

Analysis Report: 25 Years After Hong Kong's Handover

Mainland Affairs Council

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- **"Patriots ruling Hong Kong" overrides "Hong Kong governed by the Hong Kong people," suggesting a gradual drift away from the Basic Law's promises to allow Hong Kong people to choose their chief executive and Legislative Council members by universal suffrage and grant them the right to political participation**
- **Hong Kong's status as an international financial hub and a free economy remains affirmed despite global concerns about Hong Kong's economic freedom and autonomy under the Hong Kong National Security Law and Beijing's Hong Kong integration strategy**
- **People in various sectors of the society have been purged; red lines have been drawn on national security. International organizations significantly downgraded Hong Kong's freedom ranking, triggering a wave of exodus from Hong Kong**
- **Judicial independence and impartiality are met with increasing skepticism; the confidence in Hong Kong's rule of law is shaken among Hong Kongers and foreign business communities**
- **The international community remains highly concerned about the situation in Hong Kong and continues to roll out countermeasures in response**
- **The CCP asserts that it enjoys "comprehensive jurisdiction" over Hong Kong's high degree of autonomy; CCP offices in Hong Kong engage in hands-on operations locally and seek to accelerate the strategy for mainland China-Hong Kong integration**
- **Taiwan continues to closely watch the situation in Hong Kong, pragmatically promote exchanges and assistance to Hong Kong, and strengthen risk control and contingency measures in an effort to safeguard the interests of the nation and the people**

Hong Kong was handed over to mainland China in 1997. Premised on

Hong Kong maintaining its free economic system and autonomous status, the government of the Republic of China (ROC) positions Hong Kong as a "special area," unique from the Mainland area, in order to maintain consistency and continuity in its Hong Kong policy and the various direct interactions between the people of Taiwan and Hong Kong. The government therefore annually reports on the overall developments in Hong Kong and the status of Taiwan-Hong Kong relations. This is the 25th in a series of such regular reports, covering an observation period from July 2021 to June 2022.

I. Overall Review and Analysis

Hong Kong was handed over to mainland China in 1997, 25 years ago. Over the past year, in the area of political operations, Hong Kong might have held its Legislative Council and Chief Executive elections, but the candidates were limited to only the Beijing-backed "patriots." The outlook darkened for delivering the promises under the Hong Kong Basic Law for Hong Kong people to elect their own chief executive and Legislative Council members by universal suffrage and to participate in politics. With the advent of an era where the Legislative Council "has turned into de facto National People's Congress" and " Hong Kong (is) ruled by disciplinary forces," the outside world has criticized that "Hong Kong governed by the Hong Kong people" has turned into nothing but a pipe dream and is concerned that controversial bills may be passed easily in the future. With the rapid growth of authoritarianism in Hong Kong, the independence and impartiality of its judiciary are also met with increasing skepticism.

The Hong Kong National Security Law remains a tool used to suppress freedom and human rights in Hong Kong, affecting individuals and groups from the street protesters, opposition legislators, and democracy activists to trade unions and civic groups. At least 60 non-governmental organizations (NGOs) were forced to disband or suspend operations over the past year, and last year saw the first time a foreign NGO was cracked down by the law. Various sectors of the society continued to face purging and the warnings of a national security red line, with the media hit particularly hard. International organizations downgraded the level of freedom in Hong Kong due to concerns about the CCP

applying its control of the Chinese society on Hong Kong. The deteriorating situation in Hong Kong has also triggered a wave of exodus.

On the economic sphere, Hong Kong maintained its independent tariff and free trade system. The linked exchange rate between the Hong Kong dollar and the US dollar has remained unchanged. International organizations and think tanks continued to recognize Hong Kong's status as an international financial hub and global free economy. The Hong Kong government released its first report on Hong Kong's business environment since its handover. The report emphasized that the Hong Kong National Security Law had no negative effect on its financial market or foreign capital despite the fact that there has been a growing number of Chinese-invested companies and a declining number of foreign-invested companies in Hong Kong. The outside world will continue to watch whether Hong Kong can maintain its economic freedom and autonomy despite the general trend of Hong Kong-mainland China integration.

Over the past year, major countries and the international community remained highly concerned about the situation in Hong Kong. The UK noted that Hong Kong's governance and systems are increasingly assimilated to that of mainland China, but it also recognized the existence of certain differences between mainland China and Hong Kong. The US extended the cancellation of preferential treatment for Hong Kong but assessed that Hong Kong still retained a certain level of freedom in the areas of trade, currency, green finance, and climate policy. In response to the situation in Hong Kong, the US issued warnings about business risks in Hong Kong and imposed new sanctions on related officials. The president and deputy president of the UK Supreme Court resigned as non-permanent judges of the Hong Kong Court of Final Appeal to stop endorsing Hong Kong's judiciary. Furthermore, countries including the US, the UK, and Australia strengthened policies related to assisting Hong Kong.

In the area of mainland China-Hong Kong relations, CCP leader Xi Jinping visited Hong Kong on June 30 and July 1 this year. During his visit, Xi spoke about consolidating the core spirits of the "one country, two systems," namely to implement the governance principles of "(the CCP enjoying) 'comprehensive jurisdiction' (over Hong Kong's) high degree of autonomy" and "patriots ruling

Hong Kong." This proclamation implies that the "one country, two systems," with the characterization and implementation by the CCP, could move beyond staying "unchanged for 50 years" and in reality remain "unchanged for a long time to come." In addition, the increased activities of CCP offices in Hong Kong have become the "new normal" in the past year; the future developments in this regard deserves attention as well. This year marks the 3rd anniversary of the release of the "Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area." Given that the Hong Kong authorities are enthusiastic whereas the public is apathetic about the development of the Greater Bay Area, it is worth observing how the CCP will drive its policy implementation going forward.

