

Analysis Report: 26 Years After Hong Kong's Handover

Mainland Affairs Council

July 2023

- **The Hong Kong government proactively implements the "Hong Kong ruled by the party" policy of the CCP Central Committee, but public satisfaction with government performance hits a record low**
- **"National security concepts" intrude into economic activities; international organizations and agencies express concerns over the impact on the free flow of information and urge caution in investment**
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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 26th in a series of such regular reports, covering an observation period from July 2022 to June 2023.

I. Overall Review and Analysis

Over the past year, "national security" remained the central focus of the Chinese Communist Party's (CCP's) Hong Kong policy. The development of all aspects in Hong Kong was dominated and constrained by national security thinking and related provisions. This includes the reorganization of CCP working units in Hong Kong that highlights "Hong Kong ruled by the party"; Hong Kong's grassroots groups operating increasingly in the style of "neighborhood committees"; the introduction of "national security provisions" in economic activity; restrictions on books, gatherings, marches, and communication that provoke voices of dissent; interference in court jurisdiction through legal interpretations by the National People's Congress (NPC); and prison administration similar to the CCP's treatment of political prisoners. These developments all advanced the "mainlandization" of Hong Kong.

In terms of political operations, the CCP decided to establish the Central Office for Hong Kong and Macao Affairs directly under its Central Committee, while also retaining in name the Hong Kong and Macao Affairs Office of the State Council, a move that conspicuously signals "Hong Kong ruled by the party." Moreover, in line with the CCP's demand that "patriots rule Hong Kong," members of the executive and legislative branches were required to be "patriots" recognized by the CCP. This facilitated the smooth passage of policies and measures, but was also criticized for undermining legislative oversight and harming the people's rights.

Public opinion viewed the Hong Kong government's plan to reform the district council system as an attempt to copy mainland China's neighborhood committee model, denouncing the move as a setback for democracy.

In terms of the operation of economic systems, international organizations continued to affirm Hong Kong's position as an international financial center. Hong Kong also retained its ranking as the world's freest economy for the 27th consecutive year. However, the "exodus of multinational companies from Hong Kong and inflow of mainland Chinese companies" continued. Moreover, the recent introduction of "national security provisions" in government land tenders and school bids have empowered the Hong Kong government to disqualify bidders or terminate contracts on "national security" grounds. This has severely impacted the stability and predictability upon which free economic systems depend and also affected international confidence in the rule of law and business environment in Hong Kong.

The CCP and the Hong Kong government claim that Hong Kong's National Security Law has helped Hong Kong "transition from chaos to order and from order to prosperity." However, the rights and freedoms expressly guaranteed under the Hong Kong Basic Law--including the freedoms of speech, publication, press, association, demonstration, and academics--remained suppressed. Indicators of civil rights in Hong Kong in various international assessments have declined significantly, in some cases falling to the lowest ranking of "very bad." Critics have noted that, despite individual judges and judicial officers' efforts to protect judicial independence by commuting sentences, overturning judgments, and other actions, the Hong Kong government's plans to revise the Criminal Procedure Ordinance to allow appeals in cases under the National Security Law and the overturning of judgments by the Court of First Instance show the CCP's mistrust of Hong Kong judges and desire to convict all dissenters.

The international community continued to follow the situation in Hong Kong and impose a series of sanctions. Reports and resolutions from the United Kingdom (UK), United States (US), European Union (EU), and United Nations (UN)

have called for the immediate release of Jimmy Lai and other political prisoners held in Hong Kong, pushing for the repeal of the Hong Kong National Security Law, and pressing their respective governments to sanction Hong Kong officials and judges who have persecuted human rights activists. Additionally, the US extended the suspension of preferential treatment for Hong Kong. The US Congress urged the White House to re-examine the status and privileges enjoyed by the Hong Kong Economic and Trade Office in the US and cancel Hong Kong's independent voting rights in international organizations. The European Parliament also added Hong Kong to its human rights watch list for the first time.

In the area of mainland China-Hong Kong relations, the executive branches of both sides have responded positively to Xi Jinping's directives on actively aligning with the 14th Five Year Plan and development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). They successively introduced measures on regional integration, renminbi (RMB) operations in Hong Kong, and personnel exchanges. Nevertheless, initiatives in other areas, including sending mainland Chinese medical staff to aid Hong Kong and incorporating Hong Kong into mainland China's organ transplant system, have been met with public opposition. Polls further indicate that the GBA and other policy measures to integrate Hong Kong and mainland China still fail to resonate with Hong Kong residents.

In terms of Taiwan-Hong Kong relations, the Republic of China (Taiwan) government maintained various exchanges between Taiwan and Hong Kong under the principle of reciprocity and mutual benefit. In 2022, total trade between Taiwan and Hong Kong reached US\$66.2 billion, up 2.5% over the previous year, making Taiwan Hong Kong's second biggest trading partner and Hong Kong Taiwan's fourth largest trading partner. Furthermore, starting from 9:00 am on February 20, 2023, Taiwan resumed processing online applications by Hong Kong and Macao for temporary entry permits to promote healthy and orderly exchanges after the COVID-19 pandemic. Between January and May of 2023, there were more than 300,000 tourist arrivals from Hong Kong, making the city the biggest source of inbound visitors to Taiwan.

Taiwan arranged various activities to care for and serve Hong Kong people in Taiwan through public-private partnerships and cooperation between the central and local governments. The government also actively assisted in the handling of emergency relief affairs for Hong Kong people in Taiwan. In response to the situation in Hong Kong, the Republic of China (Taiwan) government has been pragmatically promoting Taiwan-Hong Kong exchanges, maintaining the operations and public service functions of its institutions in Hong Kong, strengthening risk controls and contingency measures, and protecting national security and the people's welfare. It will also follow a consistent position and continue to promote relevant work on the existing basis.

