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HIGH REPRESENTATIVE
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JOINT REPORT TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Hong Kong Special Administrative Region

Annual Report for 2024

JOINT REPORT TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

HONG KONG SPECIAL ADMINISTRATIVE REGION:

ANNUAL REPORT FOR 2024

Summary

Since Hong Kong's handover to the People's Republic of China in 1997, the European Union (EU) and its Member States have closely followed political and economic developments in the Hong Kong Special Administrative Region (SAR).

In line with the commitment given to the European Parliament in 1997, the Commission and the High Representative of the Union for Foreign Affairs and Security Policy/Vice-President issue an annual report on developments in Hong Kong. Over the years, this has included a particular focus on the implementation of the 'one country, two systems' principle and on Hong Kong's autonomy as stated in Hong Kong's own Basic Law.

This is the 27th report, covering 2024. Politically, the year was marked by: (i) legislation under Article 23 of the Basic Law, resulting in the sweeping 'Safeguarding National Security Ordinance' (SNSO); (ii) a continued focus on national security in the fourth year after the imposition of the National Security Law (NSL) including high-profile court cases against independent media and pro-democracy proponents; and (iii) a worrying increase in cases of harassment against journalists and civil society actors. There was continued erosion of Hong Kong's autonomy and of the fundamental freedoms and rights of the people of Hong Kong, even though China agreed in 1997 to maintain this autonomy and these freedoms until at least 2047. Nevertheless, in comparison to the crackdown following the imposition of the NSL in 2020, the implementation of the SNSO has, so far, been relatively measured. 2024 continued to see court rulings supporting the advancement of the rights of LGBTIQ+ people. Comprehensive legislation protecting same-sex couples, a requirement imposed by Hong Kong's Court of Final Appeal in September 2023, is due in autumn 2025 but is expected to be delayed.

In 2024, trials brought against pro-democracy activists, advocates and politicians under the NSL and other legislation continued, in some cases with considerable delays. In the trial against 47 pro-democracy activists who had participated in a primary election in 2020, a Hong Kong court sentenced 45 defendants to imprisonment terms ranging between 4 years and 2 months and 10 years, and acquitted two. In another trial, charges had been brought under the colonial-era sedition law against the two former chief editors of the disbanded independent media outlet Stand News. One of the chief editors was sentenced to jail for 21 months and the other was sentenced to jail for 11 months. This is the first conviction of journalists for the offence of sedition in Hong Kong in 72 years. The trial against media entrepreneur and pro-democracy advocate Jimmy Lai continued in 2024, with Lai taking the witness stand. There have been substantial delays in the trial. Instead of the 83 hearing days originally allocated by the Court for the trial in 2024, there were a total of 110 hearing days in 2024. The trial is not expected to conclude before mid-2025. Lai has been held in custody continuously since 31 December 2020, mostly in solitary confinement. In the case brought against the Hong Kong Alliance in Support of Patriotic Democratic Movements in China, including prominent activist Chow Hang-tung, the trial had yet to start in 2024, and as of December, proceedings were scheduled to start in

May 2025. Many defendants have been held in custody since mid-2021, in some cases for long periods in solitary confinement.

In an extra-territorial application of the NSL, Hong Kong authorities in 2024 issued arrest warrants (with bounties offered) against six Hong Kong pro-democracy activists in exile. Relatives and other acquaintances of wanted activists were interrogated by the police. These developments continue to undermine confidence in the rule of law in Hong Kong.

While internet freedom is generally being upheld in Hong Kong, the authorities continued to block online content considered sensitive. On 8 May, the Court of Appeal granted an application by the government to ban the protest anthem ‘Glory to Hong Kong’. The authorities argued the song ‘has been used to incite others’ to commit national security offences such as secession and sedition.

The EU has repeatedly raised concerns about these developments, both in public statements and in private exchanges with officials from China and Hong Kong.

The High Representative/Vice-President on behalf of the European Union issued the following statement relating to Hong Kong:

- 19 March 2024 – Statement on the adoption of new national security legislation¹.

The EU Spokesperson issued statements on Hong Kong covering the following issues:

- 30 May 2024 – Statement by the Spokesperson on the verdict in the ‘Hong Kong 47’ case²;
- 4 June 2024 – Statement by the Spokesperson on the 35th Anniversary of the Tiananmen Square events³;
- 29 August 2024 – Statement by the Spokesperson on the conviction of former chief editors at Stand News⁴;
- 19 November 2024 – Statement by the Spokesperson on the sentencing in the ‘Hong Kong 47’ case⁵;

The EU Spokesperson’s post on X (formerly Twitter) on Hong Kong covered the following issue:

¹ Statement by the High Representative on behalf of the European Union on the adoption of new national security legislation, 19 March, available at: <https://www.consilium.europa.eu/en/press/press-releases/2024/03/19/hong-kong-statement-by-the-high-representative-on-behalf-of-the-european-union-on-the-adoption-of-new-national-security-legislation/>.

² Statement by the Spokesperson on the verdict in the ‘Hong Kong 47’ case, 30 May, available at: https://www.eeas.europa.eu/eeas/hong-kong-statement-spokesperson-verdict-%E2%80%99Chong-kong-47%E2%80%9D-case_en.

³ Statement by the Spokesperson on the 35th Anniversary of the Tiananmen Square events, 4 June, available at: https://www.eeas.europa.eu/eeas/china-statement-spokesperson-35th-anniversary-tiananmen-square-events_en.

⁴ Statement by the Spokesperson on the conviction of former chief editors at Stand News, 29 August, available at: https://www.eeas.europa.eu/eeas/hong-kong-statement-spokesperson-conviction-former-chief-editors-stand-news_en.

⁵ Statement by the Spokesperson on the sentencing in the ‘Hong Kong 47’ case, 19 November, available at: https://www.eeas.europa.eu/eeas/hong-kong-statement-spokesperson-sentencing-%E2%80%99Chong-kong-47%E2%80%9D-case_en.

- 24 December – Post on extra-territorial arrest warrants issued by Hong Kong authorities⁶.

A post on X (formerly Twitter) by the EU Office in Hong Kong covered the following rights-related issue:

- 27 November – Post on the Hong Kong Court of Final Appeal’s decision to uphold rulings granting same-sex couples equal housing and inheritance rights⁷.

The EU raised concerns about the human rights situation in Hong Kong in the 57th session of the United Nations Human Rights Council on 24 September 2024. The EU urged ‘the Chinese government and the Hong Kong authorities to restore full respect for the rule of law, fundamental freedoms, and democratic principles’⁸. During the UN General Assembly on 22 October 2024, the EU underlined its concerns about developments in Hong Kong in the Omnibus statement read at the Third Committee⁹.

The EU also raised concerns about ‘the negative impact of Hong Kong’s new national security legislation on the rights and freedoms of the people of Hong Kong’ at the 39th session of the EU-China Human Rights Dialogue that took place on 16 June 2024 in Chongqing¹⁰.

The European Parliament adopted a resolution on ‘the new security law in Hong Kong and the cases of Andy Li and Joseph John’ on 25 April¹¹ and a resolution on ‘Hong Kong, notably the cases of Jimmy Lai and the 45 activists recently convicted under the national security law’ on 28 November¹².

In 2024, the Hong Kong economy grew for the second consecutive year, with a 2.5% increase in GDP year on year, supported by: external trade in goods and services; the logistics sector; construction; and a gradual recovery in the financial industry. Private consumption declined and industries exposed to tourist spending continued to underperform when compared with pre-pandemic times. Inflation was moderate, at 1.7%, and the unemployment rate was 3.1% during the year. Hong Kong recorded a significant public deficit and a decrease in fiscal reserves, although fiscal reserves still covered an estimated 11 months of government expenditure. In 2024, the EU remained Hong Kong’s largest non-Chinese foreign business community measured by the number of companies active in the territory. The EU was also Hong Kong’s fourth largest trading partner in goods and third largest in services with total trade amounting to EUR 66.7 billion and a surplus for the EU of EUR 30.0 billion.

⁶ Tweet on the new round of extra-territorial arrest warrants, 24 December, available at: <https://x.com/AnouarEUspox/status/1871530643378913663>.

⁷ Tweet on the Court of Final Appeal’s decision to uphold rulings granting same-sex couples equal housing & inheritance rights, 27 November, available at: <https://x.com/EUinHKandMO/status/1861701177865637911>.

⁸ HRC57 - Item 4: General debate on human rights situations that require the Council’s attention, 24 September, available at: https://www.eeas.europa.eu/delegations/un-geneva/hrc57-item-4-general-debate-human-rights-situations-require-council%E2%80%99s-attention_en?s=62.

⁹ EU Statement – UN General Assembly 3rd Committee: Agenda item 71: Human Rights, 22 October, available at: https://www.eeas.europa.eu/delegations/un-new-york/eu-statement-%E2%80%93-un-general-assembly-3rd-committee-agenda-item-71-human-rights_en.

¹⁰ 39th Human Rights Dialogue with the European Union took place in Chongqing, 17 June, available at: https://www.eeas.europa.eu/eeas/china-39th-human-rights-dialogue-european-union-took-place-chongqing_en.

¹¹ European Parliament resolution of 25 April 2024 on the new security law in Hong Kong and the cases of Andy Li and Joseph John, 25 April, available at: <https://www.europarl.europa.eu/delegations/en/deterioration-of-fundamental-freedoms-in/product-details/20230616DPU36462>.

¹² European Parliament resolution of 28 November 2024 on Hong Kong, notably the cases of Jimmy Lai and the 45 activists recently convicted under the national security law, 28 November, available at: https://www.europarl.europa.eu/doceo/document/TA-10-2024-0051_EN.html.

I. Political and social developments

Basic Law Article 23: legislation and implementation

Article 23 of the Basic Law, Hong Kong's constitutional document, states that Hong Kong 'shall enact laws on its own to prohibit any act of treason, secession, sedition, subversion against the Central People's Government, or theft of state secrets, to prohibit foreign political organizations or bodies from conducting political activities in the Region, and to prohibit political organizations or bodies of the Region from establishing ties with foreign political organizations or bodies'.

An earlier attempt to enact Article 23 legislation had failed in 2003. After the imposition of the NSL and the de facto exclusion of pro-democracy lawmakers from the legislature since 2021, the Hong Kong government resumed work to complete the SNSO. The legislative process for the SNSO was concluded in only 49 days. On 6 March 2024, Ding Xuexiang, Chinese Vice-Premier and leader of the Central Leading Group on Hong Kong and Macao Affairs, called for the swift enactment of the law. On 7 March, the Hong Kong government announced plans to introduce the bill for the first reading and second reading the next day. The Legislative Council likewise expedited scrutiny of the 212-page-long draft legal text. The Legislative Council's 15-member Bills Committee organised back-to-back meetings to discuss the 181-clause bill between 8 and 14 March, including on the weekend. Legislative Council President Andrew Leung waived the 12-day notice period for the bill to undergo a second and third reading. To finish the second and third reading in one day, lawmakers coordinated among themselves to limit speech time to five minutes per lawmaker. All interventions were in favour of the bill. As a result, the legislation was passed into law on 19 March and became effective on 23 March 2024.

Upon invitation of the Hong Kong government, the EU Office together with the EU Member States Consulates-General conveyed the EU's concerns about the draft SNSO in writing via diplomatic note and orally in two briefing sessions for the consular corps organised by the Hong Kong authorities. The consultation process did not lead to substantial changes to the draft legislation, with the exception of an added public interest defence in response to concerns raised by journalists about the offence of theft of state secrets.

