

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE FEDERAL SECURITIES SUPERVISORY OFFICE OF GERMANY
AND
THE SECURITIES AND FUTURES COMMISSION OF HONG KONG

1. INTRODUCTION

The German Federal Securities Supervisory Office (Bundesaufsichtsamt für den Wertpapierhandel, short BAWe) and the Securities and Futures Commission of Hong Kong ("SFC") (hereafter refer as "the Authorities"), recognizing the increasingly international activity between the financial markets and financial services sectors of Germany and Hong Kong and the corresponding need to establish and foster cooperation between the authorities responsible for regulating their respective financial markets and services for the protection of investors and preservation of market integrity, have reached the following understanding.

2. FUNCTIONS OF EACH AUTHORITY

(a) Federal Securities Supervisory Office (Bundesaufsichtsamt für den Wertpapierhandel, short BAWe)

The BAWe is an independent federal authority within the ambit of the Federal Ministry of Finance. It began its regulatory activity on 1 January 1995. The legal framework for the establishment and operation of the BAWe is provided for by the Securities Trading Act (Wertpapierhandelsgesetz, short WpHG). The BAWe is responsible for ensuring the proper functioning of the securities markets. This includes the following objectives: investor protection, market transparency and market integrity. To this end, the BAWe has the power to set up and specify rules and regulations, supervise trading, monitor disclosure requirements as well as compliance with the rules of conduct, and to conduct investigations. The WpHG vests the BAWe with the sole power for the cooperation with the competent authorities responsible for the supervision of stock exchanges or other securities markets and for securities trading in other countries.

(b) The Securities and Futures Commission of Hong Kong

The SFC is the Commission established by the Securities and Futures Commission Ordinance to regulate securities and futures markets and leveraged foreign exchange trading in Hong Kong. The functions of the SFC include administering securities, futures and leveraged foreign exchange trading legislation for the protection of investors and maintenance of the integrity of the markets; administering all relevant requirements to ensure full disclosure to and fair treatment of shareholders and investors; supervising and monitoring the activities of the Exchange Companies and clearing houses of Hong Kong to ensure that they discharge their responsibilities in a professional and impartial manner; regulating dealers, leveraged foreign exchange traders, investment advisers and other registered persons; and encouraging the development of securities and futures

markets in Hong Kong and the increased use of such markets by investors in Hong Kong and elsewhere.

3. SCOPE

Through the machinery set up by this Memorandum, the Authorities hereby agree to promote mutual assistance and the exchange of information so that the Authorities may effectively perform their respective duties according to law.

Under the foregoing general theme, the scope of this Memorandum will include the following:

- a) supervising and monitoring the securities and futures markets, leveraged foreign exchange trading, their clearing and settlement activities, ensuring compliance with the relevant laws and regulatory requirements;
- b) enforcement of the laws and regulatory requirements relating to dealing in, arranging deals in, managing and advising on securities, futures contracts, and other investment products;
- c) enforcement of the laws and regulatory requirements relating to leveraged foreign exchange trading;
- d) promoting and securing the fitness and properness of dealers, investment advisers, leveraged foreign exchange traders and other financial market practitioners, promoting high standards of fair dealing and integrity in their conduct of business;

- e) enforcement of the laws and regulatory requirements relating to insider dealing, market manipulation and other fraudulent practices in relation to listed companies, securities, futures contracts, and other investment products;
- f) ensuring compliance by issuers of and offerors for securities, and directors, officers, shareholders and professional advisers of all companies listed, or applying for listing, on the securities markets of either Germany or Hong Kong, with any duties under any relevant laws and regulatory requirements and any obligation to make full, accurate and immediate disclosure of information relevant to investors;
- g) enforcement of the laws and regulatory requirements relating to takeovers and mergers and share repurchases;
- h) disclosure of interest in the securities of companies;
- i) breaches of companies legislation; and
- j) any other matters agreed upon by all Authorities.

4. PRINCIPLES

- a) This Memorandum sets forth a statement of intent of the Authorities to enhance the protection of investors and to promote the integrity of the securities and futures markets and leveraged foreign exchange trading by providing a framework for cooperation, including channels for communication, increased mutual understanding and the exchange of information.

- b) This Memorandum does not create any legally enforceable rights nor impose any legally binding obligations. This Memorandum does not modify or supersede any laws or regulatory requirements in force in, or applying to, Germany or Hong Kong.
- c) To the extent permitted by the applicable laws and practices, each Authority will use reasonable efforts to provide the other Authority with any relevant information that is discovered which gives rise to a suspicion of a breach, or anticipated breach, of the regulatory requirements or laws administered by the other Authority.
- d) This Memorandum does not affect the ability of the Authorities to exchange public information.

5. REQUESTS FOR ASSISTANCE OR INFORMATION

- a) The Authorities may consult at any time about a request or proposed request.
- b) Requests for information or assistance will be made in writing in English. In urgent cases, requests may be in summary form to be followed by a full request as soon as possible. The full request will be signed by one of the contact persons set out in Annex A.
- c) Requests for information or assistance will specify the following:
 - (i) a general description of the information requested (including the identity of persons, etc.);
 - (ii) a general description of the nature of the case and the conduct or suspected conduct which gives rise to the request;

- (iii) the purpose for which the information is sought (including details of the laws or regulatory requirements pertaining to the matter which is the subject of the request);
 - (iv) the link between the specified laws or regulatory requirements and the regulatory function of the requesting Authority;
 - (v) the relevance of the requested information to the specified laws or regulatory requirements; and
 - (vi) to which Annex B bodies onward disclosure of information is contemplated and the reason for such disclosure.
- d) Each request will be addressed by the requested Authority to determine whether information can be provided under the terms of this Memorandum. In any case where the request cannot be accepted completely, the requested Authority will consider whether there may be any other relevant information which can be given.
- e) In deciding whether to accept or decline a request the requested Authority will take account of:
- (i) matters specified by the laws and regulations in the territory of the requested Authority; and
 - (ii) whether it would be contrary to the public interest to give the assistance sought.

