

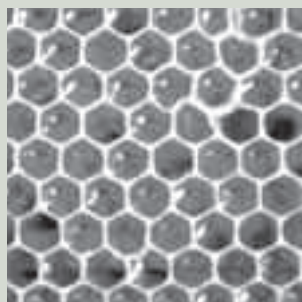
HIGHLIGHTS OF 2005



Economic and Banking Environment

Hong Kong's economy enjoys remarkable growth in 2005. Real GDP grows by 7.3%.

Retail banks record healthy profit growth as the buoyant domestic economy helps improve the operating environment.



Monetary Stability

Refinements to the operation of the Linked Exchange Rate system introduced in May 2005 make the interest rate adjustment mechanism more efficient.



Banking Stability

The HKMA continues to develop the risk-based supervisory approach following its full implementation in 2004.

The first review of positive credit data sharing shows that there have been benefits to financial institutions and consumers.

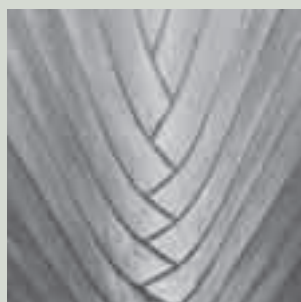
The Banking (Amendment) Ordinance 2005 is enacted. The Ordinance gives express statutory backing for the implementation of Basel II in Hong Kong.



Market Infrastructure

The HKMA continues to develop a safe and efficient multi-currency, multi-dimensional clearing and settlement platform.

The Treasury Markets Association is established to provide a solid structure for developing the treasury markets of Hong Kong.



International Financial Centre

Renminbi services are expanded. Total outstanding renminbi deposits in Hong Kong exceed RMB22 billion yuan at the end of 2005.

Two key components of Asian Bond Fund 2, the Pan Asia Bond Index Fund and ABF Hong Kong Bond Index Fund, are listed in Hong Kong.



Reserves Management

The Exchange Fund achieves an investment return of 3.1% in 2005.

Hong Kong's foreign currency reserves stand at US\$125.3 billion at the end of 2005.