The SNSO states that 'the highest principle of the policy of "one country, two systems" is to safeguard national sovereignty, security and development interests'. Adding to the provisions of Basic Law Article 23, the SNSO outlaws five new categories of offences, namely treason, insurrection, theft of state secrets and espionage, sabotage activities endangering national security and external interference. The SNSO introduces the mainland's sweeping definition of 'national security' to the territory, de facto granting the executive largely unlimited powers in this area.

Other categories of offences in the SNSO had already existed in Hong Kong law, with the new law expanding the scope of these previously existing categories of offence. The SNSO supersedes the colonial-era sedition law, expanding on the existing offences of inducing 'disaffection' against 'the fundamental system of the state established by the Constitution of the People's Republic of China'. The legal text of the SNSO also explicitly states that it is 'not necessary' to prove an intention to 'incite violence' for the offence, a departure from both

convention in the common-law world and international principles. In addition, the maximum penalty for the offence went up from two years of imprisonment to seven years. If the act of sedition occurs in collusion with ‘an external force’, the maximum penalty is now 10 years of imprisonment.

Under the SNSO, the amended offence of ‘inciting disaffection of public officers’ now covers a wider range of office holders, including the Chairperson of the Ombudsman and the Chairperson of the Equal Opportunities Commission.

The SNSO furthermore stipulates that those convicted of national security-related offences can only receive a one-third sentencing remission contingent on an assessment by the Commissioner of Correctional Services that the remission would ‘not be contrary to the interests of national security’. This has the effect of longer prison sentences in most cases. The remission had so far been customary for inmates with a record of good behaviour while in prison. Additionally, anyone convicted of national security-related offences will no longer be eligible to stand in elections for the Chief Executive, Legislative Council, District Council and Rural Representatives, for the rest of their life¹³.

Shortly after the SNSO entered into force, the authorities retroactively applied its stricter provisions on sentence remission to a concluded NSL case, de facto leading to a prolonged jail term for the defendant. A protester, who was convicted of secession in 2021 under the Beijing-imposed law and serving a five-year jail term, was told on 24 February that he could be released on 25 March 2024. However, as the SNSO became effective, his remission was revoked. The inmate launched a judicial review against the decision – a first for the SNSO – but lost the bid on 6 December. A High Court judge concluded that the courts would ‘generally defer’ to the opinion of the executive authorities on what was required to protect national security.

The first arrests under the SNSO took place on 28 May 2024, targeting jailed activist Chow Hang-tung (Hong Kong Alliance case), and five others. The six were accused of having committed the sedition offence by publishing posts on social media related to the 1989 Tiananmen Square crackdown. As of 31 December 2024, the SNSO had been applied to arrest at least 15 individuals, all on sedition charges. Three individuals were convicted and sentenced to jail terms under the new law. While the implementation of the SNSO has so far been relatively measured in comparison to the crackdown following the imposition of the NSL, the threshold for conviction has been low and the sentences have been harsh. One of the persons convicted under the law was sentenced to 14 months in jail for wearing a T-shirt with a protest slogan deemed ‘seditious’.

Invoking the new law on 12 June 2024 and again on 24 December 2024, Hong Kong’s Secretary for Security cancelled the passports of 13 wanted persons declared as ‘absconders’ and barred others from having monetary relationships or setting up joint ventures with those targeted, as well as from selling or leasing properties to them.

The law has further exacerbated the chilling effect the NSL has had on Hong Kong society, including further self-censorship among journalists and greater reserve on the part of civil society organisations. On 29 March, US-funded news station Radio Free Asia announced the closure of its Hong Kong bureau, citing safety concerns for its reporting staff. On 28 March,

¹³ A similar clause in Macao limited the period to five years.

the Bishop of Hong Kong confirmed that the Catholic Diocese had to adjust certain religious practices to avoid breaking the new law.

Implementation of the NSL and related legislation

30 June 2024 marked the fourth anniversary of the imposition of the NSL. As of 31 December 2024, 316 people had been arrested under the NSL and related clauses, with a conviction rate of over 95%.

On Christmas Eve 2024, the Hong Kong authorities issued a wanted list targeting six individuals residing overseas, including foreign nationals. The Hong Kong national security police placed a HK\$1 million (EUR 122 000) bounty on each of the self-exiled activists over alleged collusion with foreign countries or external elements, secession and subversion. This constituted another extra-territorial implementation of the NSL and brought the total number of such arrest warrants to 19. As of 31 December, no person on the bounty lists has been extradited to Hong Kong. The EU Spokesperson posted a statement condemning these extra-territorial arrest warrants.

The bounty lists continued to create a ripple effect in Hong Kong, exerting pressure on the activists' families and close social circles. On 10 January, the national security police took away for questioning the parents and two sisters of an overseas activist who was put on the wanted list on 14 December 2023.

Judicial proceedings of the cases charged under the NSL and the colonial-era sedition law continued in 2024, albeit with considerable delays. Many of the defendants have been held in custody since mid-2021, in some cases in repeated solitary confinement.

The NSL trial of the 47 pro-democracy lawmakers and activists who organised or participated in a legal primary election in 2020 (commonly referred to as the Hong Kong 47) is the national security trial with the most defendants. The High Court convicted 45 of the defendants of 'conspiracy to subversion' on 30 May 2024 and sentenced them to imprisonment terms ranging from 4 years and 2 months to 10 years on 19 November. The maximum penalty under the NSL is life imprisonment. Two of the Hong Kong 47 defendants were acquitted.

The prosecutor filed an appeal against one of the two defendants acquitted by the court. The Hong Kong government resisted calls from pro-Beijing hardliners to seek even heavier sentencing for the 45. At the same time, 14 of the defendants filed an appeal regarding their convictions or sentencing. As of 31 December, the judiciary had not scheduled hearings for these appeals.

The trial, including sessions for mitigation and the verdict, lasted 131 days, exceeding the 90 days that had originally been scheduled. Meanwhile, among the eight other pro-democracy activists who were arrested but not prosecuted in the case, at least one was still on police bail without access to his passport in 2024.

The NSL trial against the Hong Kong Alliance in Support of Patriotic Democratic Movements of China (the Hong Kong Alliance) entered the trial stage in 2024. As of 31 December 2024, the High Court has scheduled the court hearings for May 2025 and reserved 75 days for hearings. The now-disbanded civil society group used to organise the annual candlelight vigil to commemorate the 1989 Tiananmen crackdown. The prosecutor accuses the

Hong Kong Alliance and its core members of ‘incitement to subversion’. The maximum penalty is life imprisonment.

In a related case, the High Court upheld the conviction and sentencing of Chow and two other members of the Alliance on 14 March 2024 for not complying with a request to provide information issued by the national security police. On 31 July, the Court of Final Appeal allowed the three defendants to appeal and scheduled the hearing for January 2025.

The NSL and sedition trial brought against media entrepreneur and pro-democracy activist Jimmy Lai continued in 2024. Alongside Lai, six former journalists of the now defunct newspaper Apple Daily who pleaded guilty in November 2022, and three Apple Daily-related companies were charged. The prosecution accused Lai, a British citizen, and the others of two charges under the NSL (‘conspiracy to commit collusion with a foreign country or with external elements to endanger national security’) and one charge under the colonial-era sedition law (‘conspiracy to print, publish, sell, offer for sale, distribute, display and/or reproduce seditious publications’). The maximum penalty for the NSL charges is life imprisonment. The trial, which was expected to last for 83 days, was rescheduled twice – once from 1 December 2022 to 25 September 2023, and then ultimately to 18 December 2023. The trial entered its 113th day as of 19 December, the last day of hearings in 2024. Lai, for the first time, personally took the witness stand on 20 November.

In the Stand News case, where charges were brought under the colonial-era sedition law, the District Court on 26 September sentenced the two former chief editors of the disbanded independent media outlet to jail for 21 months and 11 months, respectively. One of the editors, who was held in custody for 349 days prior to the trial, had to be jailed immediately while the other editor was allowed to walk free, citing health conditions. This is the first conviction and sentencing of journalists for the offence of sedition in 72 years. The conviction has exacerbated the chilling effect of the crackdown on the freedom of the press, further increasing already-widespread self-censorship among journalists.

The management of the national security trials has repeatedly raised doubts about due process, pertaining to both the question of impartiality of the hand-picked national security judges and the prolonged trial procedures. In the Stand News case, the trial was expected to last for 20 days, but lasted for 57 days. The date of the verdict was postponed three times. The long pre-trial detention of the defendants of more than 300 days was also problematic.

In the first sedition trial since the 1997 handover, the Court of Appeal upheld the conviction of activist Tam Tak-chi on 7 March. The court rejected the UK Privy Council’s ruling that any speech concerned in a sedition conviction must include an intention to incite violence. On 14 August, the Court of Final Appeal gave approval to Tam to challenge his conviction and sentence in January 2025.

On 11 April, Joseph John, a Portuguese national and UK resident, was sentenced to five years in prison for ‘incitement to secession.’

Many of the approximately 6 000 protesters who were arrested during the 2019 protests but not yet charged are still on bail, pending police investigations and prosecutorial decisions. In response to calls to drop charges on them ‘categorically’, Secretary for Justice Paul Lam stated in an interview in October 2024 that this would be against the principle of the rule of law. He

added that new pieces of evidence may emerge and that there was no deadline to prosecute crimes that took place in the past.

In the city's first trial under the United Nations Anti-Terrorism Ordinance, a jury on 29 August convicted one person and acquitted six others over an alleged plan to detonate explosives and use firearms against police during the 2019 protests. Six other defendants had pleaded guilty. The court sentenced the seven people to imprisonment terms, ranging from 23 years and 10 months to 5 years and 10 months.

On 12 August 2024, Jimmy Lai and six former lawmakers lost their final appeal against convictions for 'taking part' in an illegal march on 18 August 2019. The Court of Final Appeal dismissed the contention that the prosecution was an excessive restriction on freedom of expression and assembly. However, the prosecutor's request to reinstate the conviction for 'organising' the march was equally refused. Two days later, Lord Neuberger, a former President of the UK Supreme Court who presided over the case, resigned from his position as chair of the High Level Panel of Legal Experts on Media Freedom that advised the Media Freedom Coalition whose members include EU Member States.

In 2024, five overseas non-permanent judges in the Court of Final Appeal also resigned. While some of them decided not to renew their appointment for personal reasons, retired UK judge Lord Sumption, who had been a justice at the British Supreme Court, stated that the territory 'once a vibrant and politically diverse community is slowly becoming a totalitarian state. The rule of law is profoundly compromised in any area about which the government feels strongly.'

As of December 2024, six overseas non-permanent judges remained on the bench of the Court of Final Appeal.

In conclusion, on matters considered relevant to national security, the **rule of law** in Hong Kong remained under severe strain in 2024. In the sub-index of 'constraints on government powers' of the annual Rule of Law Index as compiled by the World Justice Project and published on 23 October 2024, Hong Kong slid by three places to 62nd among 142 countries and territories in comparison to 2023. In the sub-index of 'fundamental rights' Hong Kong also ranked 62nd, a deterioration of four places from 2023¹⁴. At the same time, commercial and private law still remained largely unaffected by the authoritarian turn in Hong Kong's legal environment.

2024 also saw a continued **focus on integrating 'national security' into the governance of the SAR**, in particular in relation to education and the civil service. On 7 June, Hong Kong's Civil Service Bureau promulgated a new Civil Service Code, which listed 'upholding the constitutional order and national security' as a top core value for the SAR's 173 000 civil servants. On 6 August, the National Security Exhibition Gallery was opened, which describes the 2019 protests as a 'colour revolution.' The Civil Service Bureau urged all government employees to visit the Gallery at least once before the end of 2026.

