



**THE SIX-MONTHLY REPORT ON HONG KONG
1 JANUARY TO 30 JUNE 2015**

Deposited in Parliament by the Secretary of State for Foreign and
Commonwealth Affairs

JULY 2015

Foreword

This report is the 37th in a series of reports to Parliament since July 1997 on the implementation of the Sino–British Joint Declaration on the Question of Hong Kong.

This reporting period was dominated by debate over proposals for the election of the Chief Executive by universal suffrage in 2017. This culminated in a Legislative Council vote which saw the Hong Kong Special Administrative Region Government's proposals rejected.

Although there was much controversy over the detail of the reforms on offer, a majority of the Hong Kong people have consistently expressed their support for the over-arching goal of election of the Chief Executive by universal suffrage, as provided for by the Basic Law. This indicates clearly that the aspiration for democratic reform remains undiminished.

I continue to believe that a transition to universal suffrage is the best way to guarantee Hong Kong's stability and prosperity, and that continued momentum towards that goal is essential. While there is an understandable desire in some quarters to refocus the political agenda away from constitutional reform to livelihood issues, it is improved governance which will help those issues to be addressed effectively in the longer term. Constitutional reform will support, rather than detract from, efforts to improve Hong Kong people's livelihoods. In order to restart the process of constitutional reform, all sides will have to make efforts to rebuild trust and heal divisions.

'One Country, Two Systems' is the foundation of Hong Kong's success. It has continued to function well overall, but with some areas of increasing contention. Several organisations published reports concluding that the freedom of the press in Hong Kong had declined compared with previous years. This is of course very concerning. Freedom of the press is one of the fundamental freedoms protected by the Joint Declaration and enshrined in the Basic Law. It is vital to Hong Kong's continuing stability and prosperity that confidence in 'One Country, Two Systems' is

fully safeguarded, and that Hong Kong continues to enjoy, and is seen to enjoy, the high degree of autonomy, rights and freedoms guaranteed by the Joint Declaration.

In March, the Foreign Affairs Committee published their report into the UK's relations with Hong Kong. We welcomed the report and studied its recommendations closely. We also welcome the continuing role of the UK Parliament in scrutinising closely the implementation of the Joint Declaration, which remains as important today as when it was signed in 1984. It is also important that Britain continues to deepen relations with Hong Kong at all levels, including through closer government-to-government contact, and parliamentary and business links.

Rt. Hon. Philip Hammond
Foreign Secretary

INTRODUCTION

This series of Six-Monthly Reports reflects the British Government's continuing interest in developments in Hong Kong and our commitment to the faithful implementation of the 1984 Sino–British Joint Declaration on Hong Kong. In this Declaration, the Chinese Government undertook that the Hong Kong Special Administrative Region (SAR) would enjoy a high degree of autonomy, except in foreign and defence affairs, and that the continuation of Hong Kong's social and economic systems, lifestyles, rights and freedoms would be guaranteed.

CONSTITUTIONAL DEVELOPMENTS

The debate on constitutional reform was the central issue during this reporting period. Two fundamental areas of disagreement were: the nature of the package on offer; and the prospect of further reform post-2017. Pan-democrats argued that the reform package on offer did not represent genuine universal suffrage and that passing it would mark the end of political reform in Hong Kong. The Central People's Government (CPG) and Hong Kong SAR Government repeatedly denied that this was the case. The Hong Kong SAR Government called on legislators to pass the bill to “pocket” what was on offer first, before considering future reforms.

The reform process culminated on 18 June this year, when the Legislative Council voted on a Hong Kong SAR Government motion to amend the method for the selection of the Chief Executive of the Hong Kong SAR set out in Annex 1 of the Basic Law. The Government's motion failed to secure the required two-thirds majority support.

The Five-step Process

Previous six-monthly reports dealt in detail with the background to the universal suffrage debate in Hong Kong.

The National People's Congress Standing Committee (NPCSC) Interpretation of the Basic Law adopted on 6 April 2004 established a Five-step Process for constitutional reform.

Five-step Process:

First Step: the Chief Executive to make a report to the NPCSC, so as to invite the NPCSC to decide whether it is necessary to amend the method of selection/formation.

Second Step: the NPCSC to make a determination on whether any amendment to the method of selection/formation may be made.

Third Step: if the NPCSC determines that amendments to the method of selection/formation may be made, the HKSAR Government to introduce to the Legislative Council (LegCo) a resolution on the amendments to the method for selecting the Chief Executive method for forming the LegCo, to be passed by a two-thirds majority of all LegCo Members.

Fourth Step: the Chief Executive to consent to the resolution as passed by the LegCo.

Fifth Step: the Chief Executive to lodge the relevant bill to the NPCSC for approval (for the Chief Executive election) or for the record (for the LegCo election).

During the reporting period the Hong Kong SAR Government paved the way for the third step by conducting two public consultations. These followed a public consultation in December 2013 on the broad principles underpinning constitutional reform.

Consultation: 'Seize the Opportunity'

On 6 January, the Hong Kong SAR Government published a *Report on the Recent Community and Political Situation in Hong Kong*, a chronology of events from 31 August 2014, including the 79-day Occupy Central protests. This followed some requests for the Hong Kong SAR Government to submit a new report to the CPG (thereby repeating the First Step of the Five-step Process) on the grounds that the situation had changed.

The Hong Kong SAR Government said its report was being submitted to the Hong Kong and Macao Affairs Office of the State Council (HKMAO) outside the Five-step Process, to reflect events related to constitutional development from 31 August 2014 to 15 December 2014, and the opinions and aspirations expressed by different sectors of the community. Pan-democratic legislators argued that the report was partial and incomplete. Democratic Party legislator Sin-chung Kai said it did not reflect the deep societal division caused by the NPCSC's August Decision. Think tank Hong Kong 2020 said the report was "a complete misrepresentation of the views of the vast majority of the community".

On 7 January, the Hong Kong SAR Government launched a two-month public consultation on the method for selecting the Chief Executive: '2017 Seize The Opportunity'. The consultation focused primarily on the composition of the proposed Nominating Committee and the process by which it would select candidates to stand for election as Chief Executive.

Presenting the consultation to the Legislative Council (LegCo), Chief Secretary Carrie Lam said that implementing universal suffrage for the election of the Chief Executive in 2017 was the common aspiration of the Central Authorities, the Hong Kong SAR Government and the general public. She said Hong Kong had a golden opportunity: once universal suffrage was implemented "the electoral system will continue to improve and democratic development will continue to move on".

The Chief Secretary said the political environment was extremely difficult, with polarised opinions. She appealed to the "whole community... to express clearly the aspiration to implement universal suffrage" and called on legislators to reflect popular views rather than their own political affiliation or stance.

