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*You are warned that the price of the warrants may fall in value as rapidly as it may rise and you may sustain a total loss of your investment. You should fully understand their potential risks and rewards and independently determine that they are appropriate for you. You should consult with advisers if necessary.*

**Warrants  
to be issued by**

**Daiwa Capital Markets Hong Kong Limited**

*(Incorporated with limited liability in Hong Kong)*

**Announcement**

Daiwa Capital Markets Hong Kong Limited (the **issuer**) intends to issue the warrants detailed below (the **warrants**).

<b>Stock code</b>	16903	16904
<b>Index</b>	Hang Seng China Enterprises Index	Hang Seng China Enterprises Index
<b>Style</b>	European	European
<b>Type</b>	Put	Call
<b>Settlement method</b>	Cash Settled	Cash Settled
<b>Issue size</b>	100,000,000 warrants	100,000,000 warrants
<b>Issue price</b>	HK\$0.250	HK\$0.250
<b>Expiry date<sup>#</sup></b>	30 August 2012	30 August 2012
<b>Board lot</b>	10,000 warrants	10,000 warrants
<b>Exercise amount</b>	10,000 warrants	10,000 warrants
<b>Strike level</b>	12,000	11,800
<b>Relevant futures contracts</b>	Hang Seng China Enterprises Index August 2012 Futures Contracts	Hang Seng China Enterprises Index August 2012 Futures Contracts
<b>Index currency amount</b>	$\frac{10,000}{6,000} \times \text{HK\$}1.00$	$\frac{10,000}{5,400} \times \text{HK\$}1.00$

<b>Stock code</b>	16903	16904
<b>Index compiler</b>	Hang Seng Indexes Company Limited	Hang Seng Indexes Company Limited
<b>Index exchange</b>	The Stock Exchange of Hong Kong Limited	The Stock Exchange of Hong Kong Limited
<b>Implied volatility*</b>	39%	39%
<b>Gearing*</b>	7.80x	8.67x
<b>Effective gearing*</b>	3.69x	4.77x
<b>Premium*</b>	10.30%	12.34%
<b>Liquidity provider</b>	Daiwa Capital Markets Trading Hong Kong Limited	Daiwa Capital Markets Trading Hong Kong Limited
<b>Broker ID</b>	9569	9569
<b>Tel</b>	27738168	27738168
<b>Address</b>	Level 28, One Pacific Place, 88 Queensway, Hong Kong	Level 28, One Pacific Place, 88 Queensway, Hong Kong

# If that date is not a day on which the relevant futures contracts expire on the Hong Kong Futures Exchange Limited, the expiry date shall be the day on which the relevant futures contracts will expire on the Hong Kong Futures Exchange Limited (or its successor or assign).

\* The implied volatility, gearing, effective gearing and premium may not be comparable to similar information provided by other issuers of derivative warrants as different issuers may use different pricing models.

### **How do we calculate the cash settlement amount?**

The warrants are in global registered form and exercisable only in integral multiples of the relevant board lot.

If on the relevant expiry date the relevant cash settlement amount is greater than zero, the warrants will be automatically exercised.

Each relevant exercise amount will entitle you to receive from the issuer the relevant cash settlement amount in Hong Kong dollars calculated by the issuer as equal to:

*For call warrants:* [(closing level – strike level) x index currency amount] – exercise expenses

*For put warrants:* [(strike level – closing level) x index currency amount] – exercise expenses

The relevant **closing level** is the final settlement price for settling the relevant futures contracts determined pursuant to regulation 012 of the Regulations for Trading Stock Index Futures Contracts and the contract specification for the relevant futures contracts (as amended from time to time) published by the Hong Kong Futures Exchange Limited (or its successor or assign).

### **Where can you obtain further information?**

The base listing document dated 15 July 2011 (as supplemented by the first addendum to be dated 14 February 2012) and the supplemental listing document to be dated 14 February 2012 will be available for inspection, together with their Chinese translations, during normal business hours at the office of Daiwa Capital Markets Hong Kong Limited, which is presently at Level 26, One Pacific Place, 88 Queensway, Hong Kong. Information on the issuer can also be found on the website of [www.hk.daiwacm.com](http://www.hk.daiwacm.com) and on the website of the group of companies to which it belongs, which is [www.daiwa-grp.jp](http://www.daiwa-grp.jp).

### **How will the liquidity provider provide quotes?**

The liquidity provider will provide liquidity by responding to requests for bid and offer quotes. A quote may be obtained by calling the telephone number of the liquidity provider. The issuer or the liquidity provider may be the only market participant for the warrants. The secondary market for the warrants may be limited.

### **Additional information**

The warrants will constitute general unsecured and unsubordinated contractual obligations of the issuer. They are not obligations of any other person.

An application will be made to the stock exchange for the listing of, and permission to deal in, the warrants on the stock exchange. The date of commencement of dealings in the warrants is expected to be 15 February 2012.

The issuer is regulated by the Hong Kong Securities and Futures Commission for the conduct of the business in dealing in securities in Hong Kong.

### **Index disclaimer**

The Hang Seng China Enterprises Index is published and compiled by Hang Seng Indexes Company Limited (the **index compiler**) pursuant to a licence from Hang Seng Data Services Limited (**Hang Seng Data Services**). The mark and name "Hang Seng China Enterprises Index" is proprietary to Hang Seng Data Services. The index compiler and Hang Seng Data Services have agreed to the use of, and reference to, the **Hang Seng China Enterprises Index** by the issuer in connection with the warrants **but neither the index compiler nor Hang Seng Data Services warrants or represents or guarantees to any broker or holder of the warrants or any other person the accuracy or completeness of the Hang Seng China Enterprises Index and its computation or any information related thereto and no warranty or representation or guarantee of any kind whatsoever relating to the Hang Seng China Enterprises Index is given or may be implied.** The process and basis of computation and compilation of the Hang Seng China Enterprises Index and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by the index compiler without notice. **No responsibility or liability is accepted by the index compiler or Hang Seng Data Services in respect of the use of and/or reference to the Hang Seng China Enterprises Index by the issuer in connection with the warrants, or for any inaccuracies, omissions, mistakes or errors of the index compiler in the computation of the Hang Seng China Enterprises Index or for any economic or other loss which may be directly or indirectly sustained by any broker or holder of the warrants or any other person dealing with the warrants as a result thereof and no claims, actions or legal proceedings may be brought against the index compiler and/or Hang Seng Data Services** in connection with the warrants in any manner whatsoever by any broker, holder or other person dealing with the warrants. Any broker, holder or other person dealing with the warrants does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on the index compiler and/or Hang Seng Data Services. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any broker, holder or other person and the index compiler and/or Hang Seng Data Services and must not be construed to have created such relationship.

**Daiwa Capital Markets Hong Kong Limited**

08 February 2012