On 18 November, the government held a launching ceremony for the National Security Education District Tutor Training Scheme for the first batch of 120 national security 'tutors'. The government said it expected that by 2025, at least 2 600 district tutors will be trained and each of them should disseminate national security messages to at least 30 people a year. The

¹⁴ <https://worldjusticeproject.org/rule-of-law-index/global>.

Hong Kong government anticipates that over 78 000 people will receive messages about safeguarding national security a year.

The Education Bureau reiterated in 2024 the importance of national security education. Among a batch of reports released on 25 June, school inspectors criticised a school catering to children with moderate learning disabilities for not teaching the Chinese constitution and for not ‘comprehensively implementing’ national security education.

The government also exerted more control on the social work profession. On 3 July 2024, the Legislative Council passed an amendment to the Social Worker Registration Ordinance, which made government appointees a majority in the city’s licensing body for social workers. The law also empowered the body to permanently disqualify social workers who have been convicted of national security offences.

In July, the police revealed that it had received over 750 000 tip-offs via the national security report hotline and that around 10% to 20% of these tip-offs could be followed up on. Separately, in December, the police said that it had installed 612 sets of surveillance cameras in the city this year to improve security. The goal was to install 1 300 more sets by the end of 2025.

The **space for political opposition and pluralistic voices** in Hong Kong shrank further in 2024.

On 13 November, Democratic Party chairperson Lo Kin-hei revealed that several core Party members as well as their families and businesses had received anonymous threatening phone calls and emails criticising them as being ‘anti-China and Hong Kong’ and warning of potential imprisonment for their political involvement.

On 19 November, the newspapers Ta Kung Pao and Wen Wei Po ran full-page stories, singling out nine convicted defendants in the ‘Hong Kong 47’ case, and accused them of having current or past affiliations with the political group. The Democratic Party, once the largest pro-democracy political group in Hong Kong, continued to face difficulties in organising fundraising events.

Formerly the second largest political opposition group in Hong Kong, the Civic Party was delisted from Hong Kong’s Company Registry on 27 March; the group had voted to disband in May 2023.

Hong Kong’s external relations

Hong Kong’s external relations in 2024 were marked by efforts to diversify trade and economic links with countries in Southeast Asia, the Middle East and other emerging markets. In July, the Chief Executive led a delegation for a six-day visit to Laos, Cambodia and Vietnam. So far, he has visited seven Member States of the Association of Southeast Asian Nations (ASEAN), barring Brunei, the Philippines and Myanmar. In November, he travelled to Peru for seven days and attended the Asia-Pacific Economic Cooperation Economic Leaders’ Meeting. Hong Kong also signed a free-trade agreement (FTA) with Peru in 2024.

In September, the city’s current sole delegate to the Standing Committee of the National People’s Congress, Starry Lee, proposed that the SAR’s internationalisation process should

now focus on countries in the ‘Belt and Road’ initiative, ASEAN and the Middle East, after having long focused on Europe and the US.

Emigration from Hong Kong has continued. In 2024, the UK Home Office announced that as of 30 September 2024 it had received 32 429 applications for British National (Overseas) visas. The United Kingdom has received a total of around 224 204 applications by Hong Kong citizens for the special visa scheme that can pave the way to citizenship. Around 158 000 people have arrived in the UK under the scheme. Canada and Australia continued to receive visa applications under bespoke immigration schemes for Hong Kong residents. Hong Kong’s population has remained static at 7.5 million despite emigration, owing mainly to new arrivals from the Chinese mainland.

On 10 July, the US President extended the ‘national emergency’ status for Hong Kong, claiming that the SAR’s situation had posed a threat to the ‘national security, foreign policy, and economy’ of the United States. Under the executive order, the SAR has no longer been able to enjoy special economic treatment that had previously been granted by US law. On 19 November, in response to the sentencing of the ‘Hong Kong 47’ case, the US announced the imposition of new visa restrictions on Hong Kong officials.

Rights, freedoms and equal opportunities

The meeting of the Universal Periodic Review Working Group of the United Nations Human Rights Council with regard to China, also covering Hong Kong, took place on 23 January. Ahead of the meeting, at least seven countries had made 13 submissions related to Hong Kong, marking a record high number of enquiries. During the meeting, 18 countries, including Denmark, Germany, Ireland and France, raised concerns about civil rights in the territory, while the US and the UK urged Hong Kong authorities to scrap the NSL.

On 31 May 2024, the UN’s Human Rights Council published China’s views on conclusions and recommendations. China rejected 14 of the 23 human rights recommendations related to Hong Kong that had been made by 20 countries. Countries whose recommendations were rejected included Belgium, Czechia, Denmark, Luxembourg, the Netherlands and Austria. China rejected all recommendations related to the NSL in Hong Kong, describing them as based on ‘false information’. Meanwhile, China stated that it ‘accepted and already implemented’ recommendations from Germany (to restore full respect for the rule of law and civil society and political rights in Hong Kong), France (to guarantee freedom of expression and association, including online, including in Hong Kong) and Lithuania (to guarantee the right of all citizens to opinion and expression without fear of reprisals and censorship in all regions, including Hong Kong, Tibet and others).

On 4 July, the plenary meeting of the United Nations Human Rights Council discussed and adopted the review report of China.

In 2024, United Nations experts voiced concerns about the situation of fundamental rights in Hong Kong on two occasions in writing to China’s permanent mission in Geneva.

On 25 January, the United Nations Special Rapporteur on torture and other cruel, inhuman or degrading treatment or punishment expressed ‘concerns’ that the key prosecution witness in the national security trial of Jimmy Lai, Andy Li, ‘was subjected to torture and/or other cruel,

inhuman or degrading treatment or punishment’ in a mainland prison, and ‘as a result, he was forced to confess that he conspired with Mr Jimmy Lai to collude with foreign entities’¹⁵.

On 22 March 2024, a statement was issued by the United Nations Special Rapporteurs on: (i) the promotion and protection of the right to freedom of opinion and expression; (ii) the right to education; (iii) the rights to freedom of peaceful assembly and of association; (iv) the situation of human rights defenders; (v) the independence of judges and lawyers; and (vi) the promotion and protection of human rights and fundamental freedoms while countering terrorism. The statement argued that the Article 23 legislation included ‘numerous measures that would significantly and unduly limit the exercise of human rights and fundamental freedoms and would be incompatible with the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights’¹⁶.

In the past year, Hong Kong continued to slip in various rights-related global rankings. In the Human Freedom Index 2024 compiled by the Cato Institute and the Fraser Institute, Hong Kong fell from 46th place in 2023 to 50th place out of 165¹⁷. According to a report from the NGO Freedom House, Hong Kong in 2024 was a ‘partly free’ territory, scoring 41 out of 100, almost identical to 2023 when Hong Kong was ranked 42 out of 100¹⁸.

The situation of press freedom saw further deterioration. Hong Kong was ranked 135th among the 180 countries and regions in the World Press Freedom Index compiled by the organisation Reporters without Borders and published on 3 May¹⁹. According to the Press Freedom Index prepared by the Hong Kong Journalists Association (HKJA) and unveiled on 20 August 2024, both the general public and journalists in Hong Kong experienced a decline in press freedom in 2023²⁰.

The HKJA faced particular pressure during the year. On 25 January 2024, the trade union revealed that the Inland Revenue Department (Hong Kong’s tax authority) demanded HK\$400 000 (EUR 45 000) in profits tax as part of a review of the HKJA’s 2017-2018 accounts. The authorities asked the HKJA to submit profits tax returns for six years between 2017/2018 and 2022/2023. The HKJA filed an objection against the assessment. In April, a fundraising concert organised by the HKJA was forced to move online due to ‘irresistible forces’. In May, the HKJA’s former chairperson decided not to seek re-election, stating that the association ‘can come under attack if I continue to serve’. On 21 June, a day ahead of its annual general meeting, the HKJA had to urge members to ignore an anonymous WhatsApp message warning against attendance out of ‘security concerns’.

On 13 September, the HKJA revealed that between June and August, ‘dozens of journalists, their family members, or their family members’ employers, as well as neighbours and associates, were harassed and intimidated both online and offline’. In one case, a journalist’s landlord and property agent received anonymous letters containing threats of ‘unimaginable consequences’ and ‘collateral damage’ unless the tenant was evicted from the property and district. After the HKJA chairperson had reported the cases to the police, the situation came

¹⁵ <https://spcommreports.ohchr.org/TMResultsBase/DownloadPublicCommunicationFile?gId=28734>.

¹⁶ <https://spcommreports.ohchr.org/TMResultsBase/DownloadPublicCommunicationFile?gId=28893>.

¹⁷ <https://www.cato.org/human-freedom-index/2024>.

¹⁸ <https://freedomhouse.org/country/hong-kong/freedom-world/2024>.

¹⁹ <https://rsf.org/en/index>.

²⁰ <https://hkja.org.hk/en/press-release/press-freedom-in-hong-kong-at-11-year-low-according-to-media-survey-amid-fears-over-article-23-national-security-law/>.

under control. Harassment of individual journalists nevertheless again resumed towards the end of the year.

On 24 September 2024, the High Court heard a judicial review case launched by the HKJA concerning a new rule restricting journalists' access to a public register managed by the Transport Department. The trade union questioned the consistency of the new rule with the principle of press freedom. As of 31 December, no ruling had been handed down.

Following the adoption of the Article 23 legislation, the Wall Street Journal announced on 2 May 2024 its decision to shift its Asia headquarters from Hong Kong to Singapore. In July, the Wall Street Journal dismissed a reporter after her election as the chairperson of the HKJA.

Local media frequently aligned with the official stance of the Hong Kong government when reporting news. Mainstream media, for instance, avoided addressing William Lai as 'President of Taiwan', reverting to terms like 'Taiwan's leader' or 'Taiwan's Lai' instead. This marked a departure from four years ago when mainstream media still referred to then-incumbent Tsai Ing-wen as 'President of Taiwan'.

The Hong Kong authorities continued to use immigration rules to bar entry to the SAR for journalists considered as unfavourable and activists for press freedom²¹. On 10 April 2024, a representative from Reporters without Borders of Polish nationality was detained for six hours and denied entry into Hong Kong on arrival to the territory, where she had planned to monitor the trial against media entrepreneur Jimmy Lai. In August, a mainland-based Bloomberg journalist, who had planned to relocate to Hong Kong, was denied a work visa. On 14 September, a French photojournalist was denied entry into Hong Kong, likely in relation to a photo she had taken of the jailed Jimmy Lai for the Associated Press.

In 2024, a reporter who specialised in Chinese defence policy and diplomacy at the South China Morning Post was still missing after covering the Beijing Xiangshan Forum in October 2023.

In more positive news, on 4 September, the Court of Appeal upheld a lower court ruling refusing to reinstate the warning issued by the Communications Authority against 'Headliner', a now-discontinued satirical programme produced by RTHK, Hong Kong's public broadcaster.

Freedom of expression also came under further strain in 2024. Starting from 15 May, YouTube blocked local access to 32 videos related to the protest song 'Glory to Hong Kong'. The decision came after the High Court granted the government an interim injunction to ban the song, which, according to the authorities, 'has been used to incite others' to commit national security offences such as secession and sedition.

The space for critical artists and independent cultural institutions shrunk further in 2024.

