



**THE SIX-MONTHLY REPORT ON HONG KONG
1 JANUARY TO 30 JUNE 2016**

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

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FOREWORD

This is the 39th in a series of reports to Parliament since July 1997 on the implementation of the 1984 Sino–British Joint Declaration on the Question of Hong Kong. It covers the period from 1 January to 30 June 2016.

Thirty-two years after the Governments of the UK and China signed the Sino–British Joint Declaration, Hong Kong enjoys a distinct and vibrant character within the People’s Republic of China. Hong Kong remains of great importance to the UK. Our links in trade, investment and education continue to evolve. The UK’s eventual exit from the EU, in line with the decision of the British people in the referendum, will open up new opportunities to support trade and investment. The partnership between London and Hong Kong, as two of the most important global financial centres, will continue to be essential for global economic stability.

The ‘One Country, Two Systems’ principle stipulates that Hong Kong enjoys a high degree of autonomy, an independent judiciary, and freedoms including of the press, of academia and of expression. This constitutional arrangement has served Hong Kong well in the 19 years since handover. We believe it is the right future for Hong Kong. In this context, I welcome the National People’s Congress Standing Committee (NPCSC) Chairman Zhang Dejiang’s confirmation during his visit to Hong Kong in May that the Chinese Government would continue faithfully to implement “One Country, Two Systems” and it would not be changed. The Special Administrative Region remains a dynamic, global city. In very many areas, this framework functions successfully, giving confidence that it is fit to continue far into the future.

Despite this positive backdrop, I have specific concerns about the integrity of Hong Kong’s law enforcement which, under ‘One Country, Two Systems’, is separate from that of mainland China. The case of Mr Lee Po and four others associated with Mighty Current publishing house and Causeway Bay bookstore has generated widespread concern in Hong Kong. As our previous six-monthly report said, Mr Lee’s involuntary removal from Hong Kong to the mainland constituted a serious breach of the Sino–British Joint Declaration by undermining the ‘One Country, Two Systems’

principle. Although Lee Po has now returned to Hong Kong, the issues raised by the case remain of concern.

Since the end of the reporting period, the Hong Kong SAR Government has made clear that the right to liberty and security of person is firmly guaranteed under Hong Kong's Basic Law and Bill of Rights and that neither unauthorised criminal investigation nor unlawful arrest within the jurisdiction shall be tolerated. I urge the Hong Kong SAR and Chinese Governments to ensure that these welcome assurances are reflected in the actions of all involved authorities. In particular, I call for the universal application of due process, respecting the distinct nature of the two jurisdictions in all cases.

Lastly, following elections for the members of the sixth Legislative Council, I encourage all parties to play their part in rebuilding constructive dialogue to pave the way for the resumption of the political reform process at the earliest opportunity. A more democratic and accountable system of government, in line with the Basic Law, would underpin the effective functioning of government in support of the delivery of the Government's economic and social programme. It would also help strengthen those rights and freedoms, including academic freedom and freedom of expression, which have come under increasing pressure over the past two years.

Rt. Hon. Boris Johnson MP
Foreign Secretary

INTRODUCTION

This series of six-monthly reports reflects the UK 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.

On 8 April, the then Foreign Secretary The Rt. Hon. Philip Hammond MP visited Hong Kong, the first Foreign Secretary to visit the SAR in over five years. The Foreign Secretary met Chief Executive CY Leung and Chief Justice Geoffrey Ma, as well as legislators from a range of parties, the media and UK business.

The then Foreign Secretary discussed important issues for Hong Kong's future, such as confidence in and the future of 'One Country, Two Systems', the ongoing case of the missing booksellers, and the challenges Hong Kong faces because of concerns over governance.

The then Foreign Secretary said to the media during his visit that: "Hong Kong is of great importance to the UK, and Britain's long-standing commitment, as a co-signatory of the Sino–British Joint Declaration, is as strong as ever. Of course the UK's relationship with Hong Kong is not just based on history. It is innovative, forward looking and dynamic, with excellent prospects for the future, on which we will continue to build."

ONE COUNTRY, TWO SYSTEMS

There were a number of significant events during the reporting period that focused attention on Hong Kong's relationship with the mainland and the implementation of 'One Country, Two Systems'.

Central People's Government

The Central People's Government (CPG) reiterated its commitment to the implementation of 'One Country, Two Systems' during the annual plenary sessions of the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) in March 2016; and Zhang Dejiang, the Chairman of the Standing Committee of the National People's Congress (NPCSC) confirmed this commitment during his visit to Hong Kong in May.

