

Highlights of 2010

Economic and Financial Environment

Hong Kong enjoys a broad-based recovery, with real GDP rising by 6.8%.

Both domestic and external demands recover strongly in 2010, with the former underpinned by improved labour market conditions and the latter bolstered by strong economic performance on the Mainland and in other emerging market economies.

Monetary Stability

The Linked Exchange Rate system continues to function smoothly.

The HKMA strengthens communications with stakeholders to help reinforce confidence in the Link and keep the market stable amid turbulent global fund flows and massive fund raising activities.

Banking Stability

The banking sector remains resilient despite heightened concerns about Europe's sovereign debt problems. Asset quality improves and capital positions remain robust.

The HKMA introduces prudential measures to improve risk management on property lending and strengthen regulatory requirements on investor and consumer protection.

International Financial Centre

Hong Kong enjoys rapid growth in the development of offshore renminbi businesses.

Standard & Poor's upgrades Hong Kong's rating to the highest AAA category, the highest sovereign rating ever assigned to Hong Kong.

The HKMA develops an implementation framework on regulation of over-the-counter derivatives, including the project of establishing a local trade repository.

Reserves Management

The Exchange Fund records an investment income of \$79.4 billion, a return of 3.6%.

Total assets of the Exchange Fund reach \$2,345.0 billion at the end of 2010.