Artists, such as pro-democracy film makers, are facing funding cuts and political pressure. On 24 October 2024, independent film organisation Ying e Chi announced its disbandment, and one of its founders moved to Taiwan in August to restart the institution, citing a 'relatively freer environment' in Taiwan. The institution distributed controversial political documentaries,

²¹ In the past year, the Hong Kong government also refused entry to activists. On 27 June, a Japanese activist was denied entry. On 8 September, a German activist was denied entry. Immediately before entering Hong Kong, the German activist travelled to mainland China. He worked with the Tibet Initiative Deutschland, which advocated for self-determination in the Chinese region, and co-founded Freiheit für Hongkong, an NGO that worked towards a democratic, free Hong Kong.

such as the award winning ‘Lost in the Fumes’. On 17 December, the Hong Kong Federation of Drama Societies announced that, for the second year in a row, the Hong Kong government’s Leisure and Cultural Services Department would not provide a venue for the annual drama award ceremony scheduled for April 2025. On the same day, the Hong Kong Federation of Drama Societies also said that the Hong Kong government’s Arts Development Council would not provide monetary support for the ceremony for the second year in a row. Documents from two years ago showed that the Council was dissatisfied with the invitation to the ceremony in previous years of an independent journalist and a satirical cartoonist as award presenters.

2024 also saw several last-minute cancellations of concerts by performing artists sympathetic to the pro-democracy movement. For example, on 4 December, the Hong Kong Festival Orchestra announced that its performance scheduled for 8 December had to be cancelled due to an ‘emergency check-up and repairing work’ at the Tsuen Wan Town Hall. Separately, the performance of ‘Accidental Death of an Anarchist’, scheduled for 21 February to 2 March, was cancelled on 5 February. On 30 January, theatre troupe ‘Fire Makes Us Human’ lost venues it had secured from a school for plays scheduled between 2 and 4 February. The troupe’s founder explained that the school made the decision as the Education Bureau cited the ‘National Security: Specific Measures for Schools’ guidelines. The founder said that he had been accused of publishing ‘inappropriate comments’ online. The group later announced it would suspend operations.

On 31 March, independent bookstore Mount Zero shut down, citing constant pressure from the authorities. On 20 August, another bookstore, Mellow Out, also shut down.

There has been no sign of a recovery of freedom of assembly for peaceful protests. While scattered small-scale protests occasionally took place outside of the government headquarters in 2024, there were no larger protests. Most notably, in October, calls by a former Secretary for Transport and Housing for the government to allow for peaceful protest and assembly to ‘reverse the negative image’ of the SAR were dismissed by Hong Kong’s Chief Executive.

The pro-Beijing Hong Kong Federation of Trade Unions and the pro-Beijing Federation of Hong Kong and Kowloon Labour Unions separately confirmed in 2024 that they would not organise protests on 1 May (Labour Day) for the second year running. Separately, four protests by pro-Beijing groups criticising EU statements on political developments in Hong Kong took place outside the EU Office in Hong Kong.

In 2024, the formerly large-scale candlelight vigil in Victoria Park on 4 June to commemorate the Tiananmen crackdown in 1989, originally organised by the civil society group Hong Kong Alliance in Support of Patriotic Democratic Movements, did not take place for the fifth year in a row. The presence of representatives of the EU Office and EU Member State consulates at Victoria Park on the night of 4 June was widely reported in local media. The EU Office also again placed candles in its office windows on the day as a sign of remembrance. On that day, the police arrested four people, aged between 23 and 69, and granted them bail.

Freedom of association also continued to come under pressure in 2024. On 23 July, the Hong Kong Christian Institute announced its disbandment, explaining that the current environment had made it difficult to realise its mission ‘freely.’ The group used to be a member of the now-dissolved Civil Human Rights Front and the Hong Kong Alliance.

Rights-based **civil society groups** still active in the city continued to face pressure. Institutional and anonymous harassment of civil society actors, similar to practices described by the HKJA, was widespread. Such harassment also involved other government departments such as the tax authorities or the fire-security authorities. The drying up of both public and private funds for some NGOs was a further concern in 2024. Nevertheless, civil society actors still active in the city showed remarkable resilience, exploring ways to navigate within the remaining space and – where possible – expand it.

The issue of prisoners’ rights continued to be a cause of concern. Chow Hang-tung, the detained pro-democracy activist and member of the Hong Kong Alliance, had to repeatedly face solitary confinement in 2024.

In January, a prison guard and four inmates of the Pik Uk Correctional Institution were charged with ‘wounding with intent’ an 18-year-old inmate, who was not a political prisoner. The Correctional Services Department officer was reported as causing anal laceration and rectal perforation. In June, a retired officer was charged in the same case for failing to flag the attack.

In the 2023 annual report on visits by justices of the peace, published in September 2024, the justices of the peace – community leaders appointed with a primary role to visit various penal institutions to ensure the rights of inmates – received and handled 71 complaints, a 69% increase from the previous year.

Academic freedom also continued to come under pressure. Self-censorship was widespread, in particular in the social sciences and the humanities. Critical academic voices were sidelined. In the 80-page study entitled *We Can’t Write the Truth Anymore: Academic Freedom in Hong Kong Under the National Security Law* published on 24 September, two US-based human rights groups, Human Rights Watch and the Hong Kong Democracy Council, argued that the city’s national security legislation had sweeping effects on university campuses. 2024 saw the merging of several social science departments at Hong Kong universities at the expense of ‘political science’. In August, the Chinese University of Hong Kong restructured its 54-year-old Government and Public Administration Department, downgrading it to a programme and merging it into the new School of Governance and Policy Science. The City University of Hong Kong also made changes, renaming its Public Policy and Politics undergraduate programme to Public Affairs and Management.

Hopeful signs of progress on the rights of LGBTIQ+ people in Hong Kong continued to emerge in 2024. In September 2023, the Court of Final Appeal ruled that Hong Kong’s discriminatory housing policies and inheritance laws based on sexual orientation are unconstitutional, marking another milestone for the rights of LGBTIQ+ people in Hong Kong. Despite a pro-Beijing lawmaker’s proposal to call on Beijing to overturn the decision, the Department of Justice confirmed on 6 December that the ‘legal disputes should be resolved locally’.

On 29 April, transgender activist Henry Tse received a new identity card, after he successfully updated its gender marker following a series of lawsuits over a span of seven years against the city’s administration.

In September 2023, the Court of Final Appeal had ruled that it was the government’s obligation to provide an alternative framework to protect same-sex partnerships within the next two years. In May 2024, Secretary for Constitutional and Mainland Affairs acknowledged that the

authorities were studying the ‘complex’ issue. Meanwhile, a media report published on 18 June showed that the Constitutional and Mainland Affairs Bureau had cut half of its funding to civil society groups supporting sexual minority groups under the Equal Opportunities (Sexual Orientation) Funding Scheme.

Freedom of religion remained largely protected in 2024, although there are signs of further alignment of policy in this area with political expectations. In a report entitled *Hostile Takeover: The CCP (China Communist Party) and Hong Kong’s Religious Communities* published on 30 January 2024, the US-based Committee for Freedom in Hong Kong Foundation acknowledged that ‘religious persecution in Hong Kong has not been as serious as it is in mainland China’. However, religious leaders in the SAR were being pressured to promote priorities of the Communist Party, including accepting national security enforcement. For the second year in a row, an Anglican church displayed the Chinese national flag on the 1 October National Day, drawing criticism from churchgoers.

Regarding **asylum seekers**, on 5 November, the Secretary for Security revealed that the government of Hong Kong had set a target of repatriating, every year, at least 1 320 ‘unsubstantiated non-refoulement claimants’. The situation of asylum seekers in Hong Kong remains precarious, as Hong Kong is not a signatory to the 1951 Refugee Convention or the 1967 Protocol Relating to the Status of Refugees. Civil society organisations supporting asylum seekers came under pressure in 2024.

On **labour rights**, the Labour Advisory Board reached a consensus in 2024 to set the new threshold for ‘continuous contract’ employment at 68 hours in 4 weeks to extend statutory benefits to more employees²². Labour organisations have reported a year-on-year surge in work-related accidents, especially in logistics and warehouses. The Association for the Rights of Industrial Accident Victims reported 19 deaths and 6 serious injuries across 25 incidents in 2024, as compared with just 5 accidents in these sectors in 2023.

Hong Kong’s 400 000 migrant domestic workers remained a vulnerable group, despite the relatively advanced (by international standards) legal framework governing them, as well as their continued access to justice and medical cover. The Hong Kong Federation of Asian Domestic Workers Unions revealed that it had dealt with 13 cases of foreign domestic workers who were pressured to work despite falling sick in 2024. In one case, a domestic worker from the Philippines was pressured by her employer not to seek chemotherapy.

Hong Kong authorities have not published official data on the percentage of the population living under the poverty line since 2021, the last year when an official poverty line was determined. According to the Chief Executive’s Policy Address delivered in October 2024, there were around 110 000 households in Hong Kong living in subdivided flats in 2024. Legislation to regulate such housing and improve living conditions for tenants is expected to be tabled in 2025 at the earliest.

II. Economic developments

Hong Kong exercises independent authority in implementing commercial agreements, and sets monetary policy autonomously from mainland China. In 2024 Hong Kong remained a separate legal jurisdiction from mainland China in particular on issues of economic policy. It maintained

²² The amendment bill will be tabled in the first half of 2025.

a separate currency not limited by capital limitations, as well as separate regulatory structures to supervise companies operating in the territory. The priorities of the government during the year were to: (i) reach out to the world, including the Middle East and Asian markets; (ii) attract skilled workers and companies to Hong Kong; (iii) support the economy and innovation; and (iv) continue economic integration with mainland China.

Hong Kong ranked as the **world's fourth largest destination for foreign direct investment (FDI)** in 2023 according to the World Investment Report 2024 issued by the United Nations Conference on Trade and Development²³. The latest survey on foreign companies by the Hong Kong government indicates that the number of foreign companies in the territory increased in 2024, surpassing the number in place pre-COVID-19, with the EU remaining the largest non-Chinese business community in Hong Kong. The European Union business presence has recorded a notable increase, with a 5.9% increase year on year in the number of companies in Hong Kong in 2024, or a 2.3% increase in comparison to 2019. At least 1 640 EU companies were active in Hong Kong in 2024. Half of these EU companies use the city as their regional headquarters or regional offices, which constitutes a decrease of 9.8% from 2019.

Hong Kong's economy is **dominated by services** (accounting for 94% of GDP), including financial services and logistics, while manufacturing accounts for only a fraction of GDP (1%). Hong Kong is one of the world's top **trading economies** (ranking seventh in the WTO's World Trade Statistical Review 2023, the latest available data at the time of writing²⁴). Trade in goods, largely re-exports, accounts for about 299% of GDP, indicating the openness of the economy for trade²⁵.

Hong Kong's **population** reached 7.53 million as of mid-2024, an increase of 0.1% from the end of 2023 and 0.2% on the level reached just before the COVID-19 pandemic (end-2019). About 170 000 residents left Hong Kong during the pandemic²⁶.

Hong Kong's economy grew for the second consecutive year in 2024, with a 2.5% increase in GDP year on year²⁷, after a 3.2% increase in 2023. The growth rate was in the lower range of the government forecast in the 2024-2025 Budget (released in February 2024) for a GDP expansion of 2.5-3.5% for the full year. Economic growth was supported by: (i) increases in external trade in goods and services, the logistics sector and construction; and (ii) a gradual recovery of the financial industry during the year. However, private consumption fell, and industries exposed to tourist spending continue to underperform compared with pre-pandemic times.

²³ Website of UNCTAD:

<https://unctad.org/publication/world-investment-report-2024>.

²⁴ World Trade Statistical Review 2023 by the World Trade Organization:

https://www.wto.org/english/res_e/publications_e/wtsr_2023_e.htm.

