our members. I would appeal to all our members to get involved in the committees. They are not just the source of great networking with likeminded industry participants but also an opportunity to exchange views on policy and strategy. We rely on you all to keep up the excellent work.

Membership

With the negative effect of Covid-19 on business activity the General Committee and the Executive Team have focused on making sure we keep the Chamber membership at the core of all our activities and that we deliver value for your money.

Our membership remains committed and supportive despite the economic backdrop. This year, as we entered the membership renewal season, we were careful to address your concerns by not raising our fees and offering discounts to those who settled early. I am pleased to say that all but two of our sterling members have renewed. The membership team has already recruited one replacement and is hopeful of more before the end of the year. Our corporate membership had some

attrition but we are also gaining new members all the time. We have seen 243 membership cancellations but offset by 138 additions. I think this demonstrates the value of BritCham membership.

But we do not take your membership for granted. In fact, we will be sending you a short membership survey later this month. We want to hear your ideas and ensure we are really responding to your needs. If ever you feel that we can do better or that we are missing something please do not hesitate to get in touch.

Going forward

As we look forward to the end of the current year, I can tell you with some certainty that we will be recording a financial loss in 2020. As I said earlier, our in-person events programme has, for all intent and purpose, stopped. We have taken, reluctantly, the decision not to hold a BritCham ball this year. This, as you know, is our social highlight for the membership but in the circumstances and weighing up the risks we have decided to postpone to 2021. Even if we are able to return to a semblance to normal operating procedure it seems unlikely we will be able to make up the gap in revenues.

However, your Chamber is in good shape. We have a healthy cash balance and, as we own our own premises, we are not burdened by rent. The focus of the General Committee and the Executive Team is to provide you with relevant on-line events, virtual networking and the sort of business advocacy which will serve you well through the current pandemic and beyond into the recovery. And, of course, we want, as soon as possible, to return to an active and enjoyable programme of in-person events.

Conclusion

Ladies & Gentlemen before I conclude my address today, I must mention the huge contribution made by the General Committee and all the Sub Committee Chairs. I want in particular to thank the two Vice Chairs, Anne Kerr and Jeremy Sheldon, and the Treasurer, Paul McSheaffrey, who have all been unstinting in their support over the last twelve months.

Today we also see two long serving Voting Members step down from the General Committee: David Dodwell and Tim Peirson-Smith. They have both given generously of their time and counsel over the course of very many years and I thank them for this. I am pleased that they have both agreed to offer themselves as co-opted members of the General Committee in 2020.

I also want to thank Deborah Campbell for her support as a co-opted member of the General Committee over the last 18 months. Deborah has returned to the United Kingdom and therefore also stepped down.

We also have three new additions to the committee leadership:

- Elisa Harca is leading the steering group for the Retail & Hospitality Committee replacing Paul Redmayne who has moved to Dubai;

- Neal Beatty is the new Chair for the China Committee replacing Alison Simpson who has returned to the United Kingdom; and
- Pat Woo is the new Chair for the Environment & Energy Committee, replacing Helen Cochrane who has moved to Malaysia.

It will not have escaped your notice that we also have a new Executive Director for the Chamber. David Graham joined us on 1st June at an exceptionally busy time and was thrown right into the deep end. As I have written elsewhere, I was exceptionally pleased when David agreed to come to the Chamber. It is at times like this that we need clear thinking and a deep understanding of Hong Kong business and David has plenty of both.

David's appointment also means that Andrew Seaton has left the Chamber, retiring at the end of May and returning to the United Kingdom. Over the five years that Andrew was Executive Director he reshaped and reformed the Chamber and much of the success we see today is a direct result of his unstinting work and commitment. I want to record my thanks again to Andrew in this AGM.

The Chamber would be just a shadow of itself without the hard work and dedication of the Executive Team. I extend a particular hand of thanks to all of them. Under the leadership of Andrew and now David the BritCham team has worked creatively and determinedly in the face of extraordinary challenges to ensure the Chamber has been open for business and properly serving the interests of our members.

Finally – At the end of today's AGM the newly voted General Committee will have a separate meeting to elect the officers of the Chamber for the period to the next AGM. I want to tell you that I have offered to stand again as Chairman, extending my term to three years in total. This has not been done before. By convention the Chairman has served for two years only and it was certainly not my intention 24 months ago. After consulting with the General Committee, and in particular with the two Vice Chairs, and with both Executive Directors, Chairman continuity was felt to be advisable in the current climate. The economic backdrop, the levels of advocacy and the number of critical initiatives under way inside the Chamber today are truly exceptional. It would be my honour and pleasure to serve for another 12 months.

Hong Kong has been through much in the last 18 months. Although the challenges have been extreme on occasion I still believe in the drive and determination of Hong Kong and its people and businesses to overcome and emerge stronger and successful. I am also sure that the Chamber will play an active role in ensuring that outcome, first and foremost for our members, but also for the broader community. In my view there is much to look forward to and be hopeful about.

Thank you very much.