The overall developments on the 26th year since the handover of Hong Kong (July 2022 to June 2023) are presented with analysis below:

1. The Hong Kong government proactively implements the "Hong Kong ruled by the party" policy of the CCP Central Committee, but public satisfaction with government performance hits a record low

In a speech delivered in Hong Kong on July 1 last year, Xi Jinping said that, "It is essential that patriots rule in the Hong Kong Special Administrative Region (HKSAR) to ensure Hong Kong's long-term security." The replacement of the pledge on "Hong Kong governed by Hong Kong people" with "patriots ruling Hong Kong," along with the introduction of a new election system and the Candidate Eligibility Review Committee, has created the present situation in which the positions of Hong Kong Chief Executive and members of the Legislative Council are all held by "patriots" recognized by the CCP, fundamentally altering the political landscape in Hong Kong.

First, in response to Xi Jinping's directive to "effectively resolve the people's concerns and difficulties" during his visit to Hong Kong on July 1 last year, Chief Executive John Lee and his team established more than 100 performance appraisal indicators and formed relevant working groups focused on local issues

such as poverty, housing, land, and community operations. These measures were supplemented by the newly-established "Front Office Exchange Meeting" mechanism to strengthen executive and legislative exchanges and ensure quick passage of Hong Kong government policies and bills by the Legislative Council. However, critics questioned whether this sidesteps the supervisory power of the Legislative Council to the detriment of the people's rights and interests.

Secondly, Chief Executive Lee focused on maintaining national security in his first policy address and proposed the formation of district services and community care teams. However, outside parties voiced concerns that the authorities' purpose is to absorb establishment groups, replicate mainland China's neighborhood committee model, replace district councils, and stifle grassroots democracy. The Hong Kong government's proposed plan to reform the district council system would dramatically reduce the system's democratic component, create the new obstacle of a qualification review, strengthen the administrative control of the Hong Kong government, and ensure that "patriots rule Hong Kong." Critics worried that such changes suggested a major regression of democracy in Hong Kong and reduced the District Council to mere "window dressing of democracy." This difficult environment for pan-democrat parties has forced the Democratic Party, Hong Kong's largest political party, to downsize, and the Civic Party, Hong Kong's second largest political party, to announce its dissolution.

The "patriots ruling Hong Kong" system has also radically altered the pledge of a "high degree of autonomy" under "one country, two systems." During a six-day visit to Hong Kong in April this year, Deputy Leader of the CCP's Central Leading Group on Hong Kong and Macao Affairs and Director of the State Council's Hong Kong and Macao Affairs Office Xia Baolong participated in 36 inspection activities that were unprecedented both in duration and scale. During this trip, Xia was not only briefed by the Hong Kong government but participated in discussions at the Legislative Council. He emphasized the "executive-led" "cooperation of the three powers" advocated by Xi Jinping. Commentators noted that Xia Baolong redefined the role of the Legislative Council to further align with

the legislative bodies in mainland China. In May, Commissioner of the CCP Ministry of Foreign Affairs in Hong Kong Liu Guangyuan chaired a symposium at the Legislative Council, where he explained the CCP's foreign policy and the current international situation.

A month before Xia Baolong's inspection trip to Hong Kong, the CCP Central Committee and State Council announced a "Party and State Institutional Reform Plan" that restructures the Hong Kong and Macao Affairs Office of the State Council, originally a functional office of the State Council, as the Hong Kong and Macao Work Office directly subordinate to the CCP Central Committee. The move conspicuously signaled to the people of Hong Kong the arrival of the political reality of "Hong Kong ruled by the party." The fact that Xia Baolong and Liu Guangyuan were the first two CCP Central Committee officials to meet with Legislative Council members in the council chamber was another proof of "Hong Kong ruled by the party." Chief Executive Lee responded positively to this development and led cabinet members and Legislative Council members on several visits to mainland China and the GBA.

The CCP and Hong Kong government have both claimed that Hong Kong's "transition from chaos to order and from order to prosperity," a statement that signals confidence and satisfaction over the political developments in Hong Kong. Moreover, NPC Spokesperson Wang Chaogeng cited a public opinion survey indicating that 75.7% of Hong Kong residents are satisfied with the results of the implementation of the National Security Law. However, the Hong Kong public and international community have differing views on political developments in Hong Kong. A poll released by the Hong Kong Public Opinion Research Institute in May showed negative scores for public satisfaction over the political, livelihood, and economic situation in Hong Kong; the level of concern over political issues also fell to an eight-year low of just 5.81 points out of 10. Scholars concluded that the authorities have portrayed a purely positive image in disregard of public opinion, leading the people to "lie flat."

In its 2022 People Power Under Attack report, international group Civicus Monitor reduced Hong Kong's status on civil rights from "repressed" to the lowest rank of "closed," citing comprehensive controls under the National Security Law. In the Global Democracy Report issued by Sweden's University of Gothenburg, Hong Kong's ranking dropped 16 places to 139th overall, and from 134th to 162nd place on the report's Electoral Democracy Index, making it 18th from the bottom globally. The report also included Hong Kong among regions where democratization has stopped.

2. "National security concepts" intrude into economic activities; international organizations and agencies express concerns over the impact on the free flow of information and urge caution in investment

In April this year, Xia Baolong visited Hong Kong and delivered a speech at the opening ceremony and a thematic lecture for National Security Education Day. He expressed the "hope to see Hong Kong continue the daily activities of hosting exhibitions, conducting technological innovation, driving economic growth, horse racing, dancing, stock trading, and wealth accumulation." Hong Kong maintains its independent tariff and free trade systems, maintains linked exchange rate system with the US dollar, and remains the world's largest offshore RMB clearing center.

