

Daiwa

Capital Markets

Daiwa Capital Markets Hong Kong Limited

(incorporated with limited liability in Hong Kong)

Offer of

**208,000,000 European Style (Cash Settled) Category R
Index Callable Bear Contracts due 30 May 2012
relating to the Hang Seng Index
(Stock Code: 60504)**

**208,000,000 European Style (Cash Settled) Category R
Index Callable Bear Contracts due 30 May 2012
relating to the Hang Seng Index
(Stock Code: 60505)**

**208,000,000 European Style (Cash Settled) Category R
Index Callable Bear Contracts due 28 June 2012
relating to the Hang Seng Index
(Stock Code: 60506)**

Hong Kong Exchanges and Clearing Limited (**HKEx**), The Stock Exchange of Hong Kong Limited (the **stock exchange**) and Hong Kong Securities Clearing Company Limited (**HKSCC**) take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **rules**) for the purpose of giving information with regard to the issuer. Daiwa Capital Markets Hong Kong Limited (the **issuer**) accepts full responsibility for the accuracy of the information contained in the base listing document dated 15 July 2011 (as amended or updated from time to time) (the **base listing document**) and the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in the base listing document and/or this document misleading.

Investors are warned that the price of the contracts may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the contracts and carefully study the risk factors set out in the base listing document and this document and, where necessary, seek professional advice, before they invest in the contracts.

The contracts constitute general unsecured contractual obligations of the issuer and of no other person and if you purchase the contracts you are relying upon the creditworthiness of the issuer and have no rights under the contracts against the company constituting the underlying index.

Dated 10 February 2012

IMPORTANT

This is a structured product which involves derivatives. Do not invest in it unless you fully understand and are willing to assume the risks associated with it.

If you are in any doubt as to any of the contents of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

You should read this document as well as the base listing document and any addendum or successor to the base listing document before deciding whether to invest in the contracts.

The issuer cannot give you investment advice. You must decide for yourself whether the contracts meet your investment needs, taking professional advice if appropriate. This document is not intended to be, and should not be considered as, a recommendation or advice by the issuer or any of its affiliates that you should purchase any of the contracts, and you must make your own independent investigation of the financial condition and affairs of the issuer and your own appraisal of the issuer's creditworthiness.

The issuer undertakes during the period in which the contracts are listed on the stock exchange to make available to you for inspection at the office of Daiwa Capital Markets Hong Kong Limited, which is presently at Level 26, One Pacific Place, 88 Queensway, Hong Kong:

- (a) a copy of the base listing document together with any addendum or successor to the base listing document (both the English version and the Chinese translation);
- (b) a copy of this supplemental listing document (both the English version and the Chinese translation);
- (c) a copy of the latest publicly available annual report and interim report or quarterly financial statements (if any) of the issuer; and
- (d) a copy of the consent letter of the auditors of the issuer referred to in the base listing document and any addendum or successor to the base listing document (if any).

發行人保證閣下可於牛熊證在聯交所上市的期間在大和資本市場香港有限公司辦事處（現時地址為香港金鐘道88號太古廣場第1期26樓）查閱下列文件：

- (a) 基礎上市文件，連同基礎上市文件之任何增編或續編（英文版本及中文譯本）；
- (b) 本補充上市文件（英文版本及中文譯本）；
- (c) 發行人最近期公開的年報及中期報告或季度財務報表（如有）；及
- (d) 基礎上市文件及基礎上市文件之任何增編或續編（如有）所述發行人的核數師的同意書。

The contracts are not available to, or for the benefit of, U.S. persons (as defined in the U.S. Securities Act of 1933, as amended) (the **Securities Act**).

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INDEX DISCLAIMER

The Hang Seng 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 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 Index by the issuer in connection with the contracts **but neither the index compiler nor Hang Seng Data Services contracts or represents or guarantees to any broker or holder of the contracts or any other person the accuracy or completeness of the Hang Seng 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 Index is given or may be implied.** The process and basis of computation and compilation of the Hang Seng 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 Index by the issuer in connection with the contracts, or for any inaccuracies, omissions, mistakes or errors of the index compiler in the computation of the Hang Seng Index or for any economic or other loss which may be directly or indirectly sustained by any broker or holder of the contracts or any other person dealing with the contracts 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 contracts in any manner whatsoever by any broker, holder or other person dealing with the contracts. Any broker, holder or other person dealing with the contracts 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.