Plenary sessions of the NPC and the CPPCC

In the closing session of the annual plenary sessions of the NPC and the CPPCC, Premier Li Keqiang said Hong Kong's development was necessary for Hong Kong and the country as a whole. Li said the CPG would support any proposal from the Hong Kong SAR Government for maintaining Hong Kong's stability and prosperity.

The 13th Five Year Plan, adopted by the plenary, committed to "comprehensively and accurately" implement the concepts of 'One Country, Two Systems', Hong Kong people governing Hong Kong, and a high degree of autonomy in accordance with the Constitution and the Basic Law. The NPC's annual work report committed to implement the principles "in letter and in spirit" and to elevate Hong Kong's position and role in China's economic development.

Zhang Dejiang's visit

NPCSC Chairman Zhang Dejiang visited Hong Kong for the Belt and Road¹ summit from 17 to 19 May 2016, the first visit by a Chinese state leader to the SAR since 2014. In his speeches, Zhang underlined the CPG's support for 'One Country, Two Systems', which he described as "a fundamental policy" with a track record and widespread support. He said the people of Hong Kong could rest assured that the CPG would continue to faithfully implement 'One Country, Two Systems', Hong Kong

¹Belt and Road (also known as 'One Belt, One Road') is a flagship policy initiative of Chinese President Xi, aimed at developing infrastructure and trade links between China and more than 60 countries.

people governing Hong Kong and a high degree of autonomy – there was no plan for ‘One Country, Two Systems’ to become ‘One Country, One System’.

Zhang also emphasised Hong Kong’s role in national development as a gateway for Belt and Road, as a service platform and as a facilitator of capital flows. Zhang noted that Hong Kong’s advantages, including its legal system, could not easily be replaced.

During his visit, Zhang met a group of legislators, including representatives of pan-democratic parties. The meeting, the first ever between a state leader and members of pan-democratic political parties, was described by many as “historic”. Zhang said Beijing was open to dialogue and the CPG would listen to opinions and suggestions from all sides within the parameters of respect for ‘One Country, Two Systems’ and the Basic Law, provided that Hong Kong’s interests were at the heart of any such dialogue.

Despite challenges, the UK believes that ‘One Country, Two Systems’ has provided a successful framework for Hong Kong for almost two decades, and can continue to do so. We welcome the restatement of commitment to this principle by the Chinese leadership.

MISSING BOOKSELLERS

The case of the five individuals associated with Causeway Bay bookstore and Mighty Current publishing house continued to cause serious concern, both in Hong Kong and internationally, throughout the reporting period.

During the reporting period, there were a number of significant developments in the cases of the five individuals; Lee Po (a British citizen), Gui Minhai (a Swedish national), Lui Por, Cheung Chi-ping and Lam Wing-kee.

The latest developments

British citizen Lee Po returned to Hong Kong on 24 March 2016 for the first time since he was reported missing on 1 January. Hong Kong police reported that he had cancelled his missing person's case and said that he had travelled to the mainland voluntarily, was not abducted and did not require assistance from the Hong Kong authorities. Following his return to Hong Kong, Mr Lee gave a number of interviews to pro-Beijing media in which he repeated that he was co-operating voluntarily and could travel freely. Journalists filmed Mr Lee being escorted back over the border to mainland China on 25 March.

Lam Wing-kee returned to Hong Kong on 14 June, eight months after his disappearance. Hong Kong police confirmed on the same day that he had cancelled his missing person's report and said he required no assistance from the Hong Kong authorities. Two days later, Lam held a press conference at which he told the press that he and the other booksellers had been held against their will by mainland agents, denied due process, interrogated, required to sign non-disclosure documents, and forced to make false statements. Lam said he had decided to risk his own and his family's safety by speaking out because "this isn't just something which involves me, but implicates the whole of Hong Kong society".

Following the press conference, three of Lam's colleagues contradicted his account in statements to the media that were widely believed to have been made under duress. Cheung Chi-ping and Lui Por told *Sing Tao Daily* that Lam was lying and had been manipulated, while the same newspaper published photos, purportedly of Mr Lee's Facebook page, in which he denied Lam's claims.

The Hong Kong SAR Government's response

Hong Kong police released a statement in response to Lam's press conference in which they committed to take appropriate follow-up action. According to the statement, the Hong Kong SAR Government "attached great importance to the Causeway Bay bookstore incident"; and police had "established a case for investigation and have been making enquiries to, and seeking assistance from,

mainland authorities”. The statement added that “mainland and overseas law enforcement agencies do not have the authority to enforce laws in Hong Kong. They will contravene Hong Kong laws if they do so. The Government has all along attached importance to the personal safety of every Hong Kong resident, and will resolutely safeguard the rights and freedoms of Hong Kong residents in accordance with law.”