However, over the past three years, global economic growth has slowed under the combined impact of the COVID-19 pandemic and geopolitical tensions. Hong Kong responded to the pandemic with strict prevention measures that, according to Natixis, led to estimated economic losses of US\$27 billion, equal to 7% of Hong Kong's GDP in 2018. With mainland China abandoning its "zero-COVID" policy and reopening borders with Hong Kong, the city resumed holding international activities and saw a recovery in inbound travel. This reduced the unemployment rate from a peak of 5.4% to 3%, with inflation remaining at a moderate level. Nevertheless, Hong Kong continued to face a challenging economic environment due to the sluggishness of mainland China's economic

recovery, persistent US-China confrontation, and rising geopolitical tensions. Given its flagging economy, the Hong Kong government forecast a fiscal deficit of over HK\$100 billion in the 2022-2023 fiscal year, the second-highest fiscal deficit in Hong Kong's history. The Financial Secretary of the Hong Kong government admitted that Hong Kong's success in achieving a projected economic growth of 3.5% to 5.5% this year remains to be seen.

In May this year, the International Monetary Fund issued an assessment report noting Hong Kong's sound institutional framework, ample capital, and progressively recovering economy as COVID-19 abates. The report also reaffirmed Hong Kong's position as an international financial center, noting the smooth functioning of the Hong Kong government's high-level management of the financial industry and linked exchange rate system. The Hong Kong government reiterated that Hong Kong remains an important financial center, with no significant changes in the number of overseas companies based in Hong Kong. However, according to data released by the Hong Kong Census and Statistics Department, there were 8,978 overseas companies in Hong Kong in 2022, including 1,411 regional headquarters, slightly fewer than the previous year's 1,457. Among the overseas companies setting up operations in Hong Kong, a majority of 2,144 had parent companies based in mainland China, up 34 compared to the year before and a significant increase of 523 companies in the four years since 2018. Among these companies, 251 were regional headquarters, up from 106 in 2012, constituting 17.8% of the total number of overseas regional headquarters, sharply higher than the 7.2% share in 2011.

At the same time, the number of companies from the US, UK, and other countries establishing operations in Hong Kong continued to fall. The number of regional headquarters set up in Hong Kong by companies with US parents fell from 333 in 2012 to 240 this year. Similar numbers for companies with Japanese parents fell from 244 in 2018 to 212 this year, while companies with UK parents dipped from 141 in 2019 to 134 this year. Scholars have noted that the implementation of Hong Kong's National Security Law has heightened concerns

about the rule of law, legal system, and information flow in Hong Kong, contributing to a trend of "mainland China in, foreigners out" and dimming the outlook for Hong Kong's international status.

In addition, media reports have indicated that the Hong Kong government has introduced national security clauses into land bidding and school contract projects, empowering the government to disqualify bids and suspend contracts on national security grounds. Critics have noted that the broad and vague definition of "national security" has created a high level of uncertainty in the business environment, affecting confidence in Hong Kong's rule of law and operating environment.

Reports from international rating agencies also reflected concern about the introduction of national security concepts in Hong Kong's economic thinking. The 2023 World Competitiveness Yearbook issued by the Institute for Management Development in Lausanne, Switzerland, reduced Hong Kong's overall competitiveness to seventh place, down two spots from the year before. The biggest decline was in the ranking of "Economic Performance," which plunged from 15th place last year to 36th place this year. In the Economic Freedom of the World: 2022 Annual Report issued by Canadian think tank Fraser Institute, Hong Kong continued to top the list for the 27th consecutive year; however, its economic freedom score dropped by 0.28 points from the previous assessment, greater than the global average decline. The think tank attributed the decline to the CCP's implementation of new harsh policies in Hong Kong. The report further noted that Hong Kong's National Security Law has weakened economic and other freedoms in Hong Kong. A report issued by US think tank Atlantic Council on Hong Kong's business environment also observed that the pace of pandemic controls in Hong Kong attests to Beijing's policy influence. Citing the impact of Hong Kong's National Security Law on the free flow of information, the report urged foreign investors to carefully assess investments in Hong Kong.

3. Freedoms of assembly, publication, association, and speech remain suppressed, leading to plunge in Hong Kong's Freedom Index ranking

The world continued to closely watch whether Hong Kong will restore the freedoms of assembly and demonstrations as the city eases and lifts COVID-19 controls. However, Xia Baolong emphasized during his visit to Hong Kong in April this year that "demonstrations are not the only way to express demands for rights and interests," adding that such demands "can easily be hijacked" and "distorted into political issues, leading to social conflicts." Public opinion worried that the rights and freedoms guaranteed in Hong Kong under the Basic Law, such as freedom of speech, publication, news, association, assembly, and academia, will continue to be suppressed.

The Hong Kong Police Force stated that they issued at least 25 "no objection" notices for rallies and marches in March this year and there were up to 10 such events on April 2 alone. However, the police imposed national security provisions in most of these cases, including capping events to 100 participants and requiring that participants display identification numbers, march within designated boundaries, refrain from wearing clothing with sensitive colors, and comply with the Prohibition on Face Covering Regulation and Hong Kong National Security Law. Public opinion has called this "sham freedom" and "sham protests," noting that the requirements are even more stringent than those imposed in mainland China.

The Civil Human Rights Front has held a "July 1" march for 16 consecutive years, attracting a record 500,000 participants in 2003. However, since the Hong Kong National Security Law came into effect, the chairperson and other key leaders of the group have been jailed and the "July 1" march has been suspended. Similarly, memorial gatherings for the Tiananmen Square Incident have not resumed. Some individuals who spontaneously mourned publicly were arrested and investigated by the police.

In the area of publishing, books on social movements were absent from the Hong Kong Book Fair, held mid-year by Hong Kong's publishing industry, as previous publishers of sensitive books were banned from attending. Public and school libraries continued to remove politically sensitive books from their shelves in the name of national security or elimination of illegal books. On campuses, universities have made national security education a mandatory course, and the Education University of Hong Kong went so far as to make field trips to mainland China a mandatory credit. Primary and secondary schools continued to add or modify curricula to promote national identification. People interested in becoming teachers at primary and secondary schools and kindergartens were required to take an examination on the National Security Law. This has had a chilling effect, resulting in self-censorship and weakening innovation and diversity of thought at educational institutions. A recent NPC Standing Committee review of the Patriotic Education Law specified that Hong Kong and Macao must consciously safeguard national unity and ethnic solidarity. The future inclusion of this act in Annex III of the Hong Kong Basic Law and its impact on Hong Kong's education and national identity are aspects worth specific attention.