In terms of Taiwan-Hong Kong relations, there is no further development in the official interaction as a result of factors such as cross-Strait relations and the conservative mindset of the Hong Kong government; however, trade activities and people-to-people exchanges are still going on. In light of the changing situation in Hong Kong, our government has provided assistance to the democracy- and freedom-loving Hong Kongers in line with major countries. Specifically, we have amended the "Regulations for Hong Kong and Macao Residents Studying in Taiwan" to allow students from Hong Kong and Macao to study at the high schools and five-year colleges in Taiwan; we have also amended the "Regulations Governing Permits for Hong Kong and Macao Residents Entering the Taiwan Area and Setting up Residence or Registered Permanent Residence" to grant permission of a one-year-maximum visa extension for the reason of seeking employment.

In view of the CCP's tightening control over Hong Kong, our government has stepped up various review mechanisms and passed partial amendments to the "National Security Act" and "Act Governing Relations between the People of the Taiwan Area and the Mainland Area (hereinafter the "Cross-Strait Act")" to strengthen our risk management. In the future, our government will continue to monitor the developments of situation in Hong Kong. Once detecting threats to our national security or potential harm to the rights and interests of the Taiwan people, our government will immediately activate or consider amendments of

related laws and regulations. We will adopt necessary countermeasures to safeguard national sovereignty, the people's well-being, and the overall interests of Taiwan.

The overall developments on the 25th year since the handover of Hong Kong (July 2021 to June 2022) are presented with analysis below:

1. "Patriots ruling Hong Kong" overrides "Hong Kong governed by the Hong Kong people," suggesting a gradual drift away from the Basic Law's promises to allow Hong Kong people to choose their chief executive and Legislative Council members by universal suffrage and grant them the right to political participation

In the past year, "patriots ruling Hong Kong" has become a ubiquitous keyword in Hong Kong's political operations. Under the tight control of the new electoral system and the "Review Committee for Candidate Qualification," Hong Kong held three major elections: the election for the Election Committee (in charge of the nomination and election of candidates for the Chief Executive and Legislative Council members), for the 7th Legislative Council, and for the 6th Chief Executive respectively. In these elections, the Beijing-backed "patriots" claimed a major victory. Despite the CCP's proud words of having ushered in a "new era of democracy in Hong Kong" with the issuance of a white paper titled "Hong Kong: Democratic Progress under the Framework of One Country, Two Systems," critics generally believe that elections in Hong Kong have drifted further away from the Basic Law's promises to allow Hong Kong people to choose their chief executive and Legislative Council members by universal suffrage and grant them the right to political participation.

The first election held last year, namely that for the Election Committee, took place on September 19, 2021. The election went with hardly any competition and was criticized as an election conducted within a "smaller circle." The voter turnout rate was nearly 90%, but the voter base plunged by 97% from more than 240,000 in the previous election (2016) to just 7,891 in this election. In the 7th Legislative Council election held on December 19 last year, the voter turnout was merely roughly 30% for directly elected geographical constituencies (GCs) and functional constituencies (FCs), marking a record low

since Hong Kong's handover and reflecting a silent boycott by the people of Hong Kong. The ratio of pro-establishment to "self-proclaimed non-establishment" seats was 89:1, prompting criticism that the current Legislative Council has "turned into de facto National People's Congress."

The 6th Chief Executive election held on May 8 this year (2022) ended up with the overwhelming victory of the sole candidate John Lee, former Chief Secretary for Administration (He claimed 1,416 votes from the Election Committee, namely 99.2% of the votes, the highest in the history of this election). Since Lee came from the Disciplined Services, critics generally interpreted his win as the advent of the era of "Hong Kong ruled by disciplinary forces." Ironically, during his tenure as Secretary for Security, Lee pushed for the passage of amendments to the "Extradition Law" and responded to related situations in a way that was later described as a "disaster" even by the pro-China media in Hong Kong. This, combined with Lee's consistently low approval ratings, leaves it to be seen whether he can win the affirmation of the Hong Kong people for his political achievements.

After the Chief Executive election, on June 15 this year, the Legislative Council of Hong Kong passed a government restructuring package proposed by Chief Executive Carrie Lam last October. A core element of this package is to restructure the government from 3 departments & 13 bureaus to 3 departments & 15 bureaus. This involves newly establishing the "Culture, Sports and Tourism Bureau," dividing the "Transport and Housing Bureau" into the "Housing Bureau" and the "Transport and Logistics Bureau," and restructuring the "Home Affairs Bureau" into the "Home and Youth Affairs Bureau." Another core element is to appoint a Deputy Secretary for the Administration, the Financial Secretary, and the Department of Justice respectively. Soon after the restructuring initiative, on June 19 this year, mainland China's State Council appointed key officials of the 6th Hong Kong government. John Lee emphasized that he handpicked all of the officials, but the fact that some new appointees were born in or had worked in mainland China drew skepticism.

Under the pretext of "patriots ruling Hong Kong," the pro-democracy

activists have been blocked from participating in politics, and even those currently active in the political arena see themselves progressively "cleared away" under the political rules laid down by those in power. For example, prior to the election for the Election Committee, pro-democracy Legislative Council member Cheng Chung-tai was disqualified, effective immediately, over the accusation of "half-hearted endorsement of the Special Administrative Region (SAR) and the Basic Law." In another instance, the government spread the rumor that "district councilors' salaries would be recovered in case of invalid oath-taking," prompting over 260 district councilors to voluntarily resign. After these incidents, the government arranged for oath-taking sessions in 4 phases from September 10 last year. Out of the remaining 200-plus district councilors, a total of 55 were disqualified over invalid oaths or absence. As a result, the number of democratically elected district councilors in Hong Kong's District Council had dropped from 479 to 151, with all of the 328 departures in the pro-democracy camp.

Despite the unequivocal policy direction of "patriots ruling Hong Kong" and tightening control under the Hong Kong National Security Law, the Hong Kong government still considered Hong Kong under the threat of domestic terrorism and intervention by external forces and their proxies; as a result, it pledged to continue pushing for the legislation of the national-security-related Article 23 of the Hong Kong Basic Law (Specific provisions would prohibit foreign political organizations or groups from engaging in political activities in Hong Kong; prohibit political organizations or groups in Hong Kong from establishing ties with foreign political organizations or groups; and prohibit treason, secession, subversion, espionage, and sedition) to cope with security challenges. Comments indicated that the new chief executive may seek to complete this legislation and its corresponding measures to shore up national security (such as regulating the Internet and combating fake news) during his tenure to live up to Beijing's expectations.