On 21 June, Chief Executive CY Leung said he had written to the CPG asking:

- how mainland authorities handle cases involving Hong Kong people breaking mainland laws;
- whether mainland law enforcement agencies had enforced laws in Hong Kong;
- whether the current police notification mechanism could protect the interests of Hong Kong people detained on the mainland; and
- whether the handling of the Causeway Bay bookstore incident affected the ‘One Country, Two Systems’ principle and Hong Kong people’s rights and freedoms.

The public’s response

Lam’s press conference reignited concerns about Hong Kong’s relationship with the mainland and Beijing’s approach to ‘One Country, Two Systems’. It dominated media coverage over the following days, with many arguing that Lam’s revelations showed that rights and freedoms guaranteed by the Basic Law had been undermined. Many pointed to TV “confessions” – public statements by all of the booksellers – as evidence of duress and increasing pressure on the rights and freedoms guaranteed under ‘One Country, Two Systems’.

In January, Hong Kong Executive Council Convenor WK Lam said that relations between Hong Kong and the mainland would be affected as long as the truth of the matter was not clarified. In March, the Chair of the Hong Kong Bar Association, Winnie Tam, told i-Cable News that the case of the missing booksellers was one of the most worrying incidents since the 1997 handover, noting that it “makes people worry about whether ‘One Country, Two Systems’ has exceptions”.

Following Lam's press conference, legislators from across the political spectrum voiced concern: Chan Yuen-han of the Hong Kong Federation of Trade Unions said she believed Beijing should offer an official conclusion to the booksellers' case to ease the anxiety of Hong Kong. New People's Party legislator Michael Tien said he planned to write to the NPCSC seeking an explanation and telling them of the concerns of the people of Hong Kong.

The UK Government's response

Throughout the reporting period, the UK Government raised the case of British citizen Mr Lee with the Chinese and Hong Kong SAR Governments at the highest levels including by the Prime Minister, Foreign Secretary and Chancellor of the Exchequer. During his April visit to Hong Kong, the then Foreign Secretary The Rt. Hon. Philip Hammond MP said the UK Government had a consular duty towards Mr Lee, and its principal concern was to ensure that he had returned to Hong Kong, free of any duress, and able to carry on his life there without any constraints or imposition. On the wider implications of the case, the then Foreign Secretary said: "We also have a broader interest. Whatever had happened around this case, it is very much in the interest of Hong Kong and I would argue in the interest of China that we do not allow this incident to undermine confidence in the 'One Country, Two Systems' approach which underpins Hong Kong's prosperity and the value of Hong Kong to China's economic development."

Despite the return to Hong Kong of Lee Po and three of his colleagues, we remain concerned by this case. As we made clear in the last six-monthly report, Mr Lee's involuntary removal to the mainland was a serious breach of the Sino-British Joint Declaration. We continue to urge the Chinese and Hong Kong SAR Governments to demonstrate their commitment to both the letter and the spirit of 'One Country, Two Systems' and to avoid the repetition of any such incident in future. We hope to see an improved system for sharing information between the Hong Kong and mainland authorities on the detention of Hong Kong residents, as promised by Chief Executive CY Leung.

POLITICS AND GOVERNANCE

Chief Executive's policy address

On 13 January, Chief Executive CY Leung gave his annual policy address. In his speech, Leung said that 2016 “marked the initiation of the National 13th Five Year Plan, the beginning of the implementation of the Belt and Road initiative and the start of various innovation and technology initiatives”. He described “a year of opportunities significant for the future of Hong Kong” and said that “we will strive for a better living environment for the people of Hong Kong”. For the first time since CY Leung took office, his address did not mention constitutional reform.

Initial polls conducted by the University of Hong Kong's Public Opinion Programme showed that the 2016 address was the least popular of Chief Executive CY Leung's administration. Pan-democrats criticised Leung for referring to ‘One Belt, One Road’ more than 40 times but providing little detail on governance challenges, threats to ‘One Country, Two Systems’ or the case of the missing booksellers.

Relations between the executive and the legislature

Successive six-monthly reports have documented widespread concerns over the strained relationships between the executive and the legislature and between pro-establishment and pro-democracy camps. This continued throughout the reporting period, with Legislative Council (LegCo) business repeatedly hampered by filibuster and other non-co-operation tactics.