Regarding the forming of associations, the Hong Kong government's Registry of Trade Unions announced amendments to its Application for Registration of a Trade Union Federation. The new form requires applicants to sign a declaration confirming that the union's objectives and mission are legal and that the union will not engage in actions or activities that "may endanger or be detrimental to national security." Former chairperson of the Hong Kong Confederation of Trade Unions Joe Wong worried that the vague wording and new requirements will force union leaders to exercise a certain degree of self-censorship.

In the area of freedom of speech, the Hong Kong government applied for a court injunction in June this year to prohibit all forms of dissemination of the song "Glory to Hong Kong," a symbol of the protests against the "Extradition (to mainland China) Bill" (hereinafter the "anti-extradition movement"). The move was

interpreted as an attempt to erase elements and the memory of the protests. The purge extended to a column by Zunzi, a political cartoonist published for 40 years in Ming Pao. The Hong Kong newspaper ceased publication of this column in May this year following six public denunciations by the Hong Kong government over the past year. In addition, international news agency The Trust Project also announced it would cease operations in Hong Kong. Transit Jam, a website focused on publicizing transportation and road safety issues, was forced to shutter operations after its founder attempted to conduct a petition during Xia Baolong's visit to Hong Kong in April, leading to police surrounding him and incurring criticism from the pro-China media for "political manipulation in collusion with external forces in Hong Kong." The Hong Kong Public Opinion Research Institute, which police had previously searched in connection with the "pan-democratic primary" case (under charges of "subversion of state power"), announced in June that it would no longer release several sensitive public opinion surveys, including polls conducted since 1997 related to the anniversary of the Tiananmen Square Incident, Hong Kong residents' identification as Chinese nationals, pride in national identity, counselor ratings, and the popularity of the disciplined services. The Hong Kong Journalists Association also announced that, due to political pressure, it would not publish its 30th annual Report on Freedom of Expression, which it had released for 29 consecutive years.

In a media interview this June, Chief Executive John Lee stressed the need to remain vigilant to destructive forces that often operate just within the legal redline by engaging in soft confrontation in various areas. Statistics from the Hong Kong government show that, since the implementation of the Hong Kong National Security Law, a total of 252 individuals have been arrested, with 155 individuals and five companies facing prosecution. Among these cases, 71 have been concluded with a conviction rate of 100%. Among the cases related to the 2019 anti-extradition movement, a total of 10,279 individuals have been arrested, nearly 40% of whom are students. Thirty-three of the individuals failed to appear at the court hearing and are now wanted and 25 individuals jumped bail. Among the other individuals charged, legal proceedings are ongoing for 2,928, while 1,789 will face

legal consequences. More than 6,000 individuals facing charges related to the anti-extradition movement are awaiting prosecution. The court has commuted sentences in 18 cases due to prosecution delays. In 10 cases in which the date of the first arraignment was more than 30 months after the incident, the courts reduced sentences by two weeks to nine months. The Hong Kong government recently notified some of the arrested persons that they will not be prosecuted as political and legal figures advocated that the individuals who committed crimes should be given an opportunity to "turn over a new leaf."

In the 2022 Human Freedom Index jointly published by the US and Canadian think tanks Cato Institute and Fraser Institute, Hong Kong, which ranked first in 2016, fell to 34th place. The city placed 62nd on individual freedoms and fell sharply in rankings for freedom of speech, assembly, and association. The International Human Rights Report for 2022, released by the international organization Human Rights Measurement Initiative, ranked Hong Kong fourth from the bottom among 200 countries on overall civil and political rights, with a score only slightly higher than Vietnam, Saudi Arabia, and mainland China. Of particular note was Hong Kong's rating of "very bad," the lowest level, for freedom of assembly, association, political participation, and freedom of speech. The organization's spokesperson said that, although Hong Kong had improved slightly in terms of arbitrary arrests and torture, this does not indicate a genuine improvement in the city's human rights situation, but rather the "chilling effect" caused by Hong Kong's National Security Law.

4. Legal interpretations by the National People's Congress undermine Hong Kong's judicial independence; controversies over persecution of human rights activists provoke ranking decline in the World Justice Project (WJP) Rule of Law Index

Judicial independence and sound rule of law have been the cornerstones of Hong Kong's status as an international financial center. In the legal case of

Jimmy Lai, Hong Kong Chief Executive John Lee invoked an NPC legal interpretation and Articles 14 and 47 of the Hong Kong National Security Law passed by the NPC Standing Committee on December 30, 2022. This was the sixth NPC interpretation since the handover of Hong Kong and the first interpretation to be applied to the National Security Law. The event attracted significant international attention to the erosion of judicial independence in Hong Kong.

Observers concluded that the interpretation was used to reinterpret the text of the law because developments in the Jimmy Lai case did not align with the CCP's expectations. This was effectively an attempt to nullify the original court verdict, seriously undermining the court's authority and procedural justice. The interpretation also empowers the Chief Executive and the Hong Kong Committee for Safeguarding National Security to intervene in court decisions, akin to the powers of the CCP Central Political and Legal Affairs Commission, gravely compromising Hong Kong's judicial independence. Notably, in subsequent appeals related to the Jimmy Lai case, it became clear that the courts had no jurisdiction over the decisions of the Committee for Safeguarding National Security and that the committee's rulings were immune from judicial review. Through the NPC interpretations, the CCP is steadily consolidating the legitimacy and legality of integrating its legal concepts and systems with the Hong Kong laws to further "mainlandize" Hong Kong's legal system.