A poll conducted by the Hong Kong Public Opinion Research Institute revealed that the people of Hong Kong rated Hong Kong's democratic development at 4.43 points (out of 10) in May this year, a significant plunge

from 6.7 points in 1997. Similarly, in the Global Democracy Index published by the UK's Economist Intelligence Unit (EIU) in February this year, Hong Kong ranked 85th among 165 countries and territories worldwide with a score of 5.6 points (out of 10), down from 6.03 points (78th place) when the index was first issued in 2007. Related data of both the Hong Kong people's perception and international ratings have all reinforced the indisputable truth of Hong Kong's democratic regression under the political project of "patriots ruling Hong Kong.

2. Hong Kong's status as an international financial hub and a free economy remains affirmed despite global concerns about Hong Kong's economic freedom and autonomy under the Hong Kong National Security Law and Beijing's Hong Kong integration strategy

Objectively speaking, on the economic front, Hong Kong maintains a system of independent tariff and free trade, and the linked exchange rate between the Hong Kong dollar and the US dollar remains fixed; therefore, Hong Kong's status as an international financial hub and a free economy is still affirmed by organizations including the International Monetary Fund (IMF), the Fraser Institute in Canada, etc. However, on July 16 last year, the US Department of State, Department of the Treasury, Department of Commerce, and Department of Homeland Security jointly issued a Hong Kong business risk warning, calling on US companies and individuals doing business in Hong Kong to mind the potential legal, financial, and information security risks and sanctions following the implementation of the Hong Kong National Security Law.

In response, on September 27 last year, the Hong Kong government released a report on Hong Kong's business environment, the first since its handover, to address the concerns of the US and the global community. The report emphasized that despite the implementation of the Hong Kong National Security Law, Hong Kong's financial market has remained stable, so have the operations of the linked exchange rate system and other aspects. The report also claimed that the financial sector generally believed that the law would not hinder the functioning of its financial sector and that the foreign business communities' concerns were eased by their own observation. In a similar vein,

officials of the Hong Kong government have joined in to perpetuate the same narrative and claimed on several occasions that the Hong Kong National Security Law did not trigger a foreign capital flight.

Despite the justification, related statistics suggested otherwise. According to the data released by the Hong Kong Census and Statistics Department, there were 9,049 offshore companies in Hong Kong in 2021, among which 2,080 had a parent company based in mainland China and 6,969 in other countries. Among these companies, the number of Chinese-invested companies increased by 4.7% compared with 2020 and by 15.6% with 2019, whereas the number of foreign-invested enterprise fell by 1% compared with 2020 and 4% with 2019. These results reflect a growing trend of mainland Chinese capital and a declining trend of foreign capital. Relevant commentary suggests that this trend is not only related to the global supply chain restructuring but to some extent, an indication of foreign investors' loss of confidence in Hong Kong's rule of law and the Hong Kong government's governance following the implementation of the Hong Kong National Security Law.

The question of whether Hong Kong can maintain its economic freedom and autonomy depends not only on the Hong Kong National Security Law but on mainland China's Hong Kong policy. At a press conference on March 11 this year, Chinese Premier Li Keqiang called on the Hong Kong government to consolidate and enhance Hong Kong's status as an international hub for finance, trade, and transportation; this announcement reflects the CCP's intention to preserve Hong Kong's role as a gateway to the world. Curiously, in CCP leader Xi Jinping July 1 address, he called for reversing the governance philosophy by striking a better government-market balance. As a result, the implications of the CCP's policies on Hong Kong's economic policies and system is worthy of further attention.

In addition, Hong Kong Chief Executive Carrie Lam proposed the plan to build a "Northern Metropolis" in her policy address last October. The plan aimed to develop the northern and northwestern suburbs of Hong Kong (accounting for nearly one-third of Hong Kong's total land mass) over 20 years, areas that will then be connected to Shenzhen through seven land ports and form "Twin

cities, Three circles" (from the west to the east: the Shenzhen Bay Quality Development Circle, Hong Kong-Shenzhen Close Interaction Circle, and Mirs Bay/Yan Chau Tong Eco-Recreation/Tourism Circle). This plan, while highly relevant to resolving problems such as Hong Kong's need for economic growth, industrial upgrading, and shortage of land and housing, also amounted to further assimilation and integration between Hong Kong and mainland China. Resultantly, subsequent developments of this proposal will be worth watching.

3. People in various sectors of the society have been purged; red lines have been drawn on national security. International organizations significantly downgraded Hong Kong's freedom ranking, triggering a wave of exodus from Hong Kong

Statistics from the Hong Kong government show that in the two years following the implementation of the Hong Kong National Security Law, a total of 186 people had been arrested or detained by the Hong Kong police, among which 115 prosecuted and 10 convicted to sentences of up to nine years in prison. The targets of the CCP and the Hong Kong government have expanded from street protesters, opposition legislators, and pro-democracy activists to trade unions, civic groups, and the so-called "external forces."

Statistics from the media show that over the past year, at least 60 civil organizations have been forced to disband or suspend operations, including the "Hong Kong Professional Teachers' Union," Hong Kong's largest teachers' union; "Civil Human Rights Front," a pan-democracy platform; the "Hong Kong Alliance in Support of Patriotic Democratic Movements in China," a group devoted to the Tiananmen Square Incident; the "Hong Kong Confederation of Trade Unions"; "China Human Rights Lawyers' Concern Group"; and the "People's Welfare Front," a social welfare organization. Meanwhile, the "612 Humanitarian Relief Fund," which provided legal and medical support to the demonstrators in the anti-"extradition (to China)" Bill movement, saw 5 trustees arrested or detained despite having announced that it would terminate its operations. In addition, "Hong Kong Watch," a British NGO, was demanded that it remove website content by a specific deadline, making it the first foreign

organization to be demanded specific actions upon alleged violations of the Hong Kong National Security Law.