Pan-democratic legislators announced their intention to boycott the consultation, which they said closed down the areas still open for discussion. Labour Party leader Lee Cheuk-yan said the Hong Kong SAR Government had "destroyed all room for discussion in the consultation document." Civic Party leader Alan Leong called the consultation "futile, redundant, meaningless and unnecessary". They also maintained that an electoral system that complied with the parameters of the August

NPCSC Decision would not provide Hong Kong people a genuine choice and restated their intention to veto the Hong Kong SAR Government's proposal. Civic Party member Ronny Tong said he would veto the Hong Kong SAR Government's proposal if it required prospective candidates to garner the support of more than half of the nominating committee, in line with the parameters set out by the NPCSC Decision. He expressed pessimism about the prospect of the Hong Kong SAR Government's proposal getting the required level of support in LegCo unless the CPG committed to making further changes to the systems for LegCo and Chief Executive elections for future elections.

Pro-establishment legislators welcomed the consultation. Some called on pan-democratic colleagues to engage constructively. The leader of the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), Tam Yiu-chung, said his party would organise engagement events and conduct opinion polls to help to enable the reform process to succeed. Chair of the Business and Professional Alliance (BPA) Andrew Leung called for pan-democratic colleagues and members of the public to focus on possible options within Beijing's framework. Liberal Party leader Vincent Fang said that, while the National People's Congress (NPC) Decision did not leave much room for discussion, it was irresponsible for the pan-democrats to boycott the consultation.

The consultation closed on 7 March. The Hong Kong SAR Government reported that it received over 100,000 responses. Though pan-democratic legislators boycotted the consultation, a number of academics and civil society organisations, including the Hong Kong Democratic Foundation, Hong Kong 2020, Professor Simon Young, Professor Albert Chen and Professor Ho Lok Sang, submitted proposals that sought to comply with the terms of the NPCSC Decision.

Proposals: 'Make it Happen'

On 22 April, the Hong Kong SAR Government published the consultation report and the proposals for selecting the Chief Executive by universal suffrage, *2017 Make it Happen*.

The key elements of the proposals were:

- i. A Nominating Committee (NC) modelled on the existing Election Committee with 1,200 members from the existing four equal sectors.
- ii. A two-stage nomination process. At stage 1, NC members would each recommend one prospective candidate. Candidates with at least 120 recommendations would proceed to stage 2 to face individual votes by secret ballot. A maximum of three candidates, each with more than 50% NC support, would be able to stand for popular election.
- iii. The public vote would be carried out under a first-past-the-post system in a single round of voting with no minimum number of votes for the winning candidate. Unmarked ballot papers would be treated as invalid.

In her speech the Chief Secretary said that the “ultimate aim of the selection of the CE by universal suffrage as prescribed in Article 45 of the Basic Law” would have been attained if the proposals were adopted. She added that the provisions in Article 7 of Annex I to the Basic Law and the 2004 Interpretation of the NPCSC provided a clear legal basis for initiating further amendments. Civic Party leader Alan Leong said that the Chief Secretary had confirmed that, if the reform proposal were implemented, it would be the “endgame” for electoral reform. Others, including former Chief Secretary Anson Chan, agreed.

During the Chief Secretary’s speech to the LegCo, all but two pan-democratic lawmakers walked out of the chamber. The twenty-four legislators who issued a joint pledge to veto the Hong Kong SAR Government proposal when the first consultation was published subsequently reiterated their intention to veto the reform bill.

Many others expressed disappointment that the proposals did not reflect suggestions put forward by academics and groups.

Forty-two pro-establishment legislators issued a joint statement urging their pan-democratic colleagues to accept the Hong Kong SAR Government proposal.

Public opinion and engagement

Following the publication of the draft reform proposal, the Hong Kong SAR Government and the pan-democrats held public engagement events in an effort to mobilise public opinion.

The Hong Kong SAR Government launched its campaign on 22 April with a public appearance by the Chief Executive and other key officials. This was followed by an open-top bus tour of Hong Kong. These and subsequent events were disrupted by small numbers of protesters. In total, the Hong Kong SAR Government reported that members of the Constitutional Reform Task Force attended 88 public engagement events during the two-month consultation. Pan-democrats also campaigned throughout the territory with legislators speaking at seminars and public events.

A range of organisations and groups conducted opinion polls throughout the reporting period, with results reported by the media and debated widely. Both supporters and opponents of the Government proposal claimed that poll data showed that a majority of the Hong Kong population supported their respective positions.

Results of a joint university rolling survey poll by Hong Kong University Public Opinion Programme (HKU POP), the Chinese University of Hong Kong Centre for Communication and Public Opinion, and Hong Kong Polytechnic's Centre for Social Policy Studies were published daily from 29 April. The first poll showed that 46.7% of respondents supported the Hong Kong SAR Government proposal, while 37.6% opposed it. The final survey was published on 16 June. It showed that 47% supported and 38% opposed it. Other polls showed a small majority in favour of the reform package. The overall picture was of a significant, if not equal divide in opinion.

In contrast to the last reporting period which was characterised by unprecedented, protracted protests, there was limited protest action focusing on constitutional reform. On 14 June, three days before the Hong Kong SAR Government tabled their proposal for electoral reform, approximately 3,000 protesters representing a coalition

of pro-democracy groups marched from Victoria Park in Causeway Bay to the LegCo building in Admiralty. The demonstration passed off peacefully. Several hundred people gathered outside the LegCo during the debate on the Hong Kong SAR Government's proposal; some supported the proposal while others opposed it.

The role of the Central People's Government

During the reporting period, CPG officials reiterated the Chinese Government's commitment to implementing universal suffrage in 2017. They also emphasised that the Government would not make any amendments to the August Decision of the NPCSC, which set the parameters for the Hong Kong SAR Government's proposal.

In a meeting with Hong Kong's delegates to the Chinese People's Political Consultative Conference (CPCC) and NPC delegates in March, Director of the Central Government Liaison Office (CGLO) Zhang Xiaoming was widely reported to have said that genuine universal suffrage could only be achieved by passing a reform plan based on the existing NPCSC framework. Delegates told the media that he also said that "it would not be the end of the world" if the package was not implemented.

Speaking at the NPC annual session on 8 March, NPC Chairman Zhang Dejiang noted that the NPCSC Decision of 31 August 2014 provided the "principles and direction" for Hong Kong's reforms and reflected the NPCSC's "constitutional responsibility to ensure the proper enforcement of the Basic Law". During his speech he linked the NPCSC Decision to 'One Country, Two Systems', describing it as "of great significance to fully implementing the principles of 'One Country, Two Systems'".

Formal dialogue between CPG and Hong Kong legislators was limited during the reporting period. On 11 March it was reported that a planned visit to Hong Kong by NPC Basic Law Committee Chair Li Fei had been cancelled. This followed a statement by pan-democratic legislators in which they restated their intention to veto the reform bill, describing the 31 August NPCSC Decision as unreasonable and unconstitutional, and calling for it to be altered or annulled. Several prominent

pan-democrats expressed surprise at the cancellation, with the Civic Party's Alan Leong saying the move showed Beijing's lack of sincerity.