The backlog of LegCo business prompted the Hong Kong SAR Government to reconsider the order of business. In mid-March, Chief Executive CY Leung said the Hong Kong SAR Government would aim to reach a consensus with LegCo on the priority of bills, many of which concerned livelihood and social issues.

In the last six-monthly report, we noted that the Copyright (Amendment) Bill was the subject of significant controversy during the last reporting period. Following months of filibustering, the bill was withdrawn on 14 April.

Also covered by the last six-monthly report was the extra funding requirement for the Guangzhou (mainland China)–Shenzhen (mainland China)–Hong Kong Express Rail Link. In March, the LegCo Finance Committee approved the additional funding of HK\$19.6bn (£1.92bn) in a controversial vote.

There was also evidence of strained relations outside the legislative chamber. In January, LegCo President Jasper Tsang said in an interview that pro-establishment and senior Hong Kong SAR Government officials had declined Democratic Party Chair Emily Lau’s call for cross-party co-operation on livelihood issues. Tsang speculated that the pro-establishment camp and the Hong Kong SAR Government would be unwilling for the pan-democrats to be credited with any progress made.

In May, the Hong Kong SAR Government’s annual budget was eventually approved by LegCo following a month-long filibuster campaign.

Political landscape

Hong Kong’s political landscape continued to evolve throughout the reporting period, as new pro-democracy political forces built on the momentum generated from last year’s District Council elections. New parties such as Demosisto, Youngspiration and Hong Kong Indigenous, largely formed and supported by younger people, announced their intention to field candidates in the LegCo elections on 4 September 2016.

The political debate in Hong Kong over the reporting period evolved, with ‘localism’ and Hong Kong’s constitutional future both becoming key themes. The ‘localist’ banner encompasses a wide array of groups with many diverse objectives, but with a broad goal of preserving Hong Kong’s distinct local culture and way of life. Almost all of the new groups argued that the people of Hong Kong should have the right to decide on Hong Kong’s constitutional future. Most committed to pursue their goals through peaceful means while a small number refused to rule out violence. The newly established Hong Kong National Party announced on 28 March that it would use “whatever effective means” available to push for Hong Kong’s independence. Much of this debate was focused on what happens in 2047. The year 2047 marks

the end of the 50-year period specifically guaranteed by the Sino–British Joint Declaration, although the Basic Law and ‘One Country, Two Systems’ framework is not subject to a time limit or expiry date.

In response to the establishment of the Hong Kong National Party, Chinese and Hong Kong SAR Government officials said advocating independence was incompatible with the Basic Law. Mr Ronald Chan, Acting Secretary for Constitutional and Mainland Affairs said on 20 April that advocating independence was “in breach of the relevant provisions of the Basic Law” and “incompatible with the ... overall interests of the Hong Kong SAR”. Secretary for Justice Rimsky Yuen said on 23 April that the Hong Kong SAR Government was considering whether the establishment of the Hong Kong National Party contravened local legislation. Zhang Xiaoming, Director of the Central Government Liaison Office said the founding of the Hong Kong National Party went “beyond the realm of freedom of expression ... and must not be tolerated”.

Over the course of the reporting period, a distinction was increasingly drawn between ‘localism’, described by Financial Secretary John Tsang as a “strong passion and pride in their identities, traditions and cultures”, and calls for self-determination or independence. Speaking in March, LegCo President Jasper Tsang said the Hong Kong SAR and Chinese Governments should stop regarding ‘localists’ as troublemakers. During his visit in May, NPCSC Chairman Zhang Dejiang said it was “perfectly normal” for people to love their home as well as their country; the maintenance of Hong Kong’s way of life was a key element of ‘One Country, Two Systems’.

Asked about such issues during his April visit to Hong Kong, the then Foreign Secretary The Rt. Hon. Philip Hammond MP said: “I don’t believe that the aspiration to independence is a realistic plan for the future of Hong Kong. We believe that ‘One Country, Two Systems’ is the right future for Hong Kong. I hope and expect that the ‘One Country, Two Systems’ principle will be maintained into the future. It is hugely to the benefit of Hong Kong, and I would suggest to China, that the system continues.”

ELECTORAL AFFAIRS

New Territories East by-election

On 28 February, residents of the New Territories East voted in a LegCo by-election, triggered by the resignation of Ronny Tong (for more details, see the July to December 2015 Six-Monthly Report). Three pro-democracy candidates contested the seat: Alvin Yeung of the Civic Party, Edward Leung of 'localist' group Hong Kong Indigenous, and Nelson Wong representing a new moderate pro-democracy group called Third Side; as well as Holden Chow of the pro-Beijing Democratic Alliance for the Betterment and Progress of Hong Kong (DAB).