The purges by those in power have come one after another, affecting all sectors of the society and hitting the media particularly hard. On December 29 last year, seven current and former board of directors, the editor-in-chief, and some journalists at “Stand News” were arrested or detained in a raid by the National Security Department of the Hong Kong Police Force. They were charged with “conspiracy to publish seditious publications” under the “Criminal Offences Ordinance,” and the company’s assets were subsequently frozen. On the same day, “Stand News” announced the termination of its operations, laid off its employees, and suspended its operations at the UK branch. Soon after, many online media in Hong Kong followed suit and shut down their businesses, including “Hong Kong Citizen News,” “Mad Dog Daily,” “Dare Media,” “Polymer,” etc., sparking international concerns. In June this year, “Fact Wire,” a Hong Kong media outlet established with funds raised by the Hong Kong public and focused on investigative reports and fact-checking, also announced the suspension of its operations.

The Hong Kong government also took advantage of law amendments to lay down national security red lines in various sectors of the society. For example, the Hong Kong government submitted the “2021 Film Censorship (Amendment) Ordinance” to the Legislative Council on August 24 last year, a bill that authorizes the authorities to cancel the release of films if they are deemed detrimental to national security. The Hong Kong government further announced the newly revised tax guidelines on September 13 to authorize the Inland Revenue Department to revoke the tax-exempt status of charities if they are involved in activities harmful to national security. Moreover, the government proposed an amendment to the appendix to the “Social Workers Registration Ordinance” on October 5, a bill that prohibits violators of the Hong Kong National Security Law from working as social workers. Additionally, more than 90% of schools have set up teams or employed full-time staff to coordinate work related to education on national security. Furthermore, in June this year, the “Anti-Violence Hotline” first initiated in the wake of the anti“extradition (to China)”

Bill protests was escalated to an “Anti-Terrorism Reporting Hotline” by the Hong Kong government to form a tighter surveillance network together with the “National Security Department Reporting Hotline.”

According to “Freedom in the World,” a report released by Freedom House in February this year, Hong Kong's score fell from 52 last year to a record low of 43. Meanwhile, the “2022 World Press Freedom Index” released by Reporters Without Borders (RSF) in May this year ranked Hong Kong 148th out of 180 countries and regions in the world, down 68 places from 80th place last year, the sharpest decline amongst all locations. In this report, Hong Kong scored 41.64 points, even lower than that of the Philippines, Rwanda, and Libya, and was classified as in a “difficult situation”; on the “press safety” index of this report, Hong Kong scored just 31.78 points, placing it in a “bad situation.”

The deteriorating situation in Hong Kong has also catalyzed a new wave of exodus. According to relevant statistics from the Hong Kong government, the resident population of Hong Kong fell by 23,600 year-over-year (YoY) to 7,403,000 at the end of last year. A total of 17,000 mainland Chinese residents came to Hong Kong for settlement through the One-Way Permit Scheme. The number of net emigration from Hong Kong reached 27,300. Last year, more than 33,000 people submitted applications under the Mandatory Provident Fund Schemes (MPF) due to plans of permanent departure from Hong Kong; 38,000 people applied for a good citizenship certificate for emigration purposes, up 12% and 30% YoY respectively. In late March this year, the Hong Kong Public Opinion Research Institute released the results of an online poll, suggesting that 24% of the respondents planned to emigrate, meaning that one in every four Hong Kongers intended to leave. The intention to emigrate among non-democracy supporters also rose by 5% from the previous poll conducted six months earlier. The results suggest that should there be further tightening of freedom and human rights in Hong Kong, more Hong Kongers would choose to “vote with their feet.”

4. Judicial independence and impartiality are met with increasing skepticism; the confidence in Hong Kong’s rule of law is shaken among

Hong Kongers and foreign business communities

An independent judiciary and healthy rule of law are the cornerstones of Hong Kong's status as an international financial hub. The Hong Kong government has repeatedly denied that the Hong Kong National Security Law has eroded judicial justice, but its related actions remain closely scrutinized by the outside world.

On July 27 last year, Hong Kong's High Court announced the conviction of Tong Ying-kit, the first person charged under the Hong Kong National Security Law, for inciting others to secession and terrorist activities; on July 30, Tong was sentenced to 9 years in prison. Tong's case also marked the first case where a bail was denied on grounds of "presumption of guilt," the first case where a national security-themed trial was proceeded without a jury, and the first case where the trial was jointly held by 3 judges hand-picked by the chief executive to preside over national security cases, making for repeated violations of Hong Kong's judicial conventions. Critics disapproved of the judges' arbitrary decisions that Tong's use of a flag reading "Liberating Hong Kong, revolution of our times" equaled promoting "Hong Kong independence," that his action of driving a motorcycle into police officers amounted to terrorist activity, and that the sentence imposed on him was even harsher than those passed on to other defendants involved in the anti-"extradition (to China)" Bill movement and to some Chinese human rights activists.

Official reports on the situation in Hong Kong issued by the UK and US raised concerns about certain provisions in the Hong Kong National Security Law being abused and weaponized in politically-motivated charges and about the impartiality of the national security judges' trial decisions as they were hand-selected by Hong Kong's chief executive to hear cases charged under the Hong Kong National Security Law. In several high-profile national security-related cases, many Hong Kong-based foreign diplomats audited in the trial, suggesting their concerns about judiciary independence in Hong Kong. In addition, the annual report released by the US Congressional US-China Economic and Security Review Commission (USCC) in November last

year pointedly criticized the unjust rulings of 3 judges appointed by the chief executive to rule cases involving violations of the Hong Kong National Security Law (i.e. Stanley Chan, Victor So Wai-tak, and Johnson Lam).

On March 30 this year, the British authorities announced that Supreme Court President Lord Robert Reed and Vice President Lord Patrick Hodge would resign from their posts as non-permanent judges of the Hong Kong Court of Final Appeal, effective immediately. Related statements pointed out that if remaining in office, the judges could be misinterpreted as endorsing a regime that has scrapped political freedom and free speech. The CCP accused the UK government of political manipulation, while the Hong Kong government stressed that the resignation of these judges would not undermine Hong Kong's judicial independence. According to media reports, among the 10 remaining foreign non-permanent judges, 9 expressed no intention to resign and 1 abstained on declaring a position. The future personnel dynamics of the foreign judges will be worth watching.