²⁵ Ratio of value of total external trade to GDP, calculated using GDP and external trade statistics (first nine months of 2024) from the Census and Statistics Department of the Hong Kong Special Administrative Region:

<https://www.censtatd.gov.hk/en/scode250.html>

<https://www.censtatd.gov.hk/en/scode230.html>.

²⁶ The Census and Statistics Department of the Hong Kong Special Administrative Region:

https://www.censtatd.gov.hk/en/web_table.html?id=110-01001.

²⁷ Press release by the Government of the Hong Kong Special Administrative Region:

https://www.news.gov.hk/eng/2025/02/20250203/20250203_163405_486.html.

Inflation remained moderate in 2024, with an annual 1.7% increase in the consumer price index during the year²⁸. **The unemployment rate** was 3.1% for the full year 2024, a slight increase from 2.9% in 2023²⁹.

The **trade and logistics sector** – which accounts for 19% of Hong Kong's GDP – recovered during the year. GDP from import and export activities grew by 2.6% year on year in the first 9 months of 2024³⁰ (after a contraction of 4.4% in the full year of 2023) and the value of Hong Kong's external trade in goods increased by 7.3% to HK\$9.46 trillion (EUR1.2 trillion³¹) in the year³² (after a decline of 6.7% in 2023). Hong Kong's position as a trading hub for goods is largely supported by its role as a transit and re-export centre for mainland China.

The financial industry (about one quarter of Hong Kong's GDP but only employing 7.2% of the workforce) grew by 0.4% year on year in the first 9 months of 2024, after two consecutive years of decline in 2022 and 2023³³. The number of **initial public offerings (IPOs)** further decreased to 71 in 2024, from 73 in 2023 and 90 in 2022. However, the total amount raised through IPOs surged by 88.9% year on year to HK\$87.5 billion (EUR10.7 billion). Hong Kong was the world's fourth largest hub for IPOs by value in 2024, up from eighth in 2023 (Hong Kong ranked fourth in 2022 and 2021, second in 2020 and first in 2019).

During the year, the **Hong Kong Hang Seng Index** rebounded by 17.7%, while **market capitalisation** on the Hong Kong Stock Exchange increased by 13.8% to HK\$35.3 trillion (EUR4.3 trillion). Average daily market turnover increased by 25.5% year on year to HK\$132 billion (EUR16.1 billion)³⁴. The Hang Seng Index increased by 3.9% in the first half of 2024 and by 13.2% in the second half. The rebound in the second half was supported by lower interest rates in the US and Hong Kong and by economic stimulus measures in mainland China (mainland Chinese companies account for 80% of Hong Kong's stock market capitalisation). As of the end of October 2024, Hong Kong was the world's eighth largest and Asia's fifth largest stock market by market capitalisation and the world's largest offshore renminbi business hub.

Tourism and industries exposed to tourist spending are yet to recover to their level of 2018, which was the last 'normal' year for tourism flows to Hong Kong before the start of the COVID-19 pandemic. Hong Kong welcomed 44.5 million visitors in 2024, a 30.9% increase year on year but this was only 68% of the number of visitors in 2018³⁵. Visitors from mainland China accounted for 76.5% of the total, or 34 million. Tourists coming to Hong Kong are now spending less than they did in the past, and in the first nine months of 2024 (the latest period for which data are available), visitors spent about 17% less per capita than they did in 2018. Combined with fewer arrivals, this resulted in a 41% drop in monthly spending by visitors

²⁸ The Census and Statistics Department of the Hong Kong Special Administrative Region https://www.censtatd.gov.hk/en/web_table.html?id=510-60001.

²⁹ The Census and Statistics Department of the Hong Kong Special Administrative Region https://www.censtatd.gov.hk/en/web_table.html?id=210-06101#.

³⁰ The Census and Statistics Department of the Hong Kong Special Administrative Region https://www.censtatd.gov.hk/en/web_table.html?id=310-34501#.

³¹ Converted to EUR with 1 EUR = 8.2 HKD (as of end of December 2024) https://commission.europa.eu/funding-tenders/procedures-guidelines-tenders/information-contractors-and-beneficiaries/exchange-rate-infoeuro_en.

³² The Census and Statistics Department of the Hong Kong Special Administrative Region https://www.censtatd.gov.hk/en/web_table.html?id=410-50001#.

³³ The Census and Statistics Department of the Hong Kong Special Administrative Region https://www.censtatd.gov.hk/en/web_table.html?id=310-34501#.

³⁴ Market statistics, website of Hong Kong Exchange and Clearing Limited https://www.hkex.com.hk/Market-Data/Statistics/Consolidated-Reports/HKEX-Monthly-Market-Highlights?sc_lang=en.

³⁵ Visitor Arrivals to Hong Kong; Hong Kong Tourism Board https://partnernet.hktdb.com/en/research_statistics/tourism_statistics_database/index.html.

when compared with 2018, to HK\$16.1 billion (EUR 2 billion). Industries exposed to tourist spending (which include the retail, food and beverage, transport, travel and hospitality sectors) were also affected by both the only-partial recovery in visitor arrivals and reduced spending. In the first 9 months of 2024, GDP from the **accommodation and food services** industries dropped by 3.4% year on year and was 26.2% lower than in the same period of 2019. GDP from **wholesale and retail sales** dropped by 11.1% in the same period and was 44.6% lower than in 2019. The drop in retail sales and food services was also exacerbated by increased flows of residents travelling to the neighbouring city of Shenzhen for shopping and leisure.

Aviation and related industries continued to recover in 2024, but numbers of flights and passengers at Hong Kong International Airport remained below pre-pandemic levels. In 2024, the number of flights into and out of Hong Kong increased by 31.6% to 363 309 and passengers by 34.5% to 53.0 million, but were still respectively 13.5% and 25.7% lower than in 2019. Air cargo freight increased by 14.1% year on year to 4.9 million tonnes in 2024 (also 4.2% above 2019)³⁶. The opening of a third runway at Hong Kong airport in 2024 will increase annual cargo freight capacity to 10 million tonnes and annual passenger numbers to 120 million.

The **construction** and **real estate** industries saw increases in their contributions to GDP of 7.3% and 0.7% respectively in the first 9 months of the year. Property prices decreased and office vacancy rates increased during the year, but Hong Kong still remained one of the most expensive cities in the world to buy or rent an apartment or to buy or rent an office.

The SAR's **linked exchange rate system** remained in place during the year, within a band of HK\$7.75-7.85 to one US dollar. Foreign currency reserve assets were mostly stable, ending 2024 at USD 421.4 billion, down slightly from USD 425.6 billion at the end of 2023³⁷.

Hong Kong is **expected to run a fiscal deficit for the 2024-2025 financial year (ending in March 2025)**. This would be the SAR's fifth deficit in six years, unusual for an economy accustomed to recording fiscal surpluses. The budget presented in February 2024 forecast a consolidated deficit for the financial year 2024-2025 of HK\$144 billion (EUR17.6 billion), equivalent to about 4.5% of Hong Kong's GDP, excluding proceeds from the issuing of government bonds. The government later warned that the deficit would be noticeably higher. The budget was presented with the expectation that the economy would grow by 2.5% to 3.5%, instead of the actual 2.5% it ended up growing by.

The deficits are funded by issuing government bonds and by tapping into Hong Kong's fiscal reserves. As a result, the fiscal reserves decreased to HK\$664 billion (EUR80.9 billion) in December 2024, a decrease of 4.1% year on year and a drop of 43.3% from HK\$1.2 trillion in March 2019³⁸. Reserves are now equivalent to an estimated 11 months of expenditure, compared with 24 months in 2019. In the same period (March 2019 to December 2024), Hong Kong's government debt increased from HK\$1.5 billion to HK\$293 billion (EUR35.7 billion), or 9.2% of GDP, due to the issuing of bonds.

Business environment

³⁶ Website of the Civil Aviation Department of the Government of the Hong Kong Special Administrative Region
<https://www.cad.gov.hk/english/statistics.html>.

³⁷ Press release by the Government of the Hong Kong Special Administrative Region:
<https://www.info.gov.hk/gia/general/202501/07/P2025010700388.htm>.

³⁸ Website of The Treasury, Government of the Hong Kong Special Administrative Region
https://www.treasury.gov.hk/internet/ehpubl_acco_monfinancial.html.

The long-lasting **impact of the strict COVID-19 restrictions** continued to be felt on the local economy, even though they were lifted two years ago. This impact includes a continuation of the reduced numbers of flights and passengers at Hong Kong airport and underperformance in tourism and related industries. The restrictions, including on overseas travel, had made operating a regional headquarters in Hong Kong more complicated, and the number of international companies with their regional headquarters in Hong Kong has still not recovered to pre-pandemic levels (although half of EU companies present in Hong Kong are still regional headquarters). The strict anti COVID-19 rules also eroded the reputation of Hong Kong as a business centre and a centre for overseas talent.

Political and legal developments in Hong Kong, including implementation of the national security legislation, freedom of information, data privacy and sanctions also helped to diminish Hong Kong's standing as an international business hub for overseas companies and talent.

The international business community considers it important that **Hong Kong remains an open economy** as well as an open and vibrant international society, with advantages such as the free circulation of capital and of information, the safety of data, and access to a diversified pool of talent. While these advantages still remain largely in place, some international firms have departed to other regional hubs.

Despite these challenges, **many in the business sector continue to perceive Hong Kong as a competitive business centre**. Some of the advantages of being based in Hong Kong include: (i) a simple and low tax system; (ii) free movement of capital and full convertibility of the Hong Kong dollar; (iii) the common-law system; (iv) low corruption; (v) the geographical location; and (vi) connectivity and access to mainland China.

Attracting talent and companies back to Hong Kong remained a policy priority of the government during the year. The **labour force** increased by 0.3% year on year, to 3.83 million workers at the end of 2024, but this was still 3.5% below the pre-pandemic and pre-NSL level (3.97 million). During the year, most of the workers attracted to Hong Kong under various government talent schemes were mainland Chinese nationals (e.g. 98% of the applications approved under the Quality Migrant Admission Scheme; 92% under the Technology Talent Admission Scheme; and 95% under the Top Talent Pass Scheme).

The government announced in November 2024 that the Office for Attracting Strategic Enterprises had attracted a total of 57 strategic companies to Hong Kong since it commenced operations in December 2022³⁹, mostly coming from mainland China and to a lesser degree from other parts of the world (including Europe).

A recent annual survey of foreign companies in Hong Kong conducted by the Hong Kong Census and Statistics Department⁴⁰ indicated that the **number of foreign companies** (excluding mainland Chinese companies) increased in 2024 by 7.0% compared with 2023, to a historical high of 7 340. According to the survey, the number of foreign companies also recovered to above pre-pandemic levels, with an increase of 1.4% from 2019. However, foreign companies were also smaller, with 49.5 staff members on average per company, down 4.4%

³⁹ Press release by the Government of the Hong Kong Special Administrative Region: <https://www.info.gov.hk/gia/general/202411/11/P2024111100391.htm>.

⁴⁰ Report on Annual Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong, the Census and Statistics Department of the Hong Kong Special Administrative Region (2024 edition): <https://www.censtatd.gov.hk/en/wbr.html?ecode=B11100042024AN24&scode=360>.

on 2023 (51.8 staff members) and 9.2% on 2019 (54.5)⁴¹. The number of foreign (non-Chinese) companies having their regional headquarters in the SAR remained noticeably lower, with a decrease of 17.8% from 2019, despite a slight rebound year on year (up 1.0% from 2023). In the meantime, the **number of mainland Chinese companies** based in Hong Kong surged by 20.3% year on year in 2024 and by 45.6% when compared with 2019 (they now account for 26.3% of non-Hong Kong companies, up from 19.9% in 2019).