Yeung, who had the backing of all mainstream pan-democratic parties, won with 37 per cent of the vote (160,880 votes); Chow (DAB) finished second with 34 per cent (150,329 votes); and Edward Leung, representing the newly established party Hong Kong Indigenous, finished in third place with 15 per cent (66,524 votes). This result attracted significant attention, given Hong Kong Indigenous' overt anti-Beijing stance and its involvement in the Mong Kok incident.

Provisional register of electors

On 1 June, ahead of LegCo elections on 4 September, the Registration and Electoral Office published the provisional registers of electors for public inspection. The registers showed approximately 3.77 million registered electors for the geographical constituencies, a 75,000 increase on last year.

LegCo constituencies

Thirty-five of Hong Kong's 70 legislators represent nine 'geographical constituencies', elected by universal suffrage under a proportional representation system. Thirty are indirectly elected to represent 'functional constituencies': trade, professional or interest groups. The number of registered voters varies significantly. A further five legislators are directly elected to functional constituencies that represent the entire territory; these are known as 'super seats'.

LEGAL AND JUDICIARY

At the opening of the legal year in January, Secretary for Justice Rimsky Yuen said that the World Bank and the World Economic Forum had scored Hong Kong highly for governance and judicial independence in recent years. However, he also noted that: “Certain incidents in the past year have provided causes for concern. As the Hong Kong SAR is a pluralistic and cosmopolitan city, it is not surprising that different people may have divergent views on political, social or economic issues. Against this background, it is all the more important to ensure that the freedom of speech as well as the freedom of assembly, of procession and of demonstration as guaranteed under our Basic Law (Note 3) and our Bill of Rights (Note 4) are properly guarded. However, it is of equal importance that every person who seeks to exercise such rights should do so peacefully and within the limit permitted by the law.”

Speaking at the same event, Chief Justice Geoffrey Ma examined the law’s impact on the community. Ma noted that three key concepts underpinned Hong Kong’s legal system: equality, transparency and access.

Speaking at the Foreign Correspondents’ Club in April, Justice Kemal Bokhary, a non-permanent Judge of the Court of Final Appeal, described two fundamental challenges faced by the courts. He said the first was to deliver, and be seen to deliver, affordable, understandable and timely justice. This applied to courts throughout the world. But Bokhary added that Hong Kong’s courts also faced a unique second challenge: their obligation to make the ‘One Country, Two Systems’ principle work.

BASIC RIGHTS AND FREEDOMS

Media freedoms

Concerns about the media environment continued throughout this reporting period. Many of these concerns stem from the missing booksellers incident. Other issues of concern were highlighted by local and international professional bodies.

On 30 January, the International Federation of Journalists released its annual China Press Freedom Report: *China's Great Media Wall: The Fight for Freedom*. The report said: "Press freedom in China, Hong Kong and Macau deteriorated further in 2015, as the Communist Party of China used every means at its disposal to control the media." In the Hong Kong and Macau section, it noted that press freedom in Hong Kong "continued on a declining press freedom trend, with journalists and media workers blocked from a variety of sources, including the government". The report warned: "As Hong Kong goes to elections ... the party is also using its considerable wealth to consolidate its influence in the region."

In the early hours of 20 April, *Ming Pao* (a popular Hong Kong newspaper) Executive Chief Editor Keung Kwok-yuen was sacked shortly before the paper ran an in-depth story on the 'Panama Papers' focusing on local business and political figures. Many were sceptical about *Ming Pao's* public explanation that the decision to sack Keung was simply "cost saving". Keung, who had worked for the paper for 20 years, was described by Yuen Chan, a senior lecturer in journalism at the Chinese University of Hong Kong, as one of the reasons *Ming Pao* was able to maintain a large degree of editorial independence in recent years. In the days that followed Keung's dismissal, staff protested at the paper's offices, columnists submitted blank columns (which the paper ran), and media unions and NGOs expressed concerns.

On 29 April, Reporters Without Borders (RSF) published a report on media freedom in Hong Kong: *The Invisible Hand on Hong Kong's Media*. The report detailed Hong Kong's fall from 18th to 70th (between 2002 and 2015) in the RSF World Press Freedom Index, covering in detail many of the concerns we have outlined in previous

six-monthly reports including attacks on journalists, lack of transparency, and self-censorship.