The Hong Kong media have also observed that the progress of prosecution and trials of the cases related to the anti-“extradition (to China)” Bill” protests remains slow. About 121 people were not prosecuted until two years after the incident, and at least 323 people were brought to their first trial over a year after the incident (with some cases not charged until 3 years later). Many of these protesters were charged with illegal assembly by the Hong Kong Department of Justice and were immediately jailed for an average of 12 months, much harsher than the sentences pronounced to those convicted with the same charge prior to 2011. The Hong Kong government might have been calculating that harsh sentences would serve as effective deterrence, but such punishments have only backfired as they damaged the international community’s confidence in Hong Kong’s human rights protection under its current rule of law.

According to a poll conducted by the Hong Kong Public Opinion Research Institute, the people of Hong Kong rated the rule of law in Hong Kong at only 4.4 points (out of 10) in March this year, down from 7.2 points in 1997. In a survey conducted by the American Chamber of Commerce in

Hong Kong at the beginning of this year, 68% of the respondents believed that the rule of law in Hong Kong had deteriorated over the past 12 months; nearly half of the respondents had no confidence in Hong Kong's rule of law today. These results serve as a serious warning to the CCP and the Hong Kong government.

5. The international community remains highly concerned about the situation in Hong Kong and continues to roll out countermeasures in response

The UK released the "Six-monthly Report on Hong Kong" on March 31 this year, indicating that while some differences still remain between Hong Kong and mainland China, the CCP's persistent tightening and redefinition of the key elements of "two systems" in Hong Kong have undermined Hong Kong's high degree of autonomy, compromised the "one country, two systems" framework, and driven increasing homogeneity between the governance and systems in Hong Kong and in mainland China. The "2022 Hong Kong Policy Act Report" released by the US on the same day recognized that Hong Kong still retains freedom in areas such as trade, currency, green finance, and climate policy; however, it noted that despite Hong Kong's ability to participate in several international organizations, it tends to conform to the CCP's political agenda through obstructing Taiwan's meaningful participation in and assumption of leadership roles in the World Trade Organization (WTO), indicating the weakening of Hong Kong's autonomy in international participation.

The EU released its "2021 Annual Report on Hong Kong" on May 20 this year, concluding that the implementation of the Hong Kong National Security Law has had a greater impact than the bloc had anticipated. It said that Hong Kong has shifted towards authoritarianism and its democracy has suffered from serious regression. The report also criticized the Hong Kong government for its draconian pandemic control measures that have taken a toll on Hong Kong's status as an international hub and on its official exchanges with the EU.

International responses to the situation in Hong Kong have gone beyond

the aforementioned warnings on business risks in Hong Kong issued by the US and the resignation of the president and vice president of the UK Supreme Court as non-permanent judges of the Hong Kong Court of Final Appeal. On July 7 last year, US President Joe Biden announced that he would extend the cancellation of preferential treatment for Hong Kong; on March 16, the US sanctioned 7 deputy directors of the Liaison Office, bringing the total number of mainland Chinese and Hong Kong officials on the sanction list to 42. In a retaliatory move, on the 23rd of that month, the CCP imposed sanctions on 7 US officials and entities, including former US Secretary of Commerce Wilbur Ross and the Hong Kong Democracy Council (HKDC).

At the same time, major countries have continued to strengthen policies and measures to assist Hong Kong. For instance, US President Biden signed a memorandum on August 5 last year as a directive for the State Department and the Department of Homeland Security to roll out appropriate measures to postpone the repatriation deadlines of Hong Kongers to a maximum of 18 months through providing jobs or student visas. Meanwhile, The British government unveiled a visa policy relaxation on February 24 this year to allow Hong Kong residents born after 1997 and with at least one parent holding the British National (Overseas) passport (BNO) to submit an independent application for a BNO, effective from October this year. In another instance, the Australian government promulgated the "Migration Legislation Amendment (Hong Kong) Regulations 2021" on October 29 last year to set up the "Hong Kong stream," a brand-new visa application channel devoted to Hong Kongers. This law stipulates a lower threshold for permanent residence visa applications for Hong Kong residents holding Australia's Temporary Work (Skilled) visas, Temporary Skill Shortage visas, or Temporary Graduate visas, effective from March 5 this year.

In addition, the legislatures of major countries have continued to advocate for escalating sanctions and shoring up policies to assist Hong Kong. For example, on January 20 this year, the European Parliament passed a resolution on "Violations of Fundamental Freedoms in Hong Kong," calling on the EU to sanction relevant officials and re-examine whether to allow Hong Kong to retain

an independent membership in the WTO. On February 4, the US House of Representatives passed the “America COMPETES Act of 2022,” whose Hong Kong-related provisions include granting refugee and immigrant status to Hong Kongers, promoting democracy in Hong Kong, and ensuring a free Internet; on March 28, the US Senate passed its version of the bill, “the US Innovation and Competition Act,” whose Hong Kong-related provisions involve maintaining Hong Kong's free Internet, supporting Hong Kong's independent media as a means to combat CCP disinformation, and preventing mainland China from circumventing US laws and regulations through Hong Kong. In addition, members of the US Congress sent a letter to President Biden in early May, asking that the White House extend its Hong Kong-related sanctions to the personnel involved cases charged under the Hong Kong National Security Law, including the judges hand-picked by the chief executive to hear national security cases and related prosecutors in these cases.

Hong Kong was once an important hub for international NGOs in Asia, a status that has been gradually compromised due to the spiraling political impact of the Hong Kong National Security Law. The Hong Kong branch of Amnesty International, which has operated in Hong Kong for over 40 years, announced on October 25 last year a phased closing of its two offices in Hong Kong due to restrictions to their activities and potential risks to its staff following the implementation of the Hong Kong National Security Law. Furthermore, according to media reports, numerous international NGOs in Hong Kong have been inspected by the Hong Kong government about their activities years ago, something they deemed highly unusual. Observers believe that a further deterioration of the situation could prompt more international NGOs in Hong Kong to withdraw or further scale down their operations.