There has also been considerable controversy over cases related to "national security," raising questions about the erosion of procedural justice and human rights protections inherent in Hong Kong's judicial system. Firstly, the Hong Kong Department of Justice, citing "foreign interference" among other reasons, mandated that no jury be involved in cases such as the "pan-democratic primary election" and the "Jimmy Lai and Apple Daily Case" (to date, juries have been absent in four other significant cases related to the Hong Kong National Security Law, including the Tang Yingjie, democratic primary election, Jimmy Lai, and Hong Kong Alliance in Support of Patriotic Democratic Movements of China cases).

Public opinion viewed this as a violation of the role of juries in Hong Kong's judicial system, a role clearly protected under the Basic Law, depriving defendants of the right to a fair trial. Furthermore, a case involving the "Sheep Village" children's books marked the first trial conviction for conspiracy to incite subversion in nearly 50 years in Hong Kong. However, the strong political overtones of the judgment raised suspicions of changes in the principle of "presumption of innocence."

International attention has also focused on the human rights issue of long-term detention without bail faced by individuals involved in the anti-extradition movement and national security-related cases. For example, Jimmy Lai has been repeatedly denied bail and held in "pre-trial detention" for nearly three years since his arrest. Hong Kong labor activist Elizabeth Tang could not travel abroad to receive awards as she was released under investigation; Vice-Chairperson of the Hong Kong Alliance in Support of Patriotic Democratic Movements of China Chow Hang-tung failed to receive her awards because she remained remanded in custody. Furthermore, the media has reported that individuals under 21 incarcerated for involvement in the anti-extradition movement are subjected to "voluntary participation" in a "deradicalization" program that includes mandatory psychological counseling, learning Chinese-style marching drills used by the People's Liberation Army (PLA), and learning mainland Chinese history and culture to enhance their sense of national identity. This has sparked allegations of "brainwashing" and criticism that the Hong Kong government is using mainland Chinese methods for prisoners to deal with young political prisoners in Hong Kong.

Though Hong Kong's judiciary faces formidable challenges, as mentioned above, some individual judges and judicial officials have remained dedicated to protecting judicial independence. Examples include the commutation of a sentence for Ma Chun-man in the first appeal case involving the Hong Kong National Security Law; a favorable judgment from the Court of Final Appeal in the search case involving reporter Choy Yuk-ling; the overturning of a judgment against former Vice-Chairwoman of the Hong Kong Alliance in Support of Patriotic Democratic Movements of China Tonyee Chow Hang-tung in a case related to the

"June 4th Incident" assembly; the conviction of persons for dismantling and tearing down Falun Gong promotional materials; and sentence commutations in 18 cases involving the anti-extradition movement due to prosecutorial delays by the judicial administration department. However, the Hong Kong Department of Justice recently proposed amendments to the Criminal Procedure Ordinance to allow the prosecution to appeal acquittals in National Security Law cases and seek the overturning of judgments by the Court of First Instance. Commentators noted that this amended law shows that the CCP does not trust Hong Kong judges and reveals the CCP's political objective of having all dissenters convicted.

Hong Kong's ranking and indicators fell significantly in all categories of the Rule of Law Index-2023 published by the World Justice Project, eliminating the city from the global top-20 for the first time. Among the 140 countries and regions assessed, Hong Kong fell three spots from the prior year to 22nd place, its worst performance since joining the index in 2014. Rating agencies attributed the decline in Hong Kong's ranking to the impact of the Hong Kong National Security Law on basic freedoms and the weakening of judicial independence.

5. The international community continues to monitor the situation in Hong Kong, advocate boycott measures, and warn about the threat of the CCP's long-arm jurisdiction

In its annual Hong Kong Policy Act Report released in March this year, the US Department of State criticized the CCP for continuing to deprive the people of Hong Kong of their political rights and erode Hong Kong's judicial independence and rule of law. A report released by the US Congressional-Executive Commission on China last October concluded that the Hong Kong National Security Law not only attacks democratic development in Hong Kong, but has also had a "devastating effect" on Hong Kong's once vibrant civil society. In another report released in May this year, the commission further suggested that the US government sanction 29 Hong Kong National Security Judges involved in the trial

of Hong Kong National Security Law cases and urged the US government to continue to advocate for political prisoners in Hong Kong.

Based on its assessment of the situation in Hong Kong, the US Secretary of State concluded that Hong Kong should not continue to benefit from special treatment granted under US law before July 1, 1997. The National Aeronautics and Space Administration also deemed Hong Kong to be the same as mainland China and prohibited any funding or bilateral cooperation with Hong Kong or Hong Kong companies and institutions. In the US congress, members of the House and Senate claimed that the Hong Kong Economic and Trade Office in the US has become a CCP mouthpiece and demanded that the US government reassess whether to recognize the status and privileges and exemptions enjoyed by the office. Additionally, more than 40 US senators jointly sponsored a resolution urging the US government, in league with other countries, to revoke Hong Kong's independent voting rights in international organizations.

In its six-monthly report on Hong Kong, the UK noted that the CCP continues to not abide by the Sino-British Joint Declaration and is eroding the social, legal and judicial systems in Hong Kong under the Hong Kong National Security Law, to the extent that ordinary life in Hong Kong has been limited. It urged the CCP and Hong Kong government to abide by the recommendations of the UN Human Rights Council, repeal the Hong Kong National Security Law, and express concern about the cases involving Jimmy Lai and District Council electoral reform.

At the UN Human Rights Council, the EU called on the Hong Kong government to abolish the Hong Kong National Security Law, noting that the government has used the unconscionable law to curtail political pluralism and the people's freedom in Hong Kong. It also included Hong Kong on its human rights watch list for the first time. In June this year, the European Parliament adopted a resolution urging the Hong Kong government to release Jimmy Lai and other pro-democracy figures arrested under the Hong Kong National Security Law. It also

pressed for sanctions against John Lee and other senior officials in mainland China and Hong Kong.