The film *Ten Years*

In February, it was reported that mainland media would not broadcast the Hong Kong Film Awards (held in April) after the film *Ten Years* was nominated as a candidate for the Best Film Award. The independent film, which sought to portray Hong Kong in 2025, saw its popularity surge following a January review by the *Global Times* (a mainland Chinese paper) that described it as “ridiculous”. The Hong Kong Film Awards Association confirmed that, following the nomination of *Ten Years*, both China Central Television (CCTV) and Chinese internet broadcaster Tencent had notified them that they would not broadcast the ceremony. Hong Kong media reported that Tencent had only recently secured the online broadcast rights for the awards, at significant cost. *Ten Years* went on to be crowned ‘Best Film’ and has played at cinemas internationally.

Denise Ho

On 6 June, it was reported that Lancôme, a subsidiary of the French cosmetics company L’Oréal, had cancelled a forthcoming concert it had sponsored by prominent pro-democracy Canto-pop star Denise Ho. While Lancôme cited “possible safety concerns”, the cancellation came just days after mainland state-owned media vilified Ms Ho for her political opinions and for having met the Dalai Lama. The incident prompted widespread anger. Ho said: “If we were in a free society, a civilised society, political pressure shouldn’t cross the border to affect business decisions.”

Academic freedom and institutional autonomy

Concerns about perceived pressure being applied to Hong Kong's universities and other academic institutions continued throughout this reporting period.

In late May, it was reported that Vincent Marshall Lee Kwan-ho had been appointed to a three-year term on the governing council of the Chinese University of Hong Kong. His appointment prompted protests from student and alumni groups who said the Chief Executive had not consulted with staff, students or alumni before making the appointment.

MARCHES AND DEMONSTRATIONS

As is usual for Hong Kong, a high number of marches and demonstrations were held throughout the reporting period, the vast majority peacefully and without incident.

The annual 4 June vigil saw tens of thousands gather in Victoria Park. As well as commemorating the events of 4 June 1989 at Tiananmen Square, the vigil brought into focus the widening divide between 'traditional' pro-democracy supporters and the younger generation who have said that their efforts should focus on Hong Kong, not China as a whole. As a result, many of the student-led groups declined to take part.

There were a number of other marches of note during the reporting period.

On 3 January, approximately 3,000 people (according to organisers) joined a march to protest against the appointment of Arthur Li as Chairman of the University of Hong Kong's governing council. The march was led by groups including various universities who said that the appointment showed that the crisis had affected the whole city.

On 10 January, shortly after Lee Po was reported missing, several thousand people marched to call on the Hong Kong SAR Government to seek Beijing's help to defend the 'One Country, Two Systems' principle. The organisers, the Hong Kong Alliance

in Support of Patriotic Democratic Movements of China, said about 6,000 people attended the march. Police said attendance peaked at 3,500.

On 1 May, separate marches saw approximately 5,000 people join protests calling for the Hong Kong SAR Government to implement legislation on standard working hours and a universal pension scheme. Many domestic overseas helpers also joined the marches, demanding inclusion in Hong Kong's minimum wage system and the right not to have to live with their employers.

On 18 June, organisers said approximately 6,000 people joined a march in support of Lam Wing-kee following his return to Hong Kong. Police said the turnout was 1,800 at its peak.

Mong Kok incident

On 8 February, the first night of the Lunar New Year, protests against the inspection of unlicensed food hawkers in the Mong Kok district of Kowloon escalated into violent clashes between protestors and police. Protestors attacked police with paving stones and bins and set fire to debris. One police officer fired warning shots into the sky.

Police commissioner Stephen Lo condemned the behaviour of "a large number of violent radicals". Lo said that police "were left with no choice but to use batons and pepper spray" and noted that officers had used "minimum force". A subsequent internal investigation found that the officer who fired warning shots was justified in using his weapon.

Senior Hong Kong SAR Government officials and legislators also condemned the riots. The Democratic Party said the Hong Kong SAR Government should "reflect on the underlying problems such as people's frustrations and loss of faith in the government". New People's Party Chairperson Regina Ip said employment, education and housing were problems that made it easy for young people to "go astray and resort to violence".

On 14 February, Zhang Xiaoming, Director of the Central Government Liaison Office described participants as “radical separatists” who were “leaning towards terrorism”. On 15 February, Rao Geping, Basic Law Committee member and Professor of Law at Peking University, suggested that national security legislation be “urgently” enacted in Hong Kong. This followed a statement following the incident by Secretary for Security TK Lai in which he said that the Hong Kong SAR Government had not changed its stance on the issue of national security legislation and had no plans to do so.

On 2 March, in response to a LegCo question, Lai confirmed that as of 1 March, 75 protestors had been arrested and prosecuted, 48 of whom had been charged with rioting and one with unlawful assembly.