- f) The requested Authority may, as a condition of agreeing that assistance is given under the Memorandum, require the requesting Authority to make a contribution to costs. Such a contribution may, in particular, be required where the cost of a request is substantial or where a substantial imbalance has arisen in the cumulative costs incurred.
- g) Any documents or other materials provided under this Memorandum and any copies thereof must be returned on request, to the extent permitted by law.

6. UNSOLICITED INFORMATION

Where one Authority has information which will assist the other Authority in the performance of its regulatory functions, the former may provide such information, or arrange such information to be provided, to the extent permitted by law, on a voluntary basis even though no request has been made by the other Authority. The terms and conditions of this Memorandum will apply if the providing Authority specifies that the information is passed under this Memorandum.

7. CONFIDENTIALITY AND USE OF INFORMATION

- a) Both Authorities are obliged by their respective statutes to observe secrecy requirements in respect of any confidential information that may be exchanged pursuant to this Memorandum. Assistance or information will be provided by an Authority only for the purposes of assisting the other Authority to this Memorandum in the performance of its regulatory functions. Any assistance or information provided under this Memorandum should be used by the recipient only for the purposes stated in the request for assistance and should not be disclosed to any third parties apart from those bodies listed in Annex B to this Memorandum, without the prior consent of the provider of the assistance or

information. Each Authority will establish and maintain such safeguards as are necessary and appropriate to protect the confidentiality of such information.

- b) When a requesting Authority discloses information to a third party (including those Annex B bodies) in accordance with paragraph 7(a), the requesting Authority will obtain an undertaking from that party that it will maintain the confidentiality of the information, except when disclosure is required pursuant to a legally enforceable demand.
- c) If either Authority becomes aware that information passed under this Memorandum may be subject to a legally enforceable demand to disclose, it will, to the extent permitted by law, inform the other Authority of the situation. Where the provider indicates to the receiving Authority that it wishes the receiving Authority to resist the demand, the receiving Authority shall resist disclosure as far as is practicable under the law and, if necessary and appropriate, claim public interest immunity.

8. CONTACT PERSONS

All communications between the Authorities should be between the principal points of contacts as set out in Annex A unless otherwise agreed. Annex A may be amended by the relevant Authority upon written notice to the other Authority.

9. TERMINATION

Cooperation and assistance in accordance with this Memorandum will continue until the expiration of 30 days after either Authority gives written notice to the other Authority of its intention to discontinue cooperation and assistance. If such notice is given, cooperation and assistance in accordance with this Memorandum will continue with

respect to all requests for assistance that were made before the effective date of notification until the requesting Authority terminates the matter for which assistance was requested.

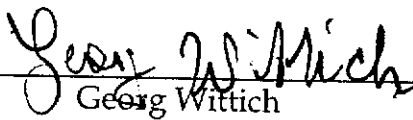
10. LANGUAGE OF THE MEMORANDUM AND ENTRY INTO EFFECT

This Memorandum, of which the English and German texts are of equal effect, will come into operation from the date of signature by the BAWe and the SFC.

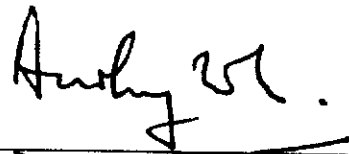
Signed this on 1 March 1998 in Hong Kong.

BUNDESAUFSICHTSAMT FÜR
DEN WERTPAPIERHANDEL

SECURITIES AND FUTURES
COMMISSION - HONG KONG


Georg Wittich

President



Anthony Neoh

Chairman

LIST OF LAW ENFORCEMENT AND REGULATORY BODIES
DESIGNATED UNDER PARAGRAPH 5(c)(vi) OF THIS MEMORANDUM

In Germany :

Die Börsenaufsichtsbehörden der Länder (Exchange Supervisory Authorities of the States)
Bundesaufsichtsamt für das Kreditwesen (BAKred) (Federal Banking Supervisory Authority)
Bundesaufsichtsamt für das Versicherungswesen (BAVers) (Federal Insurance Supervisory Authority)
Die Deutsche Bundesbank (Central Bank)
Die Staatsanwaltschaften der Länder (Offices of Public Prosecutors of the States)
Deutsche Terminbörse (DTB) (Options and Futures Exchange)
Bayerische Börse In München (Stock Exchange)
Berliner Wertpapierbörse (Stock Exchange)
Bremer Wertpapierbörse (Stock Exchange)
Frankfurter Wertpapierbörse (Stock Exchange)
Hanseatische Wertpapierbörse, Hamburg (Stock Exchange)
Niedersächsische Börse zu Hannover (Stock Exchange)
Rheinisch-Westfälische Börse zu Düsseldorf (Stock Exchange)
Baden-Württembergische Wertpapierbörse in Stuttgart (Stock Exchange)
Warenterminbörse Hannover (Commodity Futures Exchange)

In Hong Kong :

The Financial Secretary and the Financial Services Bureau
Inspectors appointed by the Financial Secretary
Hong Kong Monetary Authority
Independent Commission Against Corruption
Hong Kong Police Force
Department of Justice
Stock Exchange of Hong Kong Limited
Hong Kong Futures Exchange Limited
Insider Dealing Tribunal