In deliberations of a report on Hong Kong's implementation of the International Covenant on Economic, Social and Cultural Rights (ICESCR), the UN Committee on Economic, Social and Cultural Rights and the Human Rights Committee both indicated that the Hong Kong National Security Law has substantially and thoroughly undermined Hong Kong's judicial independence. They called for the repeal of the draconian law and the release of those arrested for exercising their legitimate rights.

Regarding developments in Hong Kong, major countries also continued to strengthen policies and measures to aid Hong Kong. In January this year, US President Joe Biden announced a two-year extension of the Deferred Enforcement Departure program to February 5, 2025. In February this year, the Canadian government declared that it would extend the open work visa policy under the Hong Kong Lifeboat Project to February 7, 2025, as well as expand the scope of eligibility to graduates of accredited educational institutions in Canada within the past 10 years. In May this year, the UK released statistics showing that, from January 31, 2021, to March 31, 2023, a total of 172,500 Hong Kong residents applied for the British National Overseas (BNO) visa scheme. Among the applicants, 166,420 were approved, of which 113,500 had arrived in the UK. In the first quarter this year, there were 9,411 applications, of which 329 were rejected.

The international community is also monitoring the CCP's long-arm jurisdiction through an extraterritorial extension of the Hong Kong National Security Law. Among such cases that have already occurred, the Hong Kong government sent a letter of warning to Hong Kong Watch, a UK non-governmental organization (NGO) that has long closely followed the situation in Hong Kong, for violating the National Security Act; according to media reports, the group's founder is also wanted. Hong Kong students studying in Japan have been arrested upon their return to Hong Kong for comments made online while they were abroad. The Hong Kong government also denied entry to a Japanese photographer who documented

the anti-extradition movement for holding a photography exhibition in Japan. International organizations and media channels warned that the CCP's long-arm jurisdiction threatened freedom and security in other countries and regions.

6. The mainland Chinese and Hong Kong governments actively promote integration between the two sides, though related policies and measures fail to win over the people of Hong Kong

During a visit to Hong Kong on July 1, 2022, Xi Jinping stated that Hong Kong must "actively align with the 14th Five Year Plan, development of the Guangdong-Hong Kong-Macao GBA, high-quality development under the Belt and Road Initiative, and other national strategies." The executive branches in mainland China and Hong Kong have both responded positively to Xi's call.

In the area of regional integration, mainland China's Ministry of Commerce stated that it is promoting the joint development of a single free trade zone in mainland China, Hong Kong, and Macao, encompassing policy measures for consumer, logistics, trade, investment, and economic cooperation, among other commercial fields. The ministry also supported the Guangdong Free Trade Pilot Zone; promoted deep integration of Guangdong, Hong Kong, and Macao through joint development under the Belt and Road Initiative; and advanced market linkages and cooperation under the Regional Comprehensive Economic Partnership (RCEP). In addition, mainland China successively launched various programs to facilitate the development of parts of the Qianhai area into a future "Little Hong Kong," including the "Luohu-Shenzhen-Hong Kong Deep Integration Development Plan," "Shenzhen-Hong Kong Consumer Finance" cooperation memorandum, and "Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone in the Shenzhen Special Economic Zone."

The Hong Kong government also established a Steering Group on Integration into National Development to actively align with national development plans. Furthermore, it formed the Guangdong-Hong Kong-Macao GBA Task Force

to advance legal alignment and, from this year, began to normalize subsidies under the GBA Youth Employment Scheme. In cooperation with Shenzhen, the Hong Kong government is also planning to develop the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop area and establish the Northern Metropolitan Region in the northern part of the New Territories. These initiatives aim to achieve a layout of "finance in the south, innovation and technology in the north" and accelerate the integration of Hong Kong and mainland China.

In terms of the development of Hong Kong's RMB operations, the financial authorities in mainland China and Hong Kong collaboratively introduced an interest rate swap market interconnection mechanism, HKD-RMB Dual Counter Model, and Dual Counter Market Making Program. These initiatives seek to enrich the ecosystem of RMB products, consolidate Hong Kong's position as the world's largest offshore RMB center, and further internationalize the RMB.

Regarding people-to-people exchanges, in February of this year, mainland China canceled an advance clearance arrangement for entry and exit through land ports. It also removed prescribed daily number of people and resumed group travel operations. A policy of "Northbound Travel for Hong Kong Vehicles" was implemented on July 1 this year, while the "Southbound Travel for Guangdong Vehicles" policy is under consideration. The Hong Kong government restarted a program for teacher exchanges and cooperation in mainland China that was suspended due to the COVID-19 pandemic, with plans to facilitate 50,000 students to visit mainland China this year. Chief Executive John Lee has led more official visits to mainland China and the GBA than any of his predecessors. A program for Hong Kong civil servants to travel north to participate in classes on national condition was not only resumed, but expanded. Under a mainland China-Hong Kong "Civil Servant Exchange Program" to be resumed in the second half of this year, the two sides will send civil servants for temporary assignment at institutions of the other side to engage in "substantive work" in "specific posts." Initial placements under the program will focus on GBA cities. The exchanges will last

for four weeks to three months. Questions remain as to whether this "substantive work" will violate the spirit of "Hong Kong governed by the Hong Kong people."

Mutual medical aid between mainland China and Hong Kong has become a new high-profile focal area. The shortages of healthcare professionals in Hong Kong, first triggered by an exodus, exacerbated during the COVID-19 pandemic; therefore, with coordination by the CCP, mainland China has been sending medical personnel to aid Hong Kong. However, there are disputes over the legality of allowing these personnel to practice in Hong Kong without licenses. Additionally, the Hong Kong government aims to integrate Hong Kong hospitals in mainland China's human organ distribution and sharing system. Nonetheless, this proposal has faced opposition in Hong Kong given the moral controversy that has long surrounded organ transplantation from mainland China and appeals by the International Society for Heart and Lung Transplantation for members to not use transplant organs from mainland China.