In late May, the Hong Kong SAR Government extended to all 70 LegCo members an invitation to discuss electoral reform with three senior CPG officials in Shenzhen on 31 May. Chief Secretary Carrie Lam chaired the meeting, with Chief Executive CY Leung also in attendance. Director of the CGLO Zhang Xiaoming, Director of the HKMAO Wang Guangya and NPCSC Member and Basic Law Committee Chairman Li Fei represented the CPG. Some 54 legislators, including 15 of the 27 pan-democrat legislators, attended. No agreement was reached during the meeting, with the pan-democrats reiterating their intention to veto, and CPG officials ruling out any change to the 31 August framework.

During the meeting, Li Fei said that the way legislators voted on the reform bill would serve as a touchstone as to whether or not they supported the principle of 'One Country, Two Systems'. He described the framework on offer as "democratic, open, fair and just" and said that, if the reform process were reopened after failure this time round, the framework would still stand.

In his opening speech, Wang Guangya expressed the CPG's "unswerving and sincere support" for the goal of implementing universal suffrage by 2017. He said the framework for the 2017 election would serve to exclude a small minority who viewed Hong Kong as a political entity independent of the country, distorted the meaning of the Basic Law and sought to subvert the administration of the Hong Kong SAR Government. Wang said that, despite holding different political views, most legislators recognised the 'One Country, Two Systems' principle and he looked forward to holding more frequent and meaningful dialogue with them.

After the meeting pan-democrat legislators said Beijing's lack of concessions left them "no choice" but to veto the package. A number said Beijing had put undue pressure on them to vote in favour by describing the vote as a test of loyalty towards 'One Country, Two Systems'. Others (including Democratic Party leader Emily Lau) said that, though they would vote against the package, they remained open to further dialogue with Beijing.

The Legislative Council vote

On 17 June, the Hong Kong SAR Government formally tabled its proposal for reforming the method for selecting the Chief Executive in 2017. In her opening remarks, Chief Secretary Carrie Lam said public opinion was clearly in support of the proposal. Lam said that, should the bill be vetoed, the current administration would be “unable” to restart consultation on reform before 2017.

Following approximately 11 hours of debate the LegCo voted on the bill on 18 June. Most pro-establishment legislators left the chamber in a failed attempt to force a temporary suspension of the vote. This meant that only 8 votes were cast in favour, with 28 against (all of the pan-democrats and the legislator representing the medical sector). None of the legislature’s biggest party, the DAB, cast a vote. Pro-establishment legislators subsequently clarified that they did support the proposal. They said that their intention in walking out had been to delay the vote and give Lau Wong-fat (representative of the Heung Yee Kuk constituency) time to return to the chamber. They put their failure to vote down to “miscommunication”.

During the debate Chief Secretary Carrie Lam used her closing remarks to call for rational and pragmatic reflection. Constitutional and Mainland Affairs Secretary Raymond Tam closed by underscoring that the constitutional reform process went to the heart of the relationship between Hong Kong and Beijing. Before universal suffrage could be implemented, three conditions must be fulfilled: universal acknowledgement of the constitutional order, rooted in the Basic Law and the Constitution of the PRC; rebuilding of mutual trust; and re-establishment of communication based on the “right attitude”. Speaking at a press conference after the vote, Chief Executive CY Leung said he was “disappointed” that the reform bill had not been passed. The NPCSC issued a statement which said: “Although the universal suffrage motion was not passed... the direction towards universal suffrage and the legal principles laid down in the decision of the... Standing Committee, must continue to be upheld in future efforts to pursue universal suffrage.”

Civic Party leader Alan Leong said the pan-democrats had sent a clear signal to Beijing that the Hong Kong people had not forgotten their original aspiration for genuine universal suffrage and genuine choice.

Foreign Office Minister of State Rt. Hon. Hugo Swire MP said:

“The UK is disappointed by the outcome of this electoral reform process. We continue to believe that a transition to universal suffrage is the best way to guarantee Hong Kong’s stability and prosperity, and is in everyone’s interest. We hope that a constructive dialogue on future reforms can be established, reflecting the aspirations of the people of Hong Kong and in accordance with the Basic Law.”

Next steps

Following the vote on 19 June, Chief Executive CY Leung said it was time for the community to “move on” – the Hong Kong SAR Government would now focus its efforts on economic and livelihood issues.

On 24 June, Acting Secretary for Constitutional and Mainland Affairs Lau Kong-wah said the work of the Hong Kong SAR Government in its current term in taking forward constitutional development had come to an end: it would be “legally infeasible and impracticable” for it to restart the Five-step Process for constitutional reform. In response to a question about the possibility of establishing a platform for communication with the pan-democratic camp for resolving constitutional reform issues, Lau said that the Government had no plans to set up a platform to discuss constitutional development. This sentiment was echoed by CGLO Director Zhang Xiaoming who said on 29 June that “in the post-reform era, the community should put aside political wrangling and concentrate its efforts on economic development and livelihood improvement”.

Others called for the Hong Kong SAR Government to continue political reform.

On 19 June, Democratic Party leader Emily Lau called on the Hong Kong SAR Government to relaunch the Five-step Process. On 29 June, former Chief Secretary Anson Chan and Convenor of Hong Kong 2020 called for discussion to be reopened

to enable improvements to be made before LegCo elections in 2016 and Chief Executive elections in 2017. Chan said improvements could be made in local legislation.

GOVERNANCE

Hong Kong's stability, prosperity and international reputation depend on effective policy making and implementation. We remain concerned that the strains between the executive and legislature evident in this and previous reporting periods risk damaging Hong Kong's traditionally strong governance.

Policy address

On 14 January the Chief Executive CY Leung gave his annual policy address, 'Uphold the Rule of Law, Seize the Opportunities, Make the Right Choices, Pursue Democracy'. The address set out three major missions: developing the economy, improving people's livelihoods and promoting democracy. On 23 June the Chief Executive presented the *Third Government Work Report*. Leung highlighted key economic and livelihood achievements in the first half of the year, including the launch of the Shanghai–Hong Kong Stock Connect (a pilot scheme that links the Hong Kong and Shanghai stock markets together by allowing global investors to access Mainland China's A-share market through Hong Kong, and Mainland investors to invest in Hong Kong); agreement with the Mainland to implement the mutual recognition of funds; increasing housing land supply; and reducing the number of people living below the poverty line.

Relations between the executive and the legislature

As we noted in the last Six-Monthly Report, pan-democratic legislators pursued a campaign of non-cooperation in protest at the constitutional reform process. Throughout the reporting period the pan-democrats continued this campaign, using filibuster tactics to disrupt the work of the LegCo, including the committees responsible for agreeing funding for public works. Chief Executive CY Leung

described their actions as “a waste of time” and said Hong Kong had suffered “countless losses both directly and indirectly”.