In his annual **policy address on 16 October 2024**, Hong Kong's Chief Executive proposed policies to improve the development of Hong Kong's economy. These policies include: (i) consolidating the SAR's status as a financial, shipping and trading hub; (ii) promoting Hong Kong as an innovation and technology (I&T) centre; and (iii) reviving the tourism sector. The policy address further proposed to nurture local talent and further attract talent, companies and start-ups from overseas. The policy address also said that Hong Kong would continue the development of the Northern Metropolis area in the New Territories of Hong Kong and seek closer integration with the Greater Bay Area conurbation of Hong Kong, Macau and Guangdong. Other initiatives mentioned in the policy address included: (i) strengthening Hong Kong as a legal and dispute resolution centre and as a property trading centre; and (ii) promoting the digitalisation of Hong Kong's economy. Finally, the policy address made announcements of plans to address the scarcity and high-cost of properties by: (i) increasing land supply and public housing units; and (ii) regulating the renting of subdivided residential units.

To promote Hong Kong as an **international finance centre**, the government is pursuing policies such as: (i) deepening mutual market access with mainland China; (ii) further developing offshore renminbi activities and promoting the internationalisation of the renminbi (including providing more renminbi-denominated investment products); (iii) strengthening Hong Kong as a centre for risk management, asset management and wealth management (including private equity and family offices); (iv) expanding overseas networks (with a focus on the Middle East and ASEAN); and (v) attracting more companies to list on the Hong Kong Stock Exchange. During 2024, amendments were made to the listing application process⁴², to corporate governance rules⁴³ and to the treasury share regime⁴⁴, all of which aimed to encourage more companies to list in Hong Kong. In addition, Hong Kong in 2024 recognised both the Abu Dhabi Securities Exchange and the Dubai Financial Market as recognised stock exchanges⁴⁵ to support secondary listings in Hong Kong of companies whose primary listings were on these two bourses. The Stock Exchange of Hong Kong also announced plans to open an office in Riyadh. The New Capital Investment Entrant Scheme was open for application from March to attract more capital. It offers eligible individuals the opportunity to migrate to Hong Kong under the condition of making investments in Hong Kong of at least HKD 30 million. Promoting green finance and financial technologies (FinTech) are also key priorities for the government.

⁴¹ Ratios calculated by the European Union Office, using data from the Annual Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong.

⁴² Joint statement on enhanced timeframe for new listing application process https://www.hkex.com.hk/News/Regulatory-Announcements/2024/241018news?sc_lang=en.

⁴³ Press release by Hong Kong Exchanges and Clearing Limited: https://www.hkex.com.hk/News/Regulatory-Announcements/2024/2412192news?sc_lang=en.

⁴⁴ Press release by Hong Kong Exchanges and Clearing Limited: https://www.hkex.com.hk/News/Regulatory-Announcements/2024/240412news?sc_lang=en.

⁴⁵ Press release by Hong Kong Exchanges and Clearing Limited: https://www.hkex.com.hk/News/Regulatory-Announcements/2024/240719news?sc_lang=en.

On **green finance**, the Hong Kong Monetary Authority (HKMA) issued the Hong Kong Taxonomy for Sustainable Finance in May. It encompasses 12 economic activities under four sectors, namely power generation, transportation, construction, and water and waste management. According to the HKMA, the taxonomy was designed by making reference to – and with the goal of facilitating easy navigation with – the EU-China Common Ground Taxonomy and the EU’s Taxonomy (amongst others)⁴⁶. In December 2024, the government issued its *Roadmap on Sustainability Disclosure*⁴⁷, which expressed the goal of Hong Kong adopting the standards of the International Sustainability Standards Board no later than 2028. The Hong Kong government also continued in 2024 to issue additional green bonds under the government’s green bond programme launched in 2018.

A subsidy scheme for proof-of-concept of green and sustainable FinTech was launched in June to provide funding support for green **FinTech**⁴⁸. In October, Hong Kong issued a policy statement on the application of artificial intelligence (AI) in the financial market⁴⁹. In December, the government published a bill for a regulatory regime for issuers of fiat-referenced stablecoins⁵⁰. During the year, the HKMA continued to test and explore the use of central bank digital currencies, both in Hong Kong and for cross-boundary payments. In addition, five operators of virtual-asset trading platforms were granted a licence under Hong Kong’s Securities and Futures Commission’s new licensing regime for virtual-asset trading platforms, which came into force in 2023⁵¹. In December, the Hong Kong government informed the Global Forum on Transparency & Exchange of Information for Tax Purposes of the Organisation for Economic Cooperation and Development (OECD) of its commitment to implementing the Crypto-Asset Reporting Framework (CARF)⁵².

The Chief Executive’s Policy Address also spoke of plans to improve Hong Kong’s status as an **international centre for aviation, trade and shipping**. These include plans to: (i) expand Hong Kong’s trade network; (ii) promote high value added maritime and supply-chain services; (iii) build a ‘smart port’ and (iv) promote green shipping. An additional focus of the government is to further develop commodity trading and gold trading in particular. In November, the government issued an action plan on promoting the supply of green maritime fuels⁵³, while the Hong Kong Sustainable Aviation Fuel Coalition released a policy whitepaper for a sustainable aviation fuel strategy⁵⁴. The same month, Hong Kong International Airport opened its third runway⁵⁵, with the goal of expanding annual capacity to 120 million passengers and 10 million tonnes of cargo within 10 years.

⁴⁶ Press release by the Hong Kong Monetary Authority:

<https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/05/20240503-3/>.

⁴⁷ Press release by the Government of the Hong Kong Special Administrative Region:

https://www.news.gov.hk/eng/2024/12/20241210/20241210_140433_513.html.

⁴⁸ Press release by the Government of the Hong Kong Special Administrative Region:

https://www.news.gov.hk/eng/2024/06/20240628/20240628_153810_154.html.

⁴⁹ Press release by the Government of the Hong Kong Special Administrative Region:

<https://www.info.gov.hk/gia/general/202410/28/P2024102800154.htm>.

⁵⁰ Press release by the Government of the Hong Kong Special Administrative Region:

<https://www.info.gov.hk/gia/general/202412/06/P2024120500406.htm>.

⁵¹ Website of the Securities and Futures Commission

<https://www.sfc.hk/en/Welcome-to-the-Fintech-Contact-Point/Virtual-assets/Virtual-asset-trading-platforms-operators/Lists-of-virtual-asset-trading-platforms>.

⁵² Press release by the Government of the Hong Kong Special Administrative Region:

https://www.news.gov.hk/eng/2024/12/20241213/20241213_184926_513.html.

⁵³ Press release by the Government of the Hong Kong Special Administrative Region:

<https://www.info.gov.hk/gia/general/202411/15/P2024111500574.htm>.

⁵⁴ Website of the Business Environment Council https://bec.org.hk/sites/default/files/publications/SAF%20Strategy%20for%20HK_0.pdf.

⁵⁵ Press release by Hong Kong International Airport:

https://www.hongkongairport.com/en/media-centre/press-release/2024/pr_1763.

During the year, Hong Kong's government proceeded with plans to further develop Hong Kong into an **innovation and technology** centre, including in the areas of: (i) 'new industrialisation' (encouraging the use of innovation and technologies to develop competitive manufacturing and production activities in Hong Kong); (ii) medical and health innovation; (iii) developing a low-altitude economy (economic activities and industries operating in air space up to 1 000 metres); (iv) aerospace technology; and (v) new energy. The 2024-2025 budget (released in February 2024) earmarked about HK\$24 billion (EUR2.9 billion) for these new initiatives. A Digital Policy Office was launched in July⁵⁶ and a HK\$10 billion (EUR1.2 billion) new industrialisation acceleration scheme, was launched in September to encourage the set-up of 'smart' production facilities⁵⁷. An Artificial Intelligence Supercomputing Centre commenced operation in December⁵⁸. Additional funding was announced for setting up research institutes in the areas of life sciences and health technology. The number of start-ups in the SAR increased by 10% year on year in 2024, to 4 694, according to the government⁵⁹.

Work to develop the **Northern Metropolis** continued. This development zone north of Kowloon will include residential districts, an I&T zone, a logistics hub and connecting railway infrastructure with the rest of Hong Kong and Shenzhen, and will further integrate Hong Kong with the Greater Bay Area. Chief Executive John Lee in the 2024 policy address referred to the Northern Metropolis as the new engine of Hong Kong's economic development. The policy address said that development of the Northern Metropolis would also be expedited in 2024, while maintaining a prudent fiscal position. A new process was announced in 2024 under which large plots of land (10 to 20 hectares) will collectively be developed by successful bidding developers, with the purpose of speeding-up development and enabling coordinated design. A development conceptual framework will be published in the first half of 2026 for the development of a university town in the zone (for which 80 hectares of land are earmarked), for post-secondary institutions and research collaboration with mainland China and overseas, and 60 000 housing units are planned to be built in the Northern Metropolis over the next five years.

The Northern Metropolis also plays an important role for developing I&T. A goal of the Hong Kong government is to advance the development of the San Tin Technopole (an I&T zone) including by delivering new I&T sites in phases beginning in 2026-2027. In November, the Hong Kong government published an outline of its development plans for the area⁶⁰ setting out how it would further develop the Hong Kong Park in the Northern Metropolis (the park, together with the Shenzhen Park, forms the Shenzhen- Hong Kong Science and Technology Innovation Cooperation Zone). One aspect of this work will be to facilitate cross-boundary flows of personnel, materials, funding and data. In April, the Hong Kong Park signed memoranda of understanding with some 60 companies which showed an interest in the Park, with about a quarter of these companies coming from overseas⁶¹. The 2024 policy address

⁵⁶ Press release by the Government of the Hong Kong Special Administrative Region: <https://www.info.gov.hk/gia/general/202407/25/P2024072400394.htm>.

⁵⁷ Press release by the Government of the Hong Kong Special Administrative Region: <https://www.info.gov.hk/gia/general/202409/16/P2024091600176.htm>.

⁵⁸ Press release of Cybeport: [https://www.cyberport.hk/files/675749ae9d5c5006010568/\[Press%20Release\]%20Cyberport%20Artificial%20Intelligence%20Supercomputing%20Centre%20Officially%20Commences%20Operations.pdf](https://www.cyberport.hk/files/675749ae9d5c5006010568/[Press%20Release]%20Cyberport%20Artificial%20Intelligence%20Supercomputing%20Centre%20Officially%20Commences%20Operations.pdf).

⁵⁹ Press release by the Government of the Hong Kong Special Administrative Region: https://www.news.gov.hk/eng/2024/12/20241227/20241227_123331_719.html.

⁶⁰ Press release by the Government of the Hong Kong Special Administrative Region: <https://www.info.gov.hk/gia/general/202411/20/P2024112000145.htm>.

⁶¹ Press release by the Government of the Hong Kong Special Administrative Region: https://www.news.gov.hk/eng/2024/04/20240418/20240418_151712_533.html.

stated that the first batch of tenants – including those working in life sciences, health technology, AI and data science – could begin to move in in 2025.

Another large development project is the construction of the **Kau Yi Chau Artificial Islands** project west of Hong Kong island (the project covers 1 000 ha, which will be developed for new residential and business districts). In December, an environmental impact assessment report was submitted setting out the reclamation work required⁶².