As noted above, the mainland Chinese and Hong Kong governments are actively promoting integration of the two sides. However, polls conducted by The Chinese University of Hong Kong and People's Bank of China (Hong Kong) show that, since the implementation of full customs clearance between mainland China and Hong Kong, 45% of Hong Kong residents have been willing to travel to the GBA, while 46% of the respondents have considered buying property in the GBA, though only for vacation or retirement use. Two other polls showed that just 10% (21% lower than a survey conducted in July last year) and 8% of Hong Kong residents, respectively, intend to develop and invest in the GBA. Moreover, 37.2% see no apparent advantage for Hong Kong residents in developing in the GBA, while 62.7% of Hong Kong residents said they will not encourage Hong Kong youth to develop in GBA cities. This shows that incentive policies and facilitation measures promoted by the mainland Chinese or Hong Kong governments in the GBA have failed to attract Hong Kong residents.

7. The Republic of China (Taiwan) government pragmatically promotes interaction and exchanges between Taiwan and Hong Kong, maintains the public service functions of its offices in Hong Kong, and protects national security and the people's welfare

The Republic of China (Taiwan) government has always adhered to the principle of reciprocity and mutual benefit in maintaining various exchanges between Taiwan and Hong Kong. In 2022, the total trade volume between Taiwan and Hong Kong reached US\$66.2 billion, up 2.5% over the previous year. Taiwan is Hong Kong's second biggest trading partner and Hong Kong is Taiwan's fourth largest trading partner. Taiwanese investment in Hong Kong is about US\$230 million, while Hong Kong's investment in Taiwan totaled about US\$360 million. To promote healthy and orderly exchanges after the COVID-19 pandemic, Taiwan resumed accepting online applications for temporary entry permits by Hong Kong and Macao residents, effective from 9:00 am on February 20, 2023; border controls imposed on Hong Kong and Macao residents during the COVID-19 pandemic were lifted at the same time. From January to May of 2023, there were a total of 308,018 tourist arrivals from Hong Kong, making the city the top source of inbound travel to Taiwan.

During the 2022 academic year, 11,189 Hong Kong and Macao students were enrolled at universities in Taiwan (including master's and doctoral degree programs), of which 9,069 came from Hong Kong, up by 58 students from the year before. Additionally, despite a short enrollment period of only 20 days, 13 Hong Kong students were admitted to high schools and vocational five-year colleges in Taiwan in the first year of a program allowing enrollment in such schools by Hong Kong and Macao students. In 2022, a total of 8,945 Hong Kong residents obtained Taiwan residency permits, and 1,296 were granted permanent residency.

Over the past year, the Mainland Affairs Council (MAC), Taiwan–Hong Kong Economic and Cultural Co-operation Council (THEC), local county and city governments, related agencies, and private organizations co-organized numerous events, including seminars on immigration counseling for Hong Kong investment

professionals, tips for living in Taiwan, employment and entrepreneurship for Hong Kong students looking to remain in Taiwan, career development training camps, the Taiwan and Hong Kong Food Culture Carnival, Taiwan-HK Innovation Summit, Taiwan-Hong Kong Investment Experience and Cultural Exchange Symposium, and "Boarding Hong Kong" book fair and lectures. These events aimed to advance the economic, trade, and cultural exchanges and interactions between Taiwan and Hong Kong and improve care services for Hong Kong people in Taiwan. Active assistance has also been provided in emergency relief cases for Hong Kong people in Taiwan requested by Hong Kong through the Hong Kong–Taiwan Economic and Cultural Co-operation and Promotion Council platform to Taiwan's THEC.

According to Hong Kong media reports, Hong Kong Legislative Council members have expressed concerns about whether the suspended operations of Hong Kong's office in Taiwan will be resumed. Hong Kong government officials stated that there is no intention to resume operations at this time. However, in response to the situation in Hong Kong and consideration of the rights and interests of the people of Taiwan and Hong Kong, the Republic of China (Taiwan) government continued to pragmatically promote exchanges between Taiwan and Hong Kong, maintain the operations and public service functions of the Hong Kong office, strengthen risk control and contingency measures, and protect national security and people's welfare. It will also follow its consistent position and continue to promote relevant work on the existing basis.

II. Appendix — Major Events in the 26th Year since Hong Kong's Handover

2022.7~2023.6

Date	Event
2022.7.1	The Hong Kong Special Administrative Region (HKSAR) celebrated its 25 th anniversary. Xi Jinping attended the handover anniversary celebration and presided over the swearing-in of government officials.
2022.7.14	Police announced the arrest of four wanted individuals who intended to sail by boat from Pak Tam Chung, Sai Kung to Taiwan.
2022.7.22	Chief Executive John Lee appointed eight deputy bureau chiefs and eleven political assistants.
2022.8.2	HKSAR government officials, led by Chief Executive Lee, strongly condemned US House Speaker Nancy Pelosi's visit to Taiwan.
2022.8.9	The National Security Department of the Hong Kong Police Force arrested a clerk at the Home Affairs Department and the Director of Systems Analysis at the Office of the Government Chief Information Officer on the charges of suspected involvement in repeated postings of seditious content through social media platforms.
2022.8.12	The government introduced a "Red and Amber Code" and reduced quarantine periods for inbound travelers from the original seven days to three days for hotel quarantine and to four days for at-home medical monitoring.
2022.8.22	Albert Ho was promptly released on a HK\$700,000 bail in a case involving the Hong Kong Alliance in Support of Patriotic Democratic Movements of China for allegations of inciting subversion.