The Hong Kong SAR Government took a number of steps throughout the reporting period in an effort to mitigate the effects of the campaign. On 20 January it was reported that funding requests for projects totalling over HKD 850 million would be put on hold in an effort to circumvent pan-democrat filibuster tactics which had delayed the Finance Committee voting on the creation of an Innovation and Technology Bureau (which the Chief Executive had promised in his 2012 campaign). On 14 February the time allocated for debate of the IT bureau expired with no agreement having been reached. On 16 May it was reported that the Hong Kong SAR Government would consider bypassing the Public Works Sub-committee with a pan-democratic majority when seeking extra funding for the Liantang/Heung Yuen Wai border crossing. On 6 June, despite the Public Works Sub-committee having voted it down, the Finance Committee approved a government application for funding for the project. Pan-democrats criticised the move, calling it contrary to LegCo convention.

In a press conference on 24 June, pan-democratic legislators Alan Leong and Kenneth Leung responded to the Chief Executive’s criticism that non-cooperation was “a waste of time”. Leong said that “diligent scrutiny means it is not for legislators to be yes-men”. The Chief Executive was “holding LegCo to ransom” by bringing forward premature projects. Leong (Chair of the Public Works Sub-committee) noted that his committee had approved 46 projects worth HKD 51 billion in the 2014–15 legislative session, and had blocked four applications. Kenneth Leung added that the Establishment Sub-committee had approved 28 of 33 Hong Kong SAR Government applications for new civil service posts.

Presenting his Work Report on 23 June, Chief Executive CY Leung announced that the Hong Kong SAR Government would put 11 livelihood initiatives before the Finance Committee in late June. He proposed rearranging the agenda to ensure that these issues, for example housing and the construction of residential care homes, would be discussed first. He called on legislators to end filibustering and expressed hope that the Government could build a new relationship with the legislature,

announcing meetings with legislators from different political parties to discuss how to address economic and livelihood issues in the coming two years. On 30 June, the Chief Executive expressed his disappointment that the LegCo Finance Committee had only managed to scrutinise two of the 11 proposals.

BASIC RIGHTS AND FREEDOMS

Freedom of the press

Freedom of the press in Hong Kong is one of the fundamental freedoms protected by the Joint Declaration and enshrined in the Basic Law. During the reporting period Hong Kong's media played an important role, with much vibrant debate on constitutional reform in the pages of Hong Kong's newspapers and online across a variety of social media sites. However, we remain very concerned by continued reports of threats to media freedom.

During the reporting period, several organisations published reports which concluded that the freedom of Hong Kong's press had declined compared with previous years.

In January the PEN American Centre published a report *Threatened Harbour: Encroachments on Press Freedom in Hong Kong*, which concluded that Hong Kong's position as a media hub and harbour for press freedom was increasingly insecure. Suzanne Nossel, PEN America's Executive Director, said: "The confluence of attacks – economic, physical, and cyber – on press and media outlets in Hong Kong, coinciding with a period of political turmoil, drives suspicion about the future of press freedom in this crucial media hub. While the forces behind these incidents are shadowy, the pattern of interference and intimidation is hard to mistake."

On 26 January, the International Federation of Journalists published their seventh annual China Press Freedom Report *China's Media War: Censorship, Corruption & Control*. The report highlighted 39 incidents in which journalists covering the Occupy protests were "harassed, assaulted, detained or maliciously accused by Hong Kong

police and anti-Occupy Movement protesters” and described an “invisible black hand” that it accused of manipulating the media.

In April, Freedom House published its annual report on press freedom. Hong Kong was placed 83rd, down from 74th in 2014. The report described the press in Hong Kong as “partly free”. Freedom House noted that, while “freedom of expression is protected by law, and Hong Kong media remained lively in their criticism of the territory’s government and to a lesser extent the Chinese central government”, it was also the case that “Beijing’s enormous economic power and influence over Hong Kong’s businesses, politicians and media owners allow it to exert considerable indirect pressure on the territory’s media, leading to growing self censorship in recent years”.

In the early hours of 12 January, petrol bombs were thrown at the Head Office of Next Media as well as at the home of founder Jimmy Lai. Speaking the next day, Secretary for Justice Rimsky Yuen said that acts of violence would not be tolerated and noted that the police would “carry out a full investigation and deal with [the] case seriously”. At the time of writing we are not aware of any arrests being made in this case.

In a statement issued on 6 March in response to the Foreign Affairs Committee Report *The UK’s Relations with Hong Kong: 30 years after the Joint Declaration*, the Hong Kong SAR Government said that freedom of expression and freedom of the press were guaranteed in the Basic Law and the Hong Kong Bill of Rights Ordinance. It reiterated this position on 26 June, in response to the US State Department’s *Country Report on Human Rights Practices 2014*, adding that the Hong Kong SAR Government would “continue to strive to safeguard these core values”.

Freedom of Information

In March, the Hong Kong Journalists Association (HKJA) conducted a survey of the public and journalists. According to the survey, a majority in both groups believed that press freedom declined in 2014. Following the survey’s findings, both the HKJA

and the International Federation of Journalists called on the Hong Kong SAR Government to enact Freedom of Information (FOI) legislation, as CY Leung pledged to do in his 2012 campaign to become Chief Executive.

Freedom House also noted Hong Kong's lack of FOI legislation. It cited the Office of the Ombudsman's report of March 2014 which concluded that Hong Kong needed an FOI law. The Hong Kong SAR Government responded by saying that it would defer a decision on FOI until after the release of a Law Reform Commission Subcommittee report on the same issue. Law Reform Commission Secretary Stephen Wong said that this report was expected before 2016.

Academic freedom

In the months following the Occupy protests, concerns were raised by some commentators that political pressure was being applied to Hong Kong's universities, in particular over appointments and policy.

Speaking at a forum in Beijing on 8 January, former Deputy Director of the HKMAO Chen Zuo'er said that it was "clear there are problems with the education in Hong Kong along with its development" and that the nation's "national interest" must be considered when Hong Kong considered its education policy. On a similar theme, Peking University Professor Rao Geping said at a forum in Beijing that "many young people have not been able to get used to the fact that Hong Kong is a Special Administrative Region of China. They grew up with a lack of national education, coupled with sentiments against the Communist Party of China, which has led to some of them being on the front line." He advocated that "national education should be introduced again, but with an emphasis put on Chinese history and culture, but not ideology. We should have it in schools."

In his Policy Address, Chief Executive CY Leung criticised *Undergrad*, Hong Kong University's campus magazine, for publishing an article advocating self-determination. Subsequently Hong Kong University Law School and some of its faculty members were subjected to strong criticism in the pro-mainland press including Chinese language newspaper *Wen Wei Po*, which asserted in several

articles over a period of a few weeks that former Law School Dean Professor Johannes Chan had “meddled” in politics, and that under his leadership the quality of the research in the department had deteriorated. Some commentators speculated that the apparent campaign was intended to prevent Chan’s anticipated appointment as Pro-vice Chancellor.