6. The CCP asserts that it enjoys “comprehensive jurisdiction” over Hong Kong's high degree of autonomy; CCP offices in Hong Kong engage in hands-on operations locally and seek to accelerate the strategy for mainland China-Hong Kong integration

A retrospective of the CCP's principles regarding its governance of Hong

Kong reveals an evolution from "no interference" in the wake of Hong Kong's handover to an emphasis on "comprehensive jurisdiction" in 2014. Today, the discourse and practices of the "one country, two systems" have been given a new look.

The CCP's government work report presented at the 5th meeting of the 13th National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) this year mentioned for the first time that the central government should fully implement its comprehensive jurisdiction and "patriots ruling Hong Kong (and Macao)." In a meeting with members of the National Committee of the CPPCC of the Hong Kong SAR, Director of the Hong Kong and Macao Affairs Office Xia Baolong further explained that the implementation of comprehensive jurisdiction does not mean that the central government will take over the ruling position of the Hong Kong government but that it will provide timely guidance and opinions on matters critical to Hong Kong's development, stability, and security with a dear wish that the Hong Kong government would carry out the suggestions firmly.

CCP leader Xi Jinping visited Hong Kong on June 30 and July 1 this year, during which time he addressed the 25th anniversary of the Hong Kong handover and inauguration of the 6th Chief Executive. In his speech, Xi proposed the "four musts" (fully and accurately implementing the "one country, two systems" principle; ensuring a good alignment between comprehensive jurisdiction and a high degree of autonomy; carrying out "patriots ruling Hong Kong;" and maintaining Hong Kong's special status and advantages) and "four hopes" (enhancing governance standards, strengthening development momentum, resolving livelihood concerns, and maintaining harmony and stability). Xi also pronounced that the core spirit of the "one country, two systems" involve two ruling principles, namely "(the CCP enjoying) 'comprehensive jurisdiction' (over Hong Kong's) high degree of autonomy" and "patriots ruling Hong Kong." To the CCP, once the system and its operational mechanism are defined this way, the authorities can naturally allow the "one country, two systems" to go beyond staying "unchanged for 50 years" and in reality remain "unchanged for a long time to come."

The increasingly hands-on operations of CCP offices in Hong Kong have also become the "new normal" in the past year. At the end of September last year, the Liaison Office Director Luo Huining and 80% of his staff made high-profile visits to the grassroots, communities, campuses, and businesses to collect over 6,000 comments, which they then submitted to the Hong Kong government for handling. At the height of the COVID-19 pandemic in Hong Kong at the start of this year, Luo Huining convened a special meeting to mobilize all sectors of the society and presented 16 measures to support the Hong Kong government's pandemic control. Additionally, former chief of staff of the Xinjiang People's Armed Police (PAP) Peng Jingtang took over as the head of the People's Liberation Army (PLA) Hong Kong Garrison in January this year. Considering the fact that this was the first time that the position was given to a former armed police officer (the post has traditionally gone to military generals of the PLA) and that the CCP and the Hong Kong government have put increasing emphasis on anti-terrorism crackdowns, critics have shown concerns over the increasingly high-profile presence of the PLA in Hong Kong going forward.

This year marks the 3rd anniversary of the release of the "Guangdong-Hong Kong-Macao Greater Bay Area (GBA) Development Plan." The CCP claimed that the gross domestic product (GDP) of 11 GBA cities reached RMB12.63 trillion, up 11.2% compared with the number from three years ago; they also said that breakthroughs have been seen in technological innovation, openness to the global community, digital economy, modern industry, culture, ecology, and other aspects. Over the past year, the CCP has launched pilot zones one after another to promote the Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao GBA as part of its "Plan for Comprehensive Deepening Reform and Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone." These policies are all aimed at boosting regional economic integration and the coordinated development of Guangdong and Hong Kong. However, according to the "GBA Business Confidence Index," a survey conducted by the Hong Kong Trade Development Council and Standard Chartered Bank, local business confidence has declined for three consecutive quarters since the second half of last year,

with Hong Kong being the worst-performing market in the GBA.

Some statistics have also reflected an apathetic reaction of Hong Kongers to the “GBA Youth Employment Scheme” launched by the Hong Kong government given that as of April this year, the plan had only recruited 344 people, a number considerably smaller than anticipated by local officials. Despite the alienation, the CCP still pressed on with the inclusion of more political requirements in related measures. For example, the Guangdong-Hong Kong-Macao GBA Bar Examination requires Hong Kong and Macao examinees to submit a letter of commitment to the Basic Law and be tested on “Xi Jinping’s Thought on the Rule of Law” upon registration. In June this year, nine GBA cities each issued their own “Working Guidelines for Legal Practitioners Application in the Guangdong-Hong Kong-Macao GBA,” where they specified requirements such as upholding the PRC Constitution and the Basic Laws of Hong Kong and Macao. The future developments of such a regional governance strategy, charged with multiple tasks including pulling Hong Kong and Macao closer to mainland China, promoting integration, and facilitating “connections with the world” of mainland Chinese cities, remains to be seen.

7. Taiwan continues to closely watch the situation in Hong Kong, pragmatically promote exchanges and assistance to Hong Kong, and strengthen risk control and contingency measures in an effort to safeguard the interests of the nation and the people

Our government has always adhered to the principle of mutual benefit and reciprocity in our promotion of positive Taiwan-Hong Kong relations and people-to-people exchanges in various sectors. In 2021, the total trade volume between Taiwan and Hong Kong reached US\$64.6 billion, up 28.8% over the previous year. Taiwanese investment in Hong Kong amounted to approximately US\$260 million, while Hong Kong’s investment in Taiwan totaled about US\$330 million. In 2021, due to the COVID-19 pandemic and border controls, only about 2,500 Taiwan tourists visited Hong Kong and about 9,600 Hong Kong tourists visited Taiwan. However, in the same year, a record-high 11,173 Hong Kong residents obtained Taiwan residence permits. During the 2021 academic year,

a total of 11,503 Hong Kong and Macao students were enrolled at schools in Taiwan, of which 9,011 came from Hong Kong and 2,492 from Macao. The total number of students from Hong Kong and Macao surpassed the number of overseas Chinese students from other countries.