On **environmental policies**, a ban on single-use plastics commenced in April⁶³ and included products such as disposable plastic tableware, plastic cutlery and plastic toothbrushes in restaurant and hotels. In May, the government deferred⁶⁴, during its trial phase, a fee-charging scheme for municipal solid waste, which aimed to reduce waste disposal and increase waste recovery. A report by the Environment Protection Department in December⁶⁵ showed that 67% of Hong Kong's municipal solid waste was disposed of in landfills. The remaining 33% (1.97 million tonnes) was recovered, of which 1.52 million tonnes were exported outside of Hong Kong for recycling and 0.45 million tonnes were recycled locally. In June, the government released a strategy for developing the hydrogen economy⁶⁶ and in December it announced a roadmap⁶⁷ to promote electric buses and taxis and expand electric charging facilities.

Trade policy

Hong Kong has **nine free trade agreements** (FTAs). These are with mainland China (the China Economic Partnership Agreement or CEPA, June 2003 and enhanced thereafter), New Zealand (March 2010), the Member States of the European Free Trade Association (June 2011), Chile (September 2012), Macao (October 2017), the Association of Southeast Asian Nations (ASEAN, November 2017), Georgia (June 2018), Australia (March 2019) and Peru (November 2024). Hong Kong has also signed 24 **investment promotion and protection agreements** (IPPAs) with foreign economies (including with 10 EU Member States) and negotiations have been concluded (pending signature) for IPPAs with the Maldives and Myanmar.

In March 2024, Hong Kong and Bahrain⁶⁸ signed an IPPA. In November 2024, Hong Kong signed an FTA with Peru⁶⁹. IPPAs with Bangladesh, Egypt, Peru, Russia and Saudi Arabia are under negotiation. In January 2024, Hong Kong and Croatia signed a comprehensive agreement on the avoidance of double taxation⁷⁰.

⁶² Press release by the Government of the Hong Kong Special Administrative Region: https://www.news.gov.hk/eng/2024/12/20241231/20241231_150510_663.html.

⁶³ Press release by the Government of the Hong Kong Special Administrative Region: <https://www.info.gov.hk/gia/general/202410/20/P2024102000250.htm>.

⁶⁴ Press release by the Government of the Hong Kong Special Administrative Region: <https://www.gov.hk/en/residents/environment/waste/management/mswcharging.htm>.

⁶⁵ Press release by the Government of the Hong Kong Special Administrative Region: <https://www.info.gov.hk/gia/general/202412/19/P2024121900251.htm>.

⁶⁶ Press release by the Government of the Hong Kong Special Administrative Region: https://www.news.gov.hk/eng/2024/06/20240617/20240617_171024_544.html.

⁶⁷ Press release by the Government of the Hong Kong Special Administrative Region: https://www.news.gov.hk/eng/2024/12/20241210/20241210_170259_596.html.

⁶⁸ Press release by the Government of the Hong Kong Special Administrative Region: <https://www.info.gov.hk/gia/general/202403/03/P2024030300365.htm?fontSize=1>.

⁶⁹ Press release by the Government of the Hong Kong Special Administrative Region: <https://www.info.gov.hk/gia/general/202411/16/P2024111600021.htm>.

⁷⁰ Press release by the Government of the Hong Kong Special Administrative Region: <https://www.info.gov.hk/gia/general/202401/24/P2024012400293.htm>.

In his policy address of October 2024, the Chief Executive said that Hong Kong would continue to seek early accession to the **Regional Comprehensive Economic Partnership** comprising 15 countries in the Asia Pacific region. Hong Kong submitted its accession request in 2022 but had not joined the partnership as of end-2024.

Economic integration with mainland China

In October 2024, Hong Kong and mainland China signed an agreement to amend the Mainland and Hong Kong **Closer Economic Partnership Arrangement (CEPA) on Trade in Services**⁷¹. The agreement: (i) introduces additional liberalisation measures across several services sectors; (ii) aims to help Hong Kong service providers establish a presence and do business in the mainland; and (iii) make it easier for professionals in Hong Kong to acquire the right to practice in mainland China. The agreement also relaxes the rules for foreign companies, including European Union companies, in Hong Kong so they can more easily qualify as Hong Kong service providers and benefit from CEPA. The CEPA Agreement on Trade in Services was signed in November 2015, first amended in November 2019, and complemented by the CEPA for Trade in Goods (signed in 2018).

On **financial integration and mutual access**, Hong Kong and mainland China's capital markets are connected via the 'Stock Connect' scheme, linking the Hong Kong Stock Exchange with its counterparts in Shanghai and Shenzhen, and the 'Bond Connect' mutual market access scheme for bond markets. This was complemented in September 2021 by the launching of the Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area ('Cross-boundary WMC'), allowing eligible mainland Chinese, Hong Kong and Macao residents to invest in wealth-management products distributed by banks in each other's market. In 2023, the 'Stock Connect' schemes were enhanced and the northbound trading leg of the 'Swap Connect' scheme – a mutual access scheme connecting Hong Kong and Mainland interest rate swap markets – was launched.

In January 2024, measures to update the Cross-boundary WMC were announced to: (i) refine the eligibility criteria of mainland investors; (ii) expand the scope of participating institutions (to include eligible securities firms) and eligible products; (iii) increase the individual investor quota; and (iv) improve promotion and sales arrangements⁷².

In January 2024, the HKMA and the People's Bank of China announced six measures to deepen financial cooperation⁷³. In April, the China Securities Regulatory Commission announced a series of measures to further expand mutual access for investors between the capital markets of the mainland and Hong Kong⁷⁴. The measures included: (i) expanding eligible equity exchange-traded funds and including real estate investment trusts (REITs) under the Stock Connect programme; (ii) supporting the inclusion of the renminbi stock-trading counter under the southbound trading leg of Stock Connect (allowing mainland investors to buy financial assets in the Hong Kong stock market); (iii) improving the arrangements for mutual recognition of funds; and (iv) encouraging mainland companies to list in Hong Kong. In May, the People's Bank of China, Hong Kong's Securities and Futures Commission and the HKMA jointly

⁷¹ Press release by the Government of the Hong Kong Special Administrative Region: <https://www.tid.gov.hk/english/aboutus/pressspeech/press/2024/20241009.html>.

⁷² Circular by Hong Kong Monetary Authority:

<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2024/20240124e2.pdf>.

⁷³ Press release by Hong Kong Monetary Authority:

<https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/01/20240124-3/>.

⁷⁴ Press release by the Government of the Hong Kong Special Administrative Region: https://www.news.gov.hk/eng/2024/04/20240419/20240419_190851_206.html.

announced an upgrade of the mutual access arrangements between the mainland and Hong Kong interest-rate swap markets ('Swap Connect')⁷⁵.

On the **Greater Bay Area (GBA)**, Hong Kong's policies aim partly to: (i) increase economic integration, connectivity and the harmonisation of rules and mechanisms; (ii) facilitate the flow of goods and people around the GBA; and (iii) give Hong Kong residents the ability to live and work in the GBA. In June, the Shenzhen-Hong Kong Financial Cooperation Committee was established and held its first meeting⁷⁶. In July, six cooperation agreements were signed at the occasion of the 24th Plenary of the Hong Kong/Guangdong Cooperation Joint Conference, including cooperation agreements on justice, testing and certification, food safety and healthcare. The 2024 policy address indicated that the Hong Kong government would work to further facilitate the recognition of professional qualifications, and promote the cross-border flow of data, medical cooperation and clinical trials. The policy address also announced that Hong Kong International Airport's logistics park in Dongguan city in China will be further developed, as will collaboration with Zhuhai Airport which is located in China, west of Hong Kong and just north of Macao. In November, an agreement was signed between the Airport Authority of Hong Kong (AAHK) and Zhuhai Transportation Holdings Group for an acquisition of 35% of the share of Zhuhai Airport by AAHK⁷⁷. The policy address also stated that the Hong Kong Investment Corporation Limited, an investment vehicle of the Hong Kong government, will also explore investment in projects in the GBA. Increasing legal collaboration within the GBA is also a focus of government policy. The policy address set out plans to implement and extend measures allowing Hong Kong-invested enterprises to adopt Hong Kong law and to choose for arbitration to occur in Hong Kong when doing business in the GBA. In June, Hong Kong's Department of Justice and China's Supreme People's Court signed a memorandum of understanding on establishing an interface platform on judicial and legal cooperation in the GBA.

III. Relations between Hong Kong and mainland China

On 18 July, the Third Plenum of the 20th Central Committee of the Communist Party of China (CPC) concluded. The Third Plenum outlined the direction for economic China's future economic development. Under a section entitled 'Pursuing High-Standard Opening Up,' the decision of the Third Plenum elaborated that 'harnessing the institutional strengths of the one country, two systems policy, we (the Party) will work to consolidate and enhance Hong Kong's status as an international financial, shipping, and trade centre, support Hong Kong and Macao in building themselves into international hubs for high-calibre talent, and improve relevant mechanisms to see the two regions playing a greater role in China's opening to the outside world. We will encourage cooperation between Guangdong, Hong Kong, and Macao in the Greater Bay Area by promoting closer alignment of rules and mechanisms.'

At the invitation of the Hong Kong government, Vice-Chairperson of the Constitution and Law Committee of China's National People's Congress Shen Chunyao and Secretary of the CPC Leadership Group of the Ministry of Commerce and the Minister of Commerce Wang Wentao visited Hong Kong between 26 and 27 August to explain the implications of the decision of the

⁷⁵ Press release by the Government of the Hong Kong Special Administrative Region: <https://www.info.gov.hk/gia/general/202405/13/P2024051300698.htm>.

⁷⁶ Press release by the Government of the Hong Kong Special Administrative Region: <https://www.info.gov.hk/gia/general/202406/13/P2024061300459.htm>.

⁷⁷ Press release of Hong Kong International Airport: https://www.hongkongairport.com/en/media-centre/press-release/2024/pr_1762.

Third Plenum for the SAR. Both officials held a closed-door session with around 400 central government officials and leaders of state-owned enterprises stationed in the city and another closed-door meeting with 500 Hong Kong government officials and office holders. Another open-door session was subsequently held with around 700 representatives from the business, professional, education, media and youth sectors.

Director of the Hong Kong and Macao Work Office of the CPC Central Committee and the Hong Kong and Macao Affairs Office of the State Council Xia Baolong visited Hong Kong between 22 and 28 February 2024 for an inspection visit. During the visit, the Central Government added the mainland cities of Xi'an and Qingdao to the Individual Travel Scheme, allowing residents of these two cities to visit Hong Kong.

On 28 February, the Chief Executive pointed out that economic development and district governance were the two focuses of Xia's visit. Xia recognised the work of the SAR government and stated that China's central government 'fully supports' the development of the city. Separately, Xia reaffirmed the work of the revamped District Council and the newly set up 'community care teams'.

15 April 2024 was National Security Education Day and marked the 10th anniversary of the concept of 'a holistic approach to national security' as proposed by President Xi Jinping. In a speech on 15 April, Director Xia reiterated that the city should 'tightly hold' onto the bottom line of national security and called on the city to 'actively adapt to the new situation and new challenges' under a changing domestic and external environment.

In 2024, mainland Chinese authorities increased their interactions with the local business community. In a reply letter dated 30 July, Chinese President Xi Jinping encouraged Hong Kong entrepreneurs with roots in Ningbo, a city on the east coast of China, to 'better integrate into national reform and development and make a greater contribution to Chinese modernisation'.

On 8 November 2024, Director of the Hong Kong and Macao Affairs Office Xia Baolong asked 29 business leaders from the city to 'shoulder responsibility' for the city's economic development amid a 'changing external environment'.