In an open letter to Dr Leong Che-hung, Hong Kong University (HKU) Council Chairman, on 1 June, former *Ming Pao* editor Kevin Lau questioned why Professor Chan’s expected appointment had been delayed. Lau asserted that, following controversy over donations involving Occupy Co-founder and HKU Associate Professor of Law Benny Tai, Chan had “become a lightning rod for attacks from leftist media” and “concerted attacks” from HKU Council members that had been appointed by Chief Executive CY Leung. Lau continued that “you cannot set the precedent of making personnel appointments according to political considerations”.

There was further public debate centred on HKU in the reporting period when it was reported that Hong Kong University Pro-vice chancellor and vice president Professor Ian Holliday had announced mandatory exchange trips for Hong Kong students to spend time at a location of the University’s choosing – widely interpreted to mean the Mainland. Professor Holliday later clarified that the trips would not be mandatory and that no timetable for their establishment had been set out. The University also denied that the proposal was a result of pressure from the University Grants Committee, which was considering funding arrangements at the time. A poll carried out by the HKU Student Union showed that 97% of HKU students opposed their University specifying where study trips should take place.

Freedom of speech

On 29 June, pan-democratic lawmakers and 16 professional groups condemned an assault on prominent student leader Joshua Wong and his girlfriend as a threat to freedom of speech. In a statement, Scholarism said they believed that the incident was related to Wong’s political stance.

Marches and demonstrations

During the reporting period a number of protests and demonstrations took place. The annual march on 1 January organised by the Civil Human Rights Front (CHRF) was delayed until 1 February to coincide with the second round of public consultation on political reform. The first large-scale march following the 2014 Occupy protests: it passed off peacefully, although numbers were significantly reduced from previous years. The CHRF estimated that 13,000 people took part in the march, while police estimated that 8,800 people joined the march at its peak.

1 May saw the annual Labour Day march, staged by the Confederation of Trade Unions (CTU). Workers from a variety of industries joined the march with demands covering a broad spectrum of related issues. In response to the march, Secretary for Labour and Welfare Matthew Cheung said that the Hong Kong SAR Government “attaches great importance to protecting statutory labour rights and is committed to improving employees’ benefits at a pace commensurate with Hong Kong’s economic development while striking a balance between employees’ interests and employers’ affordability”.

On 4 June the annual vigil to commemorate the events of Tiananmen Square in 1989 took place in Victoria Park. Organisers suggested that approximately 135,000 people took part this year, while the police estimated that the crowd was 46,600 strong at its peak. Prior to the vigil, some student groups announced that they would not take part as they believed the event should focus primarily on democratic rights in Hong Kong, rather than the Mainland. The Hong Kong University Student Union staged its own event on 4 June to “reflect on the future of democracy in Hong Kong”.

Throughout the reporting period, protests against parallel traders took place at locations across the New Territories. These are covered elsewhere in this report. There were also numerous other, relatively small-scale protests.

‘ONE COUNTRY, TWO SYSTEMS’

We assessed in our last report that ‘One Country, Two Systems’ had been put to perhaps its most serious test since 1997, but that it had continued to function well. It is our belief that ‘One Country, Two Systems’ has continued to function well overall, but with some areas of increasing contention. We have repeatedly made clear the UK view that it is vital to Hong Kong’s continuing stability and prosperity that confidence in ‘One Country, Two Systems’ is fully safeguarded, and that Hong Kong continues to enjoy, and is seen to enjoy, the full measure of autonomy, rights and freedoms guaranteed by the Joint Declaration. This being the case, we will continue to monitor developments closely and we will continue to speak out on matters of concern.

This reporting period has seen much discussion about ‘One Country, Two Systems’, including in the context of constitutional reform.

Central People’s Government

Article 22 of the Basic Law provides that no department of the CPG may interfere in matters that the Hong Kong SAR administers on its own.

Article 22 of the Basic Law

No department of the Central People’s Government and no province, autonomous region, or municipality directly under the Central Government may interfere in the affairs which the Hong Kong Special Administrative Region administers on its own in accordance with this Law.

Throughout the reporting period, senior officials reaffirmed the CPG’s commitment to implementing ‘One Country, Two Systems’. In an interview with the *Financial Times* on 31 March, Premier Li Keqiang said that the CPG would “always follow the principles of ‘One Country, Two Systems’, the people of Hong Kong administering Hong Kong and a high degree of autonomy. The Chinese Central Government will

continue to support the Hong Kong SARG and the Hong Kong SAR Government Chief Executive in administering the region in accordance with the law.”

Officials also underlined the importance of the CPG’s role in issues such as political reform. At the Central Government Liaison Office’s (CGLO’s) Spring Reception, Director Zhang Xiaoming said that, despite Hong Kong’s high degree of autonomy, this did not mean that Hong Kong “could disrespect the central authority’s power, that includes the decision making power on important political issues such as universal suffrage”. Zhang also spoke about the young people of Hong Kong, who he said needed “positive guidance” and that “priority should be given to history, culture and national conditions [in the education of young people]”. Democratic Party Chair Emily Lau said that some of the issues Zhang had raised were for local leaders to debate and described the speech as having “blurred the boundary” of ‘One Country, Two Systems’.

The relationship between the CGLO and the pro-establishment parties in Hong Kong came under scrutiny following the LegCo vote on constitutional reform. In a statement issued on 19 June, the Civic Party said that pro-establishment legislators contact with CGLO officials shortly after the vote demonstrated their “strong accountability to the CGLO”. They argued that this infringed Article 22 of the Basic Law.

LegCo President Jasper Tsang disagreed, arguing that all legislators should communicate with the CGLO over constitutional reform, which was within its sphere of responsibility. Justice Secretary Rimsky Yuen also said that the Central People’s Government Liaison Office had a role in maintaining relations between the Central Government and Hong Kong SAR Government.

People-to-people links

During the reporting period, the issue of parallel trading, when people buy stock in Hong Kong to resell on the Mainland, was the subject of heated debate. A number of protests were held during March and April in New Territories towns including Yuen Long, Tuen Mun and Sha Tin. As well as the specific practice of parallel trading, protests also focused on the wider issue of the number of Mainland visitors entering

Hong Kong. Many in the media saw this as further evidence of growing tensions between the Hong Kong population and Mainland Chinese.

Speaking with Hong Kong representatives to the National People's Congress in Beijing, CGLO Director Zhang Xiaoming said that the problem was "mainly to do with parallel traders" and that the problem "should not be exaggerated or used as a tool to escalate cross-border conflict". Zhang asserted that 60% of parallel traders were in fact Hong Kong residents, with Shenzhen residents on multiple-entry permits accounting for the remainder.