2022.8.30	Jimmy Lai's application for judicial review of the police seizure of "news materials" on his mobile phones under the National Security Law was rejected.
2022.9.1	Chief Executive Lee proposed "reverse isolation" during a video conference with Guangdong and Shenzhen officials.
2022.9.5	The Chinese University of Hong Kong held a flag-raising ceremony during the start-of-term ceremony and invited representatives of the Office for Safeguarding National Security to attend.
2022.9.7	Five members of the General Union of Hong Kong Speech Therapists were charged with conspiracy to publish seditious publications such as the illustrated book "The Sheep Village's Twelve Warriors."
2022.9.16	The Registry of Trade Unions Workers gazetted a revised Application for Registration of a Trade Union Federation requiring applicants to sign a declaration confirming they will not engage in activities or acts that "may endanger or be detrimental to national security."
2022.9.19	Hong Kong residents spontaneously gather outside the British Consulate General Hong Kong to pay their respects to Queen Elizabeth II on the day of the late British monarch's state funeral.
2022.9.26	Hong Kong implemented a "0+3" scheme that will remove hotel quarantine requirements for people entering the city and first allow residents not fully vaccinated to return to Hong Kong.
2022.10.19	Chief Executive Lee delivered his first policy address under the theme "Better Serving Our People and Better Developing Hong Kong."
2022.10.22	Four members of the disbanded Student Politicism confessed to conspiring to incite others to commit the crime of subversion of state power.
2022.10.31	Stand News' former Editor-in-Chief Chung Pui-ken, former

	Acting Editor-in-Chief Patrick Lam Lin Siu-tong, and their affiliated companies were charged with conspiracy to distribute and reproduce seditious publications and tried in the district court.
2022.11.3	The government removed restrictions on dine-in service and operating hours for restaurants and bars.
2022.11.14	The song "Glory to Hong Kong" was mistakenly played as the national anthem of mainland China during the finals match between Hong Kong and South Korea at the Asia Rugby Sevens Series in Incheon, South Korea.
2022.11.25	The defunct 612 Humanitarian Relief Fund was deemed to be an unregistered society. The court found Joseph Zen and five other individuals guilty, fined five trustees HK\$4,000 each, and fined Sze Ching-wee HK\$2,500.
2022.11.28	The Hong Kong government applied to the NPC Standing Committee of the CCP for a legal interpretation in a case regarding Jimmy Lai's intention to hire a foreign lawyer.
2022.12.30	The NPC Standing Committee of the CCP issued a legal interpretation stating that the involvement of foreign lawyers in national security cases shall be determined by the Hong Kong Chief Executive.
2023.2.6	The "Hong Kong 47 primary election" trial began.
2023.4.13	Director of the CCP's Hong Kong and Macao Affairs Office Xia Baolong went to Hong Kong for a six-day inspection trip.
2023.4.25	Secretary for the Civil Service of Hong Kong Ingrid Yeung went to Beijing for a four-day visit. She called on the Hong Kong and Macao Affairs Office of the State Council, HKSAR Basic Law Committee of the NPC Standing Committee, Ministry of Foreign Affairs, and China National School of Administration.
2023.4.26	Chief Secretary for Administration of Hong Kong Eric Chan went to Beijing for a three-day visit. He called on the Hong Kong and

	Macao Affairs Office of the State Council, Ministry of Culture and Tourism, Ministry of Foreign Affairs, and Ministry of Human Resources and Social Security.
2023.5.2	The Hong Kong government announced a plan for District Council reforms.
2023.5.7	Secretary for Labour and Welfare of Hong Kong Chris Sun went to Beijing for a four-day visit. He called on the Hong Kong and Macao Affairs Office of the State Council, Ministry of Civil Affairs, Ministry of Human Resources and Social Security, and Ministry of Commerce.
2023.5.10	The Hong Kong government passed amendments to the Legal Practitioners (Amendment) Bill 2023, requiring overseas lawyers to obtain approval from the Chief Executive if they wish to participate in national security cases.
2023.5.14	Secretary for Education of Hong Kong Choi Yuk-lin went to Beijing for a three-day visit. She called on the Hong Kong and Macao Affairs Office of the State Council and China National School of Administration.
2023.5.21	Chief Justice of the Hong Kong Court of Final Appeal Andrew Cheung went to Beijing for a four-day visit. He called on the Hong Kong and Macao Affairs Office of the State Council, Supreme People's Court, NPC Hong Kong Basic Law Committee, Supreme People's Procuratorate, and Ministry of Justice.
2023.5.27	Hong Kong's Civic Party held a general assembly and approved its dissolution.
2023.5.28	Secretary for Justice of Hong Kong Paul Lam went to Beijing for a five-day visit. He called on the NPC Legislative Affairs Commission, NPC Hong Kong Basic Law Committee, Supreme People's Court, Supreme People's Procuratorate, Ministry of Justice, Hong Kong and Macao Affairs Office of the State Council, and National Development and Reform Commission.

2023.5.30	Secretary for Housing of Hong Kong Winnie Ho went to Beijing for a four-day visit. She called on the Hong Kong and Macao Affairs Office of the State Council, Ministry of Housing and Urban-Rural Development, and National Development and Reform Commission.
2023.6.1	The Civil Service Bureau announced that the required qualifications for civil service examination candidates would be reduced to allow applications by university students in or entering their third year.
2023.6.4	The police announced the arrest of 11 men and 12 women on charges of "breach of the peace" in the Victoria Park area.
2023.6.5	<ol style="list-style-type: none"> 1. Director of Audit of Hong Kong Nelson Lam went to Beijing for a two-day visit. He called on the National Audit Office and Hong Kong and Macao Affairs Office of the State Council. 2. The Department of Justice of Hong Kong applied to the High Court for an injunction and temporary prohibition of any dissemination of the song "Glory to Hong Kong."
2023.6.27	During an interview with China Central Television, Hong Kong Chief Executive Lee stated that the overall social situation is stable and very safe. He expressed the belief that "disruptive forces" would not relent, noting that "soft confrontation" has been perceived in various areas.