On 29 November 2024, under the 'guidance' of the Hong Kong and Macao Affairs Office and with the 'support' of the central government's Liaison Office, the Hong Kong government organised a ceremony for the local business community to pledge support for the Northern Metropolis – a new development area in the northwestern part of Hong Kong and adjacent to the neighbouring city of Shenzhen. Over 80 business representatives attended the event, with 35 of them signing agreements to contribute to the development of the Northern Metropolis, with total planned investment of over HK\$100 billion (EUR 11.9 billion).

The authorities in the mainland and Hong Kong worked together in 2024 to improve border efficiency. In July, the Hong Kong Secretary for Security Chris Tang revealed that two checkpoints with the neighbouring mainland city of Shenzhen would adopt 'joint clearance' that allowed travellers to only queue once to have their documents inspected, instead of twice.

Between 3 and 10 November, a delegation of 20 judges and judicial officers from Hong Kong visited China's Sichuan region for a visit that was part of ongoing professional exchanges between judges and judicial officers from Hong Kong and the mainland.

On 20 August 2024, for the first time in 14 years, the Overseas Chinese World Conference for Promoting Peaceful Reunification of China took place in Hong Kong. Shi Taifeng, a member of the CPC's Politburo and the Director of the CPC's United Front Work Department, addressed the conference, stating that the implementation of the 'one country, two systems' principle in Hong Kong played a key role in achieving 'the country's reunification'.

After a nine-year halt, Shenzhen resumed the multiple-entry individual visit scheme for Shenzhen permanent residents in 2024, allowing them to visit Hong Kong. Shenzhen also expanded this scheme to Shenzhen residence permit holders on 1 December. The Hong Kong government said it expected that the new scheme would 'substantially increase the number of visitors to Hong Kong, further stimulate Hong Kong's tourism, retail, and catering industries, and create new impetus for Hong Kong's economy' in a statement published on 29 November.

In January 2024, an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region signed in January 2019 came into force after the relevant legislative work was completed.

Mainland China is **Hong Kong's largest trading partner in goods**, accounting for 51.0% of Hong Kong's total trade in 2024. In turn, Hong Kong is an important trading hub for mainland China and ranked as China's fourth largest trading partner in 2024.

Hong Kong remained **mainland China's key offshore financial centre and investment hub in 2024**. In 2023 (latest year for which data are available), mainland China was Hong Kong's largest source of inward foreign direct investment (FDI), excluding offshore centres, as well as the first destination for Hong Kong's outward FDI, accounting for 31% of the stock of inward FDI and 50% of the total stock of outward FDI⁷⁸. In turn, Hong Kong is the largest source of FDI in mainland China and the leading destination for mainland China's outward FDI, accounting for 59.2% of China's inward FDI and 59.3% of China's outward FDI (2023)⁷⁹. There were 1 478 mainland enterprises listed on the Hong Kong Stock Exchange as at the end of December, accounting for 79.8% of total market capitalisation and 90.8% of equity turnover.

IV. EU-Hong Kong bilateral relations and cooperation

In 2024, the EU Office in Hong Kong held regular meetings with the Hong Kong authorities, including the Chief Executive, during which it conveyed concerns about the erosion of democracy and human rights in Hong Kong and the implementation of the NSL. The EU Office was also in contact with the Office of the Commissioner of the Ministry of Foreign Affairs of China (OCMFA). The current Head of the EU Office assumed his position in September and has already met with most senior officials of the Hong Kong government as well as with a number of key local stakeholders from the business world, academia and civil society.

In 2024, the EU Office facilitated and supported the visits to Hong Kong of EU officials. On 13 and 14 April, the Managing Director for Asia and the Pacific of the European External Action Service Niclas Kvarnström visited Hong Kong. Further visitors during the year included

⁷⁸ Statistical report on External Direct Investment Statistics of Hong Kong (2023 Edition), 10 December 2024: available at <https://www.censtatd.gov.hk/en/EIndexbySubject.html?pcode=B1040003&scode=260>.

⁷⁹ Hong Kong Trade Development Council <https://research.hktdc.com/en/article/MzIwNjcyMDYx>.

the Deputy Director-General of the European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) and two directors from DG FISMA. The Chair of the European Securities and Markets Authority and several EU Member State government officials also visited Hong Kong in 2024.

A number of Hong Kong officials travelled to the European Union and EU Member States in 2024. In May, Hong Kong's Secretary for Innovation, Technology and Industry met with the European Commissioner for Innovation, Research, Culture, Education and Youth in Brussels.

As mandated by the Council Conclusions of July 2020 on Hong Kong⁸⁰, the EU Office in Hong Kong and the EU Member States Consulates-General in Hong Kong continued to conduct trial observations, attending 80 court sessions in Hong Kong in 2024.

In 2024, the EU Office continued to organise arts events to promote respect for human rights. In close coordination with the Ukrainian community in Hong Kong, the EU Office organised a panel discussion to mark the second anniversary of the Russian invasion of Ukraine on 24 February. To further raise awareness in Hong Kong about Russia's ongoing war of aggression in Ukraine, the EU Office opened the Hong Kong EU Film Festival and the EU-Asia Documentary Festival with Ukrainian productions and organised two screenings of Ukrainian films at local universities.

On 9 November, the EU Office in cooperation with the journalism school of a local Hong Kong university, organised a screening of the Oscar-winning documentary film '20 Days in Mariupol' and a panel discussion to mark the International Day to End Impunity for Crimes against Journalists (2 November) and the 1 000th day of Russia's full-scale war on Ukraine (19 November).

The EU Office also continued to co-organise Hong Kong's annual 'EU-Asia Documentary Film Festival' to shed light on social inequalities.

In December 2024, the EU Office co-organised the annual 'Colours of Humanity Arts Prize', formerly known as the Hong Kong Human Rights Art Prize.

To express the EU's commitment to the principles of equality and non-discrimination and its support for the rights of LGBTIQ+ people, the EU Office organised a film screening and a panel discussion with a focus on civil unions and marriage equality, bringing together civil society, the business community, the consular corps and policy makers. The EU Office again participated in the annual Hong Kong Pride event in 2024.

The EU Office has maintained regular contact with civil society groups in Hong Kong working on a range of topics, including prisoners' rights and the situation of asylum seekers. The EU Office also co-organised a luncheon with NGOs and representatives of official bodies on youth mental health on 17 December 2024.

The EU Office, together with local partners, organised the third annual 'Green Way' event in 2024. Green Way is a conference to promote the exchange of ideas on how best to address climate change. There was high-level participation in the event by both the government (including Chief Executive John Lee) and industry, and this year's event resulted in

⁸⁰ Council conclusions on Hong Kong, 24 July 2020, available at <https://www.consilium.europa.eu/media/45222/council-conclusions-on-hong-kong.pdf>.

recommendations to allow greater participation of EU industry and EU standards in support of Hong Kong's environmental agenda. In addition, as part of the event there was public outreach to communicate relevant EU policies, including on the digital and green agenda, the Due Diligence Directive, and environmental, social and governance reporting.

In 2024, the **EU remained the largest non-Chinese foreign business community in the city**, ahead of Japan, the US and the UK, according to the annual survey on foreign companies⁸¹ by the Hong Kong Census and Statistics Department⁸². At least 1 640 EU companies were active in Hong Kong in 2024. About half of these EU companies (800) were using the city as their regional headquarters or regional offices. EU businesses were present in a wide range of sectors, including financial and business services, trading and logistics, retail, food and beverage, construction, and engineering. The survey showed that the number of EU companies recorded was 5.9% greater than in 2023. This means that the number of EU companies in Hong Kong had surpassed pre-COVID-19 and pre-NSL levels, with 2.3% more EU companies present in Hong Kong in 2024 than in 2019 (while the total number of non-Chinese foreign companies increased by a smaller proportion in the same period, up 1.4%). However, the survey also shows that the number of EU companies with regional headquarters in Hong Kong remains below 2019 levels (-9.8% in 2024 from 2019), although the decline in the number of regional headquarters of EU companies located in Hong Kong was noticeably smaller than for non-Chinese foreign companies as a whole (-17.8% in the same period).

In 2024, **bilateral trade in goods between the EU and Hong Kong amounted to EUR 28.3 billion**, a decrease of 8.7% on the same period in 2023. EU exports of goods to Hong Kong amounted to EUR 24.1 billion, while imports from Hong Kong to the EU totalled EUR 4.3 billion, resulting in a **surplus of EUR 19.8 billion** for the EU⁸³. **The EU was Hong Kong's fourth largest trading partner in goods** in 2024, after mainland China, Taiwan and the US⁸⁴. Hong Kong remained an important platform for trade between mainland China and the EU.

The EU was Hong Kong's **third largest** trading partner in services in 2022 (according to Hong Kong's Census and Statistics Department, 2022 was the latest full year for which Hong Kong data were available at the time of writing)⁸⁵. In 2023, Hong Kong was the EU's **11th largest** partner for trade in services (Eurostat)⁸⁶. Eurostat data show that EU trade in services with Hong Kong amounted to EUR 38.4 billion in 2023, a decrease of 10.6% year on year. EU exports of services to Hong Kong in 2023 accounted for EUR 24.3 billion and imports from Hong Kong were worth EUR 14.1 billion, resulting in a surplus of EUR 10.3 billion for the EU. The main services traded are transport, telecommunications, financial services and other business services.

The EU was the fifth largest investor in Hong Kong and the sixth largest destination for Hong Kong's FDI globally in 2023 (Hong Kong statistics, 2023 was the latest year for which data were available at the time of writing). According to Eurostat, Hong Kong was the ninth

⁸¹ The survey only provides data on the number of companies. It does not reflect EU companies cutting or relocating some activities and/or staff (including during the pandemic).

⁸² Report on Annual Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong, the Census and Statistics Department of the Hong Kong Special Administrative Region (2024 edition): <https://www.censtatd.gov.hk/en/wbr.html?ecode=B11100042024AN24&scode=360>.

⁸³ Source: Eurostat: European Union trade in goods <https://ec.europa.eu/eurostat/comext/newxtweb/>.

⁸⁴ Census and Statistics Department of the Hong Kong Special Administrative Region <https://www.censtatd.gov.hk/en/scode230.html>.

⁸⁵ The Census and Statistics Department of the Hong Kong Special Administrative Region: <https://www.censtatd.gov.hk/en/EIndexbySubject.html?pcode=B1020011&scode=240>.

⁸⁶ Eurostat: European Union trade in services <https://ec.europa.eu/eurostat/data/database>.

largest source of FDI stock into the EU in 2023, worth EUR 157.3 billion (a 19% decrease year on year), and the 19th largest destination of the EU's FDI stock, at EUR 82.1 billion (-26.0% year on year)⁸⁷.

The EU-Hong Kong and Macao Policy Dialogue Support Facility project provided a platform for discussions on topics such as sustainability during the early part of the year, until May 2024. In December 2024, the new Policy Dialogue and Public Diplomacy Facility for Hong Kong and Macao was launched. The 3-year project supports the EU Office's continuing engagement with key counterparts in Hong Kong on strategic topics of mutual interest, primarily through joint events, preparation of studies, and production of visibility material.

In December 2024, the Council of the European Union amended Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine, and Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine⁸⁸. One of the results of this amendment was to add Hong Kong entities to the list set out in the Annex to Decision 2014/145/CFSP and Annexes to Decision 2014/512/CFSP.

⁸⁷ Eurostat: European Union direct investment statistics
<https://ec.europa.eu/eurostat/data/database>.

⁸⁸ Press release of the Council of the European Union:
<https://www.consilium.europa.eu/en/press/press-releases/2024/12/16/russia-s-war-of-aggression-against-ukraine-eu-adopts-15th-package-of-restrictive-measures/>.