The Taiwan-Hong Kong official relations have been suspended due to factors such as the state of cross-Strait relations and the conservative mindset of the Hong Kong government. Taiwan faced difficulties in stationing officers in the Taipei Economic and Cultural Office (TECO) in Hong Kong, but we adjusted the office's operations in order to continue providing related services with our best efforts. Unfortunately, on August 26 last year, the pro-China media outlet Ta Kung Pao sought to create psychological pressure and undermine morale for our local hires by falsely accusing Taiwan of using them as "agents" to continue with our meddling in Hong Kong affairs. Moreover, the Hong Kong government warned that celebrating the Double Tenth Day in Hong Kong would constitute a violation of the Hong Kong National Security Law to maintain its governance principle of stifling freedom and democracy. Our government remains committed to our initial promise of protecting the rights and interests of the people and will therefore continue to provide service to the public through TECO in Hong Kong. We also call on relevant parties to refrain from imposing irrational pressure as it will only cause harm and provide no benefit to themselves.

Despite the difficult external environment, we have been doing our utmost to pragmatically promote the economic, trade, and cultural exchanges between Taiwan and Hong Kong. In the past year, the Mainland Affairs Council (MAC) and Taiwan-Hong Kong Economic and Cultural Co-operation Council (THEC) co-organized numerous events, including the Taiwan-Hong Kong Economic and Trade Forum, the Taiwan-Hong Kong Investment Experience and Cultural Exchange Seminar, the Hong Kong Cultural Lecture, the Hong Kong and Macao Students Multicultural Exploration and Visits, and the Taiwan Entrepreneurship Symposium. These events have served as a vibrant platform for the Taiwan-Hong Kong exchanges in the industry, arts, and cultural sectors, and are highly helpful for enhancing our mutual understanding and cooperation.

Facing the changes in Hong Kong's situation, our government has continued to provide assistance to the democracy- and freedom-loving Hong Kongers in line with other major countries. Related efforts include the Ministry of Education passing amendments to the "Regulations for Hong Kong and Macao Residents Studying in Taiwan" on April 25 this year to allow Hong Kong and Macao students to enroll at high schools and five-year colleges in Taiwan. On June 13 this year, the Ministry of the Interior announced amendments to the "Regulations Governing Permits for Hong Kong and Macao Residents Entering the Taiwan Area and Setting up Residence or Registered Permanent Residence in R.O.C" in line with the promulgation of the "Recruitment and Employment of Foreign Professional Talent." This set of amendments include provisions recognizing "seeking employment" as a cause for extending their residence permission for up to one year.

In addition, the THEC's Taiwan-Hong Kong Office for Exchanges and Services continues to provide consultation and assistance services on a case-by-case basis for Hong Kongers coming to Taiwan for education, employment, investment, entrepreneurship, immigration, and residency. The office also actively follows up on the relocated Hong Kongers' school life, work life, and general living circumstances and provides assistance to their problems. Additionally, with national security in mind, our government pragmatically handles affairs pertaining to humanitarian assistance and care for Hong Kong people under existing laws and regulations and through public-private partnerships. Our government also continues to strengthen cooperation with local governments at the municipal and county level to improve service networks for Hong Kongers in Taiwan to help them adapt to and integrate into Taiwan as soon as possible.

Given the tightening of CCP control over Hong Kong, our government has also strengthened several review mechanisms to enhance risk control. Our government amended the "National Security Act" in May this year, stipulating that any person may not infringe on national core technology for a foreign country, mainland China, Hong Kong, Macau, foreign hostile forces, or various organizations, institutions, or groups established or substantially controlled by

them or the persons dispatched by such organizations, institutions or groups. Articles 40-1 and 93-1 of the “Cross-Strait Act” were amended to prevent the infiltration of mainland Chinese capital into Taiwan via Hong Kong and Macao. In the future, the government will continue to closely watch developments in Hong Kong. Once detecting any risks to national security or to Taiwan citizens’ rights and interests, our government will immediately activate or amend relevant laws and regulations or make all necessary responses. Our government pledges to safeguard national sovereignty, people's well-being, and our overall interests.

II. Appendix — Major Events in the 25th Year since Hong Kong's Handover

2021.7~2022.6

Date	Event
2021.7.1	The July 1 protest march was banned by the police for the second year. That evening, Leung Kin-fai, a Hong Kong native, stabbed a police officer in the left shoulder with a knife outside the Sogo Department Store in Causeway Bay. He immediately committed suicide by stabbing himself in the chest. Security for Secretary Chris Tang described the incident as a "lone wolf-style local terrorist attack."
2021.7.2	City residents laid flowers at the scene in mourning for Leung Kin-fai. Chief Secretary for Administration John Lee denounced the flower memorial as an act of "glorifying, approving, and even encouraging terrorist activities."
2021.7.5	The Wall Street Journal reported that Facebook, Twitter, Google, and other companies privately sent letters to the Hong Kong government warning that if the Hong Kong government continues legislation to amend the "Privacy Ordinance," they may suspend services to Hong Kong to protect employees from criminal penalties.
2021.7.21	The National Security Department of the Hong Kong Police Force arrested Apple Daily's former executive editor-in-chief Lam Man-Chung Lin on charges of "conspiracy to collude with foreign forces or foreign forces to endanger national security." On the same day, it revoked bail arrangements for the paper's former associate publisher Chan Pui-man and former editor-in-chief of the English news section Fung Wai-kong.
2021.7.22	The National Security Department of the Hong Kong Police Force arrested five members of the "General Union of Hong Kong Speech Therapists" on suspicion of conspiring to publish seditious publications.
2021.7.28	Financial Secretary Paul Chen announced that he would investigate the affairs of Next Media's under the Companies Ordinance.
2021.7.31	Xinhua News Agency and People's Daily published a commentary describing the Hong Kong Professional Teachers' Union as a "cancer" that needs to be eradicated. On the afternoon of the same day, the Education Bureau announced the termination of its work relationship with the Teachers' Union.
2021.8.1	The Security Bureau amended the Immigration Ordinance to empower the Director of Immigration to prohibit anyone from entering or leaving Hong Kong.
2021.8.10	The Hong Kong Professional Teachers' Union announced its dissolution.
2021.8.15	The Civil Human Rights Front issued a statement announcing