RISK FACTORS

You should consider the following summary of risks and the risk factors set out in the base listing document, together with all other information in this document and the base listing document before making any investment decision. The following summary does not necessarily set out all the risks related to the contracts and you should not rely on it without reference to the section “Terms and conditions of the Index Callable Contracts (Cash Settled)” (the conditions) in the base listing document as amended in this document. If you have any concerns or doubts about the contracts, you should obtain independent professional advice.

- (1) Subject to the contracts not being exercised automatically on a mandatory call date pursuant to a mandatory call event (see (2) below), the contracts are structured so that following the expiry date, you may receive a cash amount calculated by reference to the positive difference between the closing level and the strike level. The closing level of the index on the valuation date must be higher than the strike level (for bull contracts) or lower than the strike level (for bear contracts) in order for you to receive a return on your investment.
 - (i) the stock exchange’s system malfunctioning or other internal issues (e.g. the call level or other parameters are erroneously set up in the stock exchange’s system); or
 - (ii) manifest errors caused by other relevant price source (e.g. miscalculation of index level by the index compiler).
- (2) You should note that there is a risk that the contracts can become worthless and that you can lose your entire investment on or prior to the expiry date. This can occur (i) when the level of the index at any time during the trading hours of the contracts is equal to or lower than the call level for bull contracts, or (ii) when the level of the index at any time during the trading hours of the contracts is equal to or higher than the call level for bear contracts (known as a mandatory call event). If a mandatory call event occurs, the contracts will automatically be exercised and the mandatory call payoff (if any) will be calculated.
 - (3) When a mandatory call event occurs, you may receive a cash amount calculated by reference to the positive difference between the strike level and the minimum index level (for bull contracts) or the maximum index level (for bear contracts) of the index after the occurrence of the mandatory call event and up to the end of the next trading session for callable bull/bear contracts on Hong Kong indices as compiled by Hang Seng Indexes Company Limited on the stock exchange. The mandatory call payoff of the contracts can be zero.
 - (4) You should note that when a mandatory call event occurs in the pre-opening session or (if applicable) the closing auction session, as the case may be, of the stock exchange, all trades in the contracts concluded via auction during the order matching period will be cancelled and all manual trades concluded after the determination of the final indicative equilibrium price (as determined in accordance with the rules and regulations of the stock exchange) will not be recognised. If the mandatory call event occurs in the continuous trading session, all trades concluded via auto-matching or manually after the mandatory call event (**post MCE trades**) will be cancelled.

A mandatory call event is irrevocable unless it is triggered due to the occurrence of one of the following events (the occurrence of any such event to be agreed between us and the stock exchange by no later than thirty minutes before commencement of trading on the stock exchange (including any pre-opening session)) on the trading day following the occurrence of the mandatory call event:

Cancellation of post MCE trades will be based on the stock exchange's index calculation snapshot time.

You should note that announcements relating to a mandatory call event may be delayed due to technical errors or system failures.

- (5) The prices of the contracts may fall in value as rapidly as they may rise and you may sustain a total loss of your investment. In order to recover and realise a return upon an investment in the contracts, you must generally be correct about the direction, timing and magnitude of an anticipated change in the level of the index. In particular, if the cash settlement amount or the mandatory call payoff (as the case may be) is less than or equal to zero, you will lose the value of your investment.

The intrinsic value of each contract at any time prior to exercise is typically expected to be less than the trading price of the contracts at that time. The difference between the trading price and the intrinsic value will reflect, among other things, the funding cost in connection with the contracts. The funding cost of the contracts will depend partly upon the length of the period remaining to exercise and prevailing interest rates. The purchase price paid by you will include such funding cost. When a mandatory call event occurs, the mandatory call payoff may not contain a refund of any part of such cost. Generally speaking, the longer the period remaining to exercise, or the higher the prevailing interest rates, the greater the funding cost element. Contracts offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the contracts varies with the level of the index, as well as by a number of other interrelated factors, including those specified herein.