In a closed-door meeting at the plenary, NPC Chairman and Head of the HKMAO Zhang Dejiang asked delegates to seek specific solutions to problems brought by parallel-goods traders and other visitors. Such problems should be analysed and resolved without becoming politicised. He noted that Hong Kong delegates should "actively unleash positive energy, and foster cross-border harmony in the wake of anti-mainlander sentiments". He added that they must also be cautious about "those who sow discord out of ulterior motives".

Chief Executive CY Leung blamed the protests for the drop in Mainland visitors to Hong Kong over the Easter long weekend. Leung said: "These actions have seriously hurt Hong Kong's image and reputation as a tourist city, internationally and on the mainland." He noted that the Hong Kong SAR Government would "continue to follow up with the central government and relevant provincial and municipal authorities".

In early April it was announced that Shenzhen permanent residents would be limited to one visit a week to Hong Kong in an attempt to deter parallel traders. The HKMAO told *Xinhua News* that the "measure was adopted at the request of the Hong Kong government" and that it showed "the central government's concern about Hong Kong people's lives".

Legislative Council debate

On 24 June Civic Party legislator Dennis Kwok moved a motion in the LegCo requesting “the SARG to earnestly invite the Central Government to implement and continue the state policy of ‘One Country, Two Systems’ in Hong Kong in accordance with the original intent”. Kwok contended that Hong Kong citizens had lost confidence in the system as it had deviated from its original design, but that with more than 30 years before 2047, there was time to return to the right track. The motion was defeated. Hong Kong SAR Government said: “Since the establishment of the HKSAR, the CPG has been strictly carrying out the basic policy of ‘One Country, Two Systems’, ‘Hong Kong People Administering Hong Kong’ and ‘High Degree of Autonomy’ and the provisions of the Basic Law, to support the Chief Executive and the HKSAR Government to implement policy according to law. Similarly, the HKSAR Government has been strictly adhering to the principle of ‘One Country, Two Systems’ and the provisions of the Basic Law to handle HK affairs according to law.”

Freedom of movement

During the reporting period there were a number of instances of high-profile Hong Kong pro-democracy supporters, including legislators, being denied entry to different countries and territories including Mainland China, Macao SAR and Malaysia. Widespread media speculation suggested their involvement in the Occupy protests, and pressure from the CPG was a contributing factor. As well as these high-profile cases, some anecdotal evidence suggests that a number of other Hong Kong residents who have expressed support for the Occupy protests online have been refused entry to the Mainland.

Public confidence in ‘One Country, Two Systems’

During the reporting period the Hong Kong University Public Opinion Programme (HKU POP) published the latest results of their long-running (since 1993) survey in confidence in ‘One Country, Two Systems’. Conducted between 9 and 12 March, the survey showed that 51.5% of respondents were ‘not confident’. This was only the

third time in the poll's history that the number of respondents in that category was over 50%.

LEGAL AND JUDICIARY

The rule of law and confidence in Hong Kong's world-class legal and judicial system is a cornerstone of Hong Kong's success. We believe that the rule of law in Hong Kong has stood up well to the challenges in the reporting period. We shall continue to monitor this area closely.

In our last report, we noted that the rule of law in Hong Kong had come under intense scrutiny in the context of the extended campaign of civil disobedience. This scrutiny continued throughout the reporting period, which saw arrests for involvement in last year's Occupy Central protests and the commencement of prosecutions.

At the opening of the legal year in January, Secretary for Justice Rimsky Yuen noted that the Occupy Central movement had brought about "blatant challenges to the rule of law". He expressed confidence that the rule of law would remain robust and sustainable with Hong Kong's "strong fundamentals, its top quality judicial and legal personnel, and joint efforts by all the relevant stakeholders". This was "essential to provide a solid foundation for the pursuit of constitutional development, democracy, social justice and other worthy causes".

In his speech, Chief Justice Geoffrey Ma said the Occupy Central movement had "demonstrated the respect that most people have for the rule of law and emphasised once again the pivotal position it occupies in our community". He added that the legal proceedings that had taken place during the protests, including injunction proceedings to clear protest sites, had demonstrated clearly that Hong Kong's courts decided cases strictly according to the law.

The outgoing Chair of the Hong Kong Bar Association Paul Shieh used his speech to emphasise the difference between rule of law and rule by law, noting that rule of law "means far more than just blind adherence to laws". While noting that some incidents

had prompted debate over judicial independence, Shieh highlighted the World Economic Forum's *Global Competitiveness Report* for 2014–15 which ranked Hong Kong's judicial independence fifth among 144 jurisdictions worldwide, and first in Asia.

Speaking at an event to mark the 22nd anniversary of the promulgation of the Basic Law in April, Basic Law Committee member and Peking University Professor Rao Geping was reported to have described the practice of inviting foreign judges from other common law jurisdictions to sit on the Court of Final Appeal as “a transitional practice that could be changed in 2047” and to have said that some foreign judges did not understand the Basic Law. In a speech delivered on 22 May, Justice Secretary Rimsky Yuen said the presence of overseas judges, “all leading jurists in the common law world”, showed that Hong Kong's rule of law was in a healthy state. In a written response to a LegCo Question on 13 May, Secretary for Security Lai Tung-kwok confirmed that a total of 1,003 people were arrested by the police for alleged offences during the Occupy Central protests. A considerable number of these cases were still either in the judicial process or awaiting legal advice. The Secretary also addressed concerns that the withdrawal of a number of prosecutions demonstrated that people had been wrongly arrested. He said that police were entitled to make an arrest on the grounds of reasonable suspicion whereas the Department of Justice had to consider other matters, such as public interest, in deciding whether to pursue a prosecution. This being the case, “the mere fact that an arrested person is not subsequently charged with any criminal offence does not necessarily mean that the Police have made a wrongful arrest”.

In our last report we reported on the broadcasting of footage that appeared to show police officers beating a protester. In May, the Secretary for Justice confirmed that the Department for Justice was looking at the case and had decided to seek independent legal advice to ensure that the decision about whether to pursue prosecutions against the responsible officers was, and was perceived to be, independent.

EQUALITY

Equal Opportunities Commission Reviews

At a meeting on 19 March, Dr York Chow, Chairperson of the Equal Opportunities Commission (EOC), updated members on the progress made against the five priority areas identified in the EOC's three-year strategic work plan.

Dr Chow noted that the EOC aimed to publish a report on the public submissions to the Discrimination Law Review, including qualitative and quantitative analysis by the Commission, in the latter half of 2015. As we noted in our last report, the review aims to ensure that Hong Kong's domestic legislation continues to be effective in protecting equality rights, as guaranteed under the Basic Law and relevant international covenants, including with regard to sex, pregnancy, marital status, disability, family status or race. Dr Chow said a report on the Commission's findings and recommendations would be submitted to the Hong Kong SAR Government by the end of 2015. On the feasibility study about legislating against discrimination on the grounds of sexual orientation and gender identity, Dr Chow noted that the study report would be ready by the second half of 2015.