	its dissolution.
2021.8.18	The “612 Humanitarian Relief Fund” announced that it will cease operations in an orderly manner.
2021.8.25	The Police Force sent a letter to the Hong Kong Alliance in Support of Patriotic Democratic Movements of China demanding that it provide information under Schedule 5, Article 43 of the National Security Law.
2021.8.26	The Candidate Eligibility Review Committee determined that Cheng Chung-tai's proposed registration for the Election Committee was invalid and disqualified him from serving as a member of the Legislative Council. Cheng lost his Legislative Council membership qualifications on the same day and was prevented from running for election for the next five years.
2021.9.3	Civic Passion Chairman Cheng Chung-tai announced in social media that Civic Passion would be dissolved effective today.
2021.9.5	Next Media announced the resignation of all company directors.
2021.9.8	The police arrested Hong Kong Alliance in Support of Patriotic Democratic Movements of China Vice-Chairwoman Tonyee Chow Hang-tung and standing committee members Leung Kam-wai, Tang Ngok-kwan, and Chan Dor-wai.
2021.9.11	The Hong Kong Professional Teachers' Union pass its dissolution proposal in a special annual meeting
2021.9.19	<ul style="list-style-type: none"> ■ Hong Kong held the Election Committee elections. ■ Hong Kong Confederation of Trade Unions activated the process of dissolution
2021.9.20	Officers of the National Security Department of the Hong Kong Police Force arrested Student Politicism Convenor Wong Yat-chin, Secretary-General Chan Chi-sum, and former spokeswoman Jessica Chu on charges of "conspiracy to incite subversion of state power."
2021.9.23	In an interview with Sing Tao Daily, Secretary for Security Chris Tang said that the intent to divide Taiwan from China by any person is a serious crime. When asked whether it would constitute an illegal act for citizens to raise or hoist the “ROC flag,” he said that such situations would be handled according to individual circumstances.
2021.9.29	The Secretary for Security froze the property and bank accounts of the “June 4th Museum” of the Hong Kong Alliance in Support of Patriotic Democratic Movements of China.
2021.10.3	The Trade Union held a special general meeting to pass a dissolution proposal.
2021.10.10	Police erected fencing in Tuen Mun Chung Shan Park and Red House to prevent public access.
2021.10.27	The Legislative Council passed the Film Censorship (Amendment) Ordinance bill.
2021.11.11	Ma Chun-man was sentenced to five years and nine months in prison for inciting secession.
2021.11.2	Former Studentlocalism Convenor Tony Chung was sentenced

3	to 43 months in jail for sedition and money laundering.
2021.12.19	The Legislative Council election was held, with a 30.2% turnout, the lowest since the council's formation in 1991.
2021.12.22	<ul style="list-style-type: none"> ■ Li Keqiang and Xi Jinping met successively with Hong Kong Chief Executive Carrie Lam during a debriefing in Beijing. ■ The University of Hong Kong demolished the Pillar of Shame and expelled students and some journalists.
2021.12.24	The Chinese University removed the statue of the Goddess of Democracy and Lingnan University removed the June Fourth relief.
2021.12.29	The National Security Department of the Hong Kong Police Force arrested six former and current executives of Stand News. Stand News announced that it would immediately cease operations and dismiss all employees.
2022.1.2	Hong Kong Citizen News announced that it would suspend operations from January 4.
2022.1.5	The Hong Kong government announced the tightening of COVID prevention measures, including a city-wide ban on restaurant dining after 6 pm.
2022.1.6	The chief executive expressed his disappointment over the media's revelation that Secretary for Home Affairs Caspar Tsui and other officials attended a birthday party where guests had tested positive for COVID.
2022.1.20	Following the Chinese University of Hong Kong and University of Hong Kong, the Education University of Hong Kong announced that it would no longer recognize the status of student unions.
2022.1.31	Secretary for Home Affairs Caspar Tsui resigned for attending a birthday party with COVID-positive guests.
2022.2.4	Chief Executive Carrie Lam described the COVID situation as the worst in two years.
2022.2.16	Xi Jinping ordered the Hong Kong government to take responsibility for COVID prevention.
2022.2.17	The police asked the disbanded Trade Union to submit information on the organization's operations, revenue, and expenditures.
2022.2.18	Chief Executive Carrie Lam announced that the chief executive election will be postponed to May 8.
2022.3.5	June 4 slogans at the University of Hong Kong's "Tai Koo Bridge" disappeared.
2022.3.14	The first group of 75 medical personnel from mainland China arrived in Hong Kong.
2022.4.4	Carrie Lam said she would not run for re-election as chief executive.
2022.4.6	John Lee resigned as Chief Secretary for Administration and announced he would run for Chief Executive.
2022.4.11	Allan Au, a professional consultant of the School of Journalism and Communication at the Chinese University of Hong Kong was arrested by the National Security Department of the Hong

	Kong Police Force.
2022.4.25	The Foreign Correspondents' Club, Hong Kong announced the suspension of this year's Human Rights Press Awards.
2022.5.8	John Lee was elected as the only candidate for chief executive with 99% of the vote.
2022.5.11	"612 Humanitarian Relief Fund" trustee Margaret Ng and others were arrested on suspicion of colluding with foreign forces.
2022.5.30	Li Keqiang and Xi Jinping met with John Lee and presented him a certificate of appointment.
2022.6.4	The police said that five men and one woman were arrested in Causeway Bay and Victoria Park.
2022.6.15	The Legislative Council passed the resolution under the sixth-term government restructuring plan to change the government organization from three departments and 13 bureaus to three departments and 15 bureaus.
2022.6.19	The CCP State Council appointed key officials of the sixth-term government of Hong Kong.