Before buying or selling the contracts, you should carefully consider, among other things, (i) the trading price of the contracts, (ii) the level and volatility

of the index, (iii) the time remaining to exercise, (iv) the probable ranges of mandatory call payoff and cash settlement amounts, (v) any change(s) in interim interest rates and dividend yields, (vi) the depth of the market or liquidity of futures contracts relating to the index, (vii) any related transaction costs; and (viii) our creditworthiness.

- (6) The contracts constitute our general unsecured contractual obligations and of no other person and will rank equally (save for certain obligations required to be preferred by law) with our other general unsecured contractual obligations. If you purchase the contracts, you rely on our creditworthiness and you have no rights under the contracts against any the company constituting any underlying index. In particular, it should be noted that we issue a large number of financial instruments, including the contracts, on a global basis. The number of such financial instruments outstanding at any time may be substantial. We have substantially no obligation to you other than to pay amounts in accordance with the terms thereof as set forth in this document. We do not in any respect underwrite or guarantee the performance of any contract. Any profit or loss realised by you in respect of a contract upon automatic exercise or otherwise due to changes in the value of such contract, or the index underlying such contract, is solely for you. In addition, we shall have the absolute discretion to put in place any hedging transaction or arrangement which we deem appropriate in connection with any contract or the index.

- (7) A level for the index may be published by the index compiler at a time when one or more shares comprised in the index to which such contracts relate are not trading. If this occurs on a valuation date and there is no market disruption event called under the terms of the contracts then the closing level of the index is calculated by reference to the remaining shares in the index. In addition, certain events relating to the index (including a material change in the formula or the method of calculating

the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change or formula.

- (8) You should note that there will be a time lag following the time the contracts are automatically exercised before the applicable mandatory call payoff or cash settlement amount relating to such exercise is paid to you in the contracts. See “Entitlement on automatic exercise of the contracts” in the section headed “Summary of the Issues”.
- (9) You should note that an investment in the contracts involves valuation risks in relation to the index. The level of the index may vary over time and may increase or decrease by reference to various factors which may include changes in the formula for or the method of calculating the index. Certain (but not all) events relating to the index underlying the contracts require or, as the case may be, permit us to make certain adjustments or amendments to the conditions (including, but not limited to, adjusting the strike level and the call level). However, we are not required to make an adjustment for every event that can affect the index. If an event occurs that does not require us to adjust the conditions, the market price of the contracts and the return upon the automatic exercise of the contracts may be affected.
- (10) It is not possible to predict whether the secondary market for the contracts will be liquid or illiquid. We intend to apply to list the contracts on the stock exchange. If the contracts are listed on the stock exchange, there can be no assurance that any such listing can be maintained. We (acting through our appointed liquidity provider) may be the only market participant for the contracts and therefore the secondary market for the contracts may be limited. We and our appointed liquidity provider may at any time purchase the contracts at any price in the open market or by tender or private agreement, subject to the requirements under the rules relating to the provision of liquidity, as described in the section headed “Information on the Liquidity Provider”. The more limited the secondary market is for the contracts, the more difficult it may be for the holders of the contracts to realise value for the contracts prior to the expiry date of the contracts.
- (11) Prospective investors intending to purchase the contracts to hedge against the market risk associated with investing in, or otherwise having an exposure to, the index, should recognise the risks of utilising the contracts in this manner. There is no assurance that the value of the contracts will correlate with movements of the index. Therefore, it is possible that you could suffer substantial losses in the contracts notwithstanding any losses suffered with respect to investments in or exposures to the index.
- (12) Two or more risk factors may simultaneously have an effect on the value of a contract such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a contract.
- (13) Since the contracts are leveraged, the percentage change in the price of a contract is greater compared with the level of the relevant index. Investors may suffer higher losses in percentage terms if they expect the level of the relevant index to move one way but it moves in the opposite direction.
- (14) We may use all or some of the proceeds received from the sale of the contracts to enter into hedging transactions. We believe that such hedging activity will under normal circumstances not have a material impact on the value of the contracts. However, it cannot be assured that our hedging activities will not affect such value. We may liquidate all or a portion of the hedging positions (i) at or about the time of the exercise of the contracts or (ii) at the time when the level of the index approaches the call level or (iii) when we

acting through our appointed liquidity provider purchase any portion of the contracts outstanding in the market. Such liquidation may lead to greater volatility of the level of the index, and may lead to a mandatory call event as a result.