During the reporting period, Asia's first ever lesbian, gay, bisexual and transgender (LGBT) workplace inclusion index was staged in Hong Kong by the NGO Community Business. Some 35 organisations, including the British Consulate General and the British Council, took part in the index, which Community Business hoped would allow companies in Hong Kong to benchmark, drive progress and promote their efforts to create an inclusive work environment for LGBT people.

Same-sex marriage

Following the US Supreme Court's legalisation of same-sex marriage throughout the United States on 26 June, Dr York Chow described the issue of same-sex marriage as "inescapable" for Hong Kong, and noted that the EOC would welcome further debate on the issue.

During the reporting period, the British Consulate General again raised the issue of the solemnisation of same-sex marriage in the British Consulate General with the Hong Kong SAR Government. The Hong Kong SAR Government confirmed that its objection remained valid. Under the terms of the UK Marriage (Same Sex Couples) Act, which came into force in March 2014, if same-sex marriages are to take place at a British Consulate, the host government must have no objection to such marriages. The Consulate General will continue to advocate change on this issue.

We believe that all governments should take proactive steps to tackle all forms of discrimination, including on the basis of sexual orientation and gender identity, and to promote respect for diversity. We continue to use our political dialogue with other countries and territories to push for recognition of LGBT rights and advocate for changes to discriminatory practices and laws.

ECONOMY

Hong Kong's economy grew moderately at 2.1% in the first quarter of this year, slower than the 2.4% in the fourth quarter of 2014. This met market expectations of 2–2.2%. Meanwhile, despite decelerating growth in Mainland visitor arrivals, stable wage increases of 4.2% in 2014 and employment conditions helped to support domestic demand. Moreover, other economic fundamentals remained robust – inflation at 2.4% in April 2015 and unemployment low at 3.2% in April 2015. The Hong Kong SAR Government remained cautiously optimistic and maintained its February forecast of 1–3% growth for 2015.

Total goods exports grew by 0.4% in the first quarter year on year. Exports to the US continued to grow but exports to Mainland China (over 50% of Hong Kong's exports) and other Asian markets slowed. Services exports also fell, declining by 0.6% in the first quarter of this year, after a drop of 0.3% in the preceding quarter. This was due to subdued trade and cargo flows, a slight decline in trade-related services and only mild growth in exports of transportation services. However, export of financial and other business services grew further, driven mainly by expansion of cross-border financial and fund-raising activities.

Hong Kong's property market remained active in the first quarter of this year. Residential property prices rose by 5% but trading volumes dropped by 2%. Demand was weakened by the Hong Kong Monetary Authority's seventh round of macro-prudential measures announced in February this year. The measures aimed to tighten mortgages on property and strengthen banks' risk management and resilience. As at March 2015, overall flat prices have exceeded the 1997 peak by 69%, higher than the long-term average of 46% for the period between 1995 and 2014. HKMAO Chief Executive Norman Chan said that, due to a notable increase in prices and transaction volumes and an increase in household debt-to-GDP ratio, to safeguard the stability of the banking and financial system the Government had introduced macro-prudential measures on 27 February to keep loan-to-value ratios and mortgage delinquency rates in check, and the Hong Kong SAR Government has remained committed to increasing supply.

Budget

The Financial Secretary John Tsang delivered the Budget Speech on 25 February. He outlined HKD 43 billion (£2.8 billion) of one-off supportive measures, including personal and business tax allowances and other social allowances to support older and underprivileged people. These measures were supported in part by the unexpectedly high surplus of HKD 63.8 billion (£5.5 billion). Apart from one-off measures, the Budget was built around four themes: diversifying Hong Kong's economy; supporting Hong Kong's pillar industries; tackling Hong Kong's limitations; and healthy public finances, to develop Hong Kong's economy.

Competitiveness

On 15 May, the Chinese Academy of Social Science (CASS) released its latest *Chinese Cities* survey report. For the first time in 13 years, Shenzhen overtook Hong Kong and was ranked as China's most competitive city, thanks to Shenzhen's high-speed development of its innovative and technology industry. The report cited the fall-out of Occupy, anti-Mainland protests, high property prices and lack of economic diversity as the main risks to Hong Kong's competitiveness. Meanwhile, on 28 May, the Institute for Management Development (IMD) *World Competitiveness Yearbook*

2015 announced that Hong Kong was the world's second most competitive economy, up from fourth place last year. The report said that Hong Kong's rise up the rankings was driven by government and business efficiency.

Financial services

On 22 May, the Securities and Futures Commission and the China Securities Regulatory Commission signed a memorandum of regulatory cooperation in respect of the Mutual Recognition of Funds initiative. Under this scheme, certain Hong Kong domiciled funds will be made available for sale on the Mainland, and vice versa. This initiative aims to deepen Mainland–Hong Kong financial cooperation and promote joint development of the Mainland and Hong Kong capital markets. It was implemented on 1 July 2015.

Renminbi market

While growth in the global renminbi (RMB) market stalled in the first quarter of 2015, RMB activities remained vibrant in Hong Kong. RMB trade settlement transactions handled by banks in Hong Kong increased by 9% in the first quarter compared with a year earlier; outstanding RMB loans grew by 19% compared with the last quarter of 2014; and total RMB deposits grew by 0.3% to RMB 955.2 billion at the end of April. According to Standard Chartered's RMB Global Index, Hong Kong's share of the global market remained unchanged at 62% in March 2015.

UK–HONG KONG BILATERAL RELATIONS

As was noted in the previous Six-Monthly Report, the UK Foreign Affairs Committee (FAC) launched an inquiry entitled 'The UK's relations with Hong Kong: 30 Years after the Joint Declaration' on 22 July 2014. On 13 January, Foreign and Commonwealth Office Minister Rt. Hon. Hugo Swire MP gave evidence to the committee, the final witness to do so.

Hugo Swire visited Hong Kong on 8 January. His programme included a meeting with the President of the LegCo and a wide range of legislators, Chief Justice

Geoffrey Ma, members of civil society and academics. He also held meetings with the British Chamber of Commerce and Cheung Kong/Hutchison Whampoa, the largest single foreign investor in the UK. Professor K C Chan, Secretary for Financial Services and the Treasury of the Hong Kong SAR Government, visited the UK in May.

During the reporting period there were also a number of exchanges between senior officials, including the Deputy Secretary for Financial Services and experts on a range of policy issues including press freedom, LGBT issues, the RMB market and Stock Connect.

We have maintained a regular dialogue with the Hong Kong SAR Government and the CPG on developments in Hong Kong, including through meetings between the Prime Minister and the Foreign Secretary with Chinese Foreign Minister Wang Yi; and Foreign and Commonwealth Office Minister Rt. Hon. Hugo Swire MP's discussions with Foreign Minister Wang Yi, Chief Secretary Carrie Lam and the Chinese Ambassador to the United Kingdom, Liu Xiaoming.

