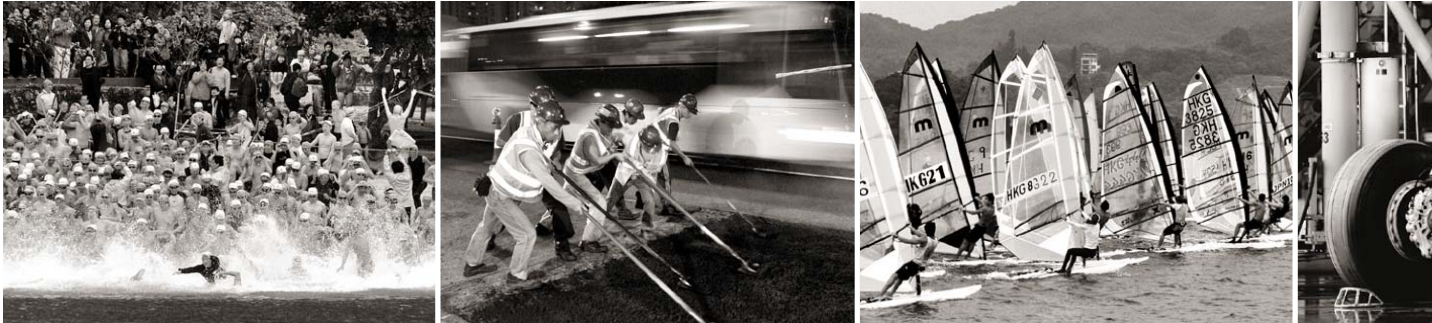


HIGHLIGHTS OF 2003



ECONOMIC AND BANKING ENVIRONMENT

The economy contracts in the second quarter because of the SARS outbreak, but rebounds sharply in the second half. Real GDP grows by 3.3% in 2003.

With improved economic conditions in the second half, the banking sector ends the year with a modest growth in profitability.

New \$100 and \$500 Hong Kong banknotes with advanced security features are issued in December.

MONETARY STABILITY

The Hong Kong dollar is largely stable, despite a marked shift in market sentiment from extreme pessimism in the second quarter to optimism later in the year.

BANKING STABILITY

The HKMA completes the implementation of the risk-based supervisory approach.

Progress is made in preparing the legislation for the Deposit Protection Scheme Bill and the establishment of a Commercial Credit Reference Agency in Hong Kong.



MARKET INFRASTRUCTURE

A euro clearing system is launched in April.

A Clearing and Settlement Systems Bill is introduced to the Legislative Council in December to establish a statutory oversight regime and provide for finality of settlement.

INTERNATIONAL FINANCIAL CENTRE

The first phase of the Asian Bond Fund is launched in June with an issue size of about US\$1 billion.

In November the People's Bank of China agrees to provide clearing arrangements for personal renminbi business in Hong Kong.

RESERVES MANAGEMENT

The Exchange Fund achieves a 10.2% investment return in 2003, 70 basis points above the investment benchmark.

Hong Kong's foreign currency reserve assets stand at US\$118.4 billion at the end of 2003.

PROFESSIONAL AND CORPORATE SERVICES

A permanent HKMA Information Centre, consisting of an exhibition area and a library, is open to the public in December.