Hong Kong’s success is underpinned by the rights and freedoms enjoyed by its residents. It is essential for continued confidence in ‘One Country, Two Systems’, both in Hong Kong and internationally, that Hong Kong continues to enjoy, and is seen to enjoy, the high degree of autonomy and the rights and freedoms enshrined in the Basic Law and guaranteed in international law by the Sino–British Joint Declaration.

EQUALITY

Issues surrounding Hong Kong’s equality and diversity challenges were prominent throughout the reporting period.

In January, the findings of the Equal Opportunity Commission’s (EOC) *Study on Legislation against Discrimination on the Grounds of Sexual Orientation, Gender Identity and Intersex Status* were published. The study showed that a majority of respondents supported introducing legislation. Lesbian, gay, bisexual, transgender and intersex respondents noted that discrimination on the grounds of sexual orientation, gender identity, or intersex status occurs frequently in the areas of employment, education, provision of services, disposal and management of premises, as well as government functions.

Discrimination law reform

On 29 March, the EOC published recommendations to the Government of comprehensive reforms to the anti-discrimination legislation. They made 73 recommendations on proposed reforms to Hong Kong's four anti-discrimination ordinances.

In a statement to mark the publication, EOC Chair Dr York Chow said: "There have been broad changes – demographically, socially, politically, legally and economically – in Hong Kong society and around the world, which give rise to the need to improve everyone's protection from discrimination. In a number of respects, the EOC feels that the current provisions do not adequately protect against discrimination, and should be strengthened. The EOC also recognises that proactive measures to address systemic inequalities are necessary if Hong Kong is to demonstrate its commitment to the values of diversity and inclusion. We therefore believe that the proposed changes would be vital steps forward for the Hong Kong community in mapping out its equality landscape for the future."

On 11 April, Professor Albert Chan Cheung-ming succeeded Dr York Chow as Chair of the EOC.

ECONOMY

Hong Kong's economy slowed during the first half of 2016 with Q1 growth of 0.8 per cent (year on year), markedly slower than 1.9 per cent in Q4 of last year. The subdued activity during the first quarter was largely due to the weak global environment, sharp volatility in global financial markets, and a gradual correction in the Hong Kong property market. This led to household consumption growing at 1.1 per cent (year on year) as well as exports of goods and services contracting by 3.6 per cent and 4.9 per cent (year on year) respectively in the first quarter of 2016. External demand was weak not only from advanced economies but also from emerging Asian economies that have been affected by the slowdown in the Chinese economy. The property market saw house prices dropping 5 per cent in the first

quarter, but despite this, the Hong Kong property market remained overvalued compared with long-term averages.

Nevertheless, Hong Kong's economic fundamentals remain sound – both inflation and unemployment stayed low at 2.8 per cent and 3.4 per cent respectively and the Hong Kong SAR Government remained cautiously optimistic about meeting its 2016 GDP growth forecast of 1 to 2 per cent GDP. The Budget also announced a stimulus package consisting mainly of tax cuts and is intended to provide support to domestic consumption, the key driver for Hong Kong's growth. Overall, Hong Kong's fiscal position remains strong, with fiscal reserves reaching HK\$385bn (£37.8bn) at the end of March 2016.

Renminbi (RMB) business, a core sector for the Hong Kong economy, also slowed during the first quarter of 2016. The Hong Kong SAR Government explained that it was due to investors' cautious outlook on the RMB exchange rate. RMB deposits in Hong Kong contracted during the first quarter compared with the same quarter last year, and deposits at the end of April declined further by 4.8 per cent to RMB723bn. Total remittance of RMB for cross-border trade settlement also fell by 26 per cent to RMB358bn at the end of April, compared with a year earlier.

UK–HONG KONG BILATERAL RELATIONS

As well as the visit of the then Foreign Secretary The Rt. Hon. Philip Hammond MP in April, the then Minister of State at the Department for Transport Robert Goodwill MP visited Hong Kong during the reporting period. Gregory So, Hong Kong SAR Government Secretary for Commerce and Economic Development, visited the UK in May.

A delegation from the All Party Parliamentary China Group led by Graham Brady MP visited Hong Kong from 25 to 29 January. They called on the Chief Secretary Carrie Lam and LegCo President Jasper Tsang, and also met with a number of other LegCo members.