On 6 March 2015 the FAC published their report, together with formal minutes relating to the inquiry. The FAC made 15 recommendations to the Government. Following the report's publication, Hugo Swire said:

“We entirely share the view of the Foreign Affairs Committee about the fundamental importance of the Joint Declaration to the preservation of Hong Kong’s way of life. It remains as vital today as it was on the day it was signed. Britain stands by the Joint Declaration, and remains fully committed to doing all we can to ensure that it is fully adhered to. We protested at the time about the refusal to allow the FAC to visit Hong Kong. Chinese and Hong Kong officials are in no doubt about Britain’s view on this matter. This refusal was wholly unjustified and counter-productive, and we made this very clear. It was not in keeping with the spirit of the Joint Declaration. Our position remains that Hong Kong’s stability and prosperity are best guaranteed by a transition to universal suffrage. Clearly, the parameters that have been set for this are more restrictive than many anticipated. However, as we have said, we do still believe there remains space for a meaningful advance for democracy. As the Prime Minister and Foreign Secretary have made clear, universal suffrage must mean Hong Kong people have a genuine choice. We welcome the FAC’s important contribution, and will now consider all of their points in time to give a full response.”

BILATERAL TRADE AND INVESTMENT

In 2014, UK exports of goods to Hong Kong were £6.3 billion, up 11.0% compared with the same period in 2013, with a 2.2% share of total exports. UK goods imports from Hong Kong were £7.5 billion, a 0.8% increase year on year with a 1.8% share of the total. Hong Kong was the UK’s 11th largest export market and the second largest in Asia-Pacific behind China. There was a 0.7% increase in exports of goods to Mainland China passing through Hong Kong.

For the period from January to April 2015, UK exports of goods to Hong Kong were £2,076 million, down 2.4% compared with the same period last year, with a 2.2% share of total exports. UK imports from Hong Kong were £2,264 million, a 16.2% decrease year on year with a 1.7% share of the total. Hong Kong is currently the

UK's 12th largest export market, but remains the second largest in Asia-Pacific behind China. There was a 3.8% increase in exports of goods to Mainland China passing through Hong Kong.

In 2013, the UK also exported £1.9 billion in services to Hong Kong. 2014 figures will be released in October and we expect this figure to have grown.

In 2014/15, UK Trade & Investment (UKTI) supported over 1,000 UK companies in winning over £300 million of business in Hong Kong. In the first quarter of 2015/16, UKTI has already supported UK companies in securing over £200 million of business. Hong Kong remains a very strong market for UK companies to do business in (over 560 UK companies have offices there), and we are working with the Hong Kong SAR Government to ensure that barriers to trade and investment are removed. UK companies are currently engaged in all of the major infrastructure programmes in Hong Kong. However, filibustering in the LegCo has resulted in a significant slow-down in the allocation of funds for both new and existing infrastructure projects, which is creating challenges for UK companies in the market. UK investment in Hong Kong (conservatively valued at £33 billion) makes up about 35% of total UK investment in Asia.

The UK remains the number one European destination for outward direct investment from Hong Kong, with a stock value of over £11.62 billion (2013). Hong Kong also has an important role in outbound investment from China, particularly in financial services. UKTI Hong Kong works closely with colleagues in China and UK intermediaries in order to secure this foreign direct investment and secured 13 inward investment projects in 2014/15.

EDUCATIONAL LINKS

The UK was, once again, the top overseas English-speaking study destination for Hong Kong higher education students in 2013/14, attracting 46% of the market share. According to the Higher Education Statistics Agency (HESA), there were 15,379 Hong Kong students pursuing higher education studies in the UK, an

increase of 12.6% over the previous year. The number of Hong Kong students studying in independent schools was 4,785, a small increase over the previous year. In January 2015, 102 UK higher education institutions participated in the British Council's annual two-day education exhibition, attracting over 7,300 visitors. Students and parents were able to learn at first hand about the range and quality of courses on offer in the UK, as well as UK-led courses that can be taken through partners in Hong Kong ('Trans-National Education').

In March 2015, 24,000 students, parents and teachers participated in the British Council's Science Alive programme, an increase of 45% over the previous year. The event is offered in partnership with the Hong Kong Science Museum and the prestigious Croucher Foundation. A fortnight of popular science activities was presented inside and outside the classroom, led by UK scientists and science educators. This year's theme was 'Chemistry – Why does it matter?' The programme consisted of interactive lectures, science workshops and drama shows delivered to 45 schools.

Throughout the year, the British Council delivered substantial programmes in English-language learning and examination services, as well as taking a leading role in a range of arts, education and science partnerships.

From January to June 2015:

- 36,097 people visited/contacted the customer services centre
- 25,326 examination papers were conducted
- 11,841 learners attended English classes
- 64 arts, education and science events took place
- 578,702 people visited the British Council Hong Kong website.

CONCLUSION

The Foreign Secretary's Six-Monthly Reports to Parliament reflect the importance that the Government attaches to the continued full and faithful implementation of the Sino–British Joint Declaration on Hong Kong.

In our last report, we noted that 'One Country, Two Systems' had been put to perhaps the most serious test since the handover in 1997. The challenges intensified throughout the current reporting period, which saw the culmination of the constitutional reform process launched in December 2013.

Following LegCo's veto of proposals, we now believe it is imperative for all sides to re-establish communication and rebuild mutual trust to allow the constitutional reform process to be restarted. This is crucial for the effective functioning of, and confidence in, 'One Country Two Systems'.

'One Country, Two Systems' has continued to function well overall. There have been some areas of increasing contention, particularly press and academic freedoms. These are important for Hong Kong's continued stability and prosperity, and for public confidence in 'One Country, Two Systems'. We will continue to monitor them closely.

As in our last report, press freedom is most prominent. It is vital that the Hong Kong SAR Government continues to take an active and leading role in its promotion and protection, and takes steps to ensure that crimes against journalists are investigated and perpetrators brought to justice. Academic freedom is another area of concern, with perceived politicisation of appointments and the curriculum the subject of significant debate throughout the reporting period.

LIST OF ABBREVIATIONS

CGLO	Central Government Liaison Office
CPG	Central People's Government
CPPCC	Chinese People's Political Consultative Conference
DAB	Democratic Alliance for the Betterment and Progress of Hong Kong
EOC	Equal Opportunities Commission
FAC	Foreign Affairs Committee
FTA	Free Trade Agreement
HKBA	Hong Kong Bar Association
HKFS	Hong Kong Federation of Students
HKJA	Hong Kong Journalists Association
HKMAO	Hong Kong and Macao Affairs Office of the State Council
HK SAR	Hong Kong Special Administrative Region
LegCo	Legislative Council
LGBT	lesbian, gay, bisexual and transgender
NC	Nominating Committee
NPC	National People's Congress
NPCSC	National People's Congress Standing Committee
OECD	Organisation for Economic Co-operation and Development
RMB	Renminbi
SAR	Special Administrative Region
SHKSC	Shanghai Hong Kong Stock Connect
UKTI	UK Trade & Investment
WTO	World Trade Organization