Bilateral trade and investment

Office for National Statistics (ONS) figures published during March 2016 give the value of UK trade in goods exports to Hong Kong during 2015 as £5.73bn, a fall of almost 10 per cent on the 2014 total of £6.35bn. Nonetheless, Hong Kong is the UK's 12th-largest market for goods and second-largest in Asia Pacific behind mainland China despite the decline. UK exports of services to Hong Kong grew by 1.4 per cent during 2015 and were estimated at £2.2bn. Total annual trade in UK goods and services exports during 2015 is estimated by ONS as £7.92bn. Imports of goods to the UK from Hong Kong during 2015 were valued at £6.68bn, a fall of around 10 per cent on 2014 value.

Over the year to the end of March 2016, UK Trade & Investment (UKTI) supported UK companies in securing £1.13bn of business. UK business remains engaged with all of the major infrastructure programmes in Hong Kong and UKTI is focusing on rail and airport sectors as areas of particular opportunity alongside the creative industries and education. A trade mission of UK creative industries companies called on West Kowloon Cultural District in June and Mrs Carrie Lam, Hong Kong SAR Chief Secretary laid the foundation stone of the new Malvern College international school in April. January saw Hong Kong's largest-ever education technology trade mission to the UK. UK businesses involved in key infrastructure projects have continued to express concerns about governance and the legislative log jam delaying the decision-making process.

Hong Kong continues to be a thriving trade capital and is the regional headquarters for 126 British companies and some 630 British companies operate in the city, reflecting its pivotal role as an international gateway to mainland China and as a global financial centre. Addressing a conference on China's Belt and Road initiative for regional economic co-ordination in May, NPCSC Chairman Zhang Dejiang confirmed Hong Kong's importance in national development as a gateway for Belt and Road, as a service platform and as a facilitator of capital flows. This creates opportunities for UK financial and professional services companies based in Hong Kong, who are already accustomed to working with Hong Kong and Chinese partners around the world.

Education and arts

The UK was the top overseas English-speaking study destination for Hong Kong higher education students in 2014/15, achieving 49 per cent of the market share.² According to the Higher Education Statistics Agency, 16,215 Hong Kong students were in higher education in the UK, an increase of 10 per cent over the previous year. The number of Hong Kong students studying in independent schools in 2016 is 4,621,³ a 3.4 per cent decrease from the previous year.⁴ In January 2016, 109 UK higher education institutions participated in the flagship Education UK exhibition that attracted more than 6,000 visitors.

In the arts, Sir Antony Gormley's 'Event Horizon' installation, the most extensive public art event ever presented in the city, finished its six-month 'residence' in May. The project generated more than 260,000 positive social media responses, and an array of education and outreach programmes reached all 1,160 government schools. The British Council in Hong Kong co-organised the Cultural Leadership Summit in May in partnership with the Hong Kong Arts Administrators Association; the event focused on the 'Art of Successful Collaboration'. It featured keynote UK arts entrepreneurs and activists Garry Robson and Esme Ward, who enthused their audiences on the topic of 'Social Gains through Arts'. In addition, the British Council partnered with the 40th Hong Kong International Film Festival in presenting a collection of classic films under the rubric 'Shakespeare Lives in Film'.

² Higher education enrolments data from Higher Education Statistics Agency (UK), Institute of International Education (USA), Austrade (Australia), and Citizen and Immigration Canada.

³ Students with parents who are not residing in the UK.

⁴ Independent Schools Council Annual Census 2016.

CONCLUSION

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

In our last report, we concluded that 'One Country, Two Systems' had continued to function well in the vast majority of areas, but that there were specific grounds for serious concern around rights and freedoms. We assessed that some of these rights and freedoms had come under unprecedented pressure during the reporting period; and that the involuntary removal of Lee Po to the mainland constituted a serious breach of the Sino–British Joint Declaration that undermined the principle of 'One Country, Two Systems'.

These concerns and pressures have continued in the current reporting period, in large part because of the case of the missing booksellers. To restore confidence in 'One Country, Two Systems', it is essential that Hong Kong continues to enjoy, and is seen to enjoy, the high degree of autonomy and the rights and freedoms enshrined in the Basic Law and guaranteed in international law by the Sino–British Joint Declaration. We urge the authorities in Hong Kong and Beijing to take the necessary steps to maintain confidence in the system and the sanctity of the rights, freedoms and values it upholds.

LIST OF ABBREVIATIONS

CCTV	China Central Television
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 Opportunity Commission
LegCo	Legislative Council
NPC	National People's Congress
NPCSC	Standing Committee of the National People's Congress
ONS	Office for National Statistics
RMB	Renminbi
RSF	Reporters Without Borders
SAR	Special Administrative Region
UKTI	UK Trade & Investment