We may unwind our hedges relating to any contracts that we acting through our appointed liquidity provider purchase from the market from time to time, but otherwise we can only start to unwind our hedges after the occurrence of the mandatory call event. Such unwinding of hedges after the occurrence of a mandatory call event may affect the level of the index and consequently on the mandatory call payoff of the contracts.

You should note that the market price of the contracts may become more sensitive to changes in the level of the index where the level of the index is approaching the call level, resulting in greater volatility of market price of the contracts.

- (15) Various potential and actual conflicts of interest may arise from our overall activities or the activities of our subsidiaries and affiliates.

We and any of our subsidiaries and affiliates constitute a diversified financial services group with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, we and any of our subsidiaries and affiliates, in connection with our other business activities, may possess or acquire material information about the index. Such activities and information may involve or otherwise affect the index in a manner that may cause consequences adverse to the investors in the contracts or otherwise create conflicts of interests in connection with the issue of contracts by us. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships

and exercise of creditor rights. We and any of our subsidiaries and affiliates have no obligation to disclose such information about the index or such activities. We and any of our subsidiaries and affiliates and our officers and directors may engage in any such activities without regard to the issue of contracts by us or the effect that such activities may directly or indirectly have on any contract.

In the ordinary course of our business, including without limitation in connection with our or our appointed liquidity provider's market making activities, we may effect transactions on our own account or for the account of our customers and hold positions in the underlying index or related derivatives. In addition, in connection with the offering of the contracts, we and any of our subsidiaries and affiliates may enter into one or more hedging transactions with respect to the index or related derivatives. In connection with such hedging or market making activities or with respect to proprietary or other trading activities by us and any of our respective subsidiaries and affiliates, we and any of our subsidiaries and affiliates may enter into transactions in the index or related derivatives which may affect the market price, liquidity or value of the contracts.

- (16) You have no rights under the contracts against the stock exchange or recognised exchange controller, HKEx. None of the stock exchange, HKEx, us or any of our respective affiliates shall be liable for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by you arising from or in connection with any mandatory call event or the suspension of trading or the non-recognition of post MCE trades (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct).

(17) If we determine that: (a) for reasons beyond our control, the performance of our obligations under any contracts has become illegal or impractical in whole or in part for any reason; (b) for reasons beyond our control, it is no longer legal or practical for us to maintain our hedging arrangements with respect to any contracts (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation of any applicable law or regulation (including, without limitation, any action taken by a taxing authority), or (c) the Securities and Futures Commission, the stock exchange or any of their respective successors issues an order or direction to us or our affiliate requiring any contracts or the hedging arrangements in respect of any contracts to be terminated early, in each case, we may at our discretion and without obligation terminate any contracts early.

If we terminate the contracts early, we will, if and to the extent permitted by applicable law, pay an amount to each holder of contracts in respect of each contract held by such holder equal to the fair market value of the contracts notwithstanding such illegality, impracticality or event less the cost of unwinding any underlying related hedging arrangements, all as we determine in our sole and absolute discretion.

(18) You should note that HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a Central Clearing and Settlement System (CCASS) participant) will be the only legal owner of the contracts as the contracts will only be represented by a global certificate registered in the name of HKSCC Nominees Limited. The register for the contracts will only record at all times that 100% of the contracts are held by HKSCC Nominees Limited. You are not entitled to any definitive certificates

representing your beneficial interests in the contracts. Accordingly, you may only refer to the records of CCASS or their brokers and the statements you receive to determine your beneficial interest in the contracts. Moreover, any notices, announcements and/or information relating to meetings in respect of the contracts will only be delivered to you through CCASS participants in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time. Our obligations to you will be duly performed by paying amounts and/or delivering securities in accordance with the conditions to HKSCC Nominees Limited as the registered holder of contracts. The amounts and/or securities will be delivered to you through CCASS participants in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

(19) You should note that neither we nor the contracts are rated.

(20) You should note that we are not the ultimate holding company of the group which we belong. The ultimate holding company of our group is Daiwa Securities Group Inc.

SUMMARY OF THE ISSUES

The following is only a summary of the terms of the contracts. You should read this document together with the base listing document and any addendum or successor to the base listing document (if any). Terms used in this summary shall have the meaning provided in the section headed “Terms and conditions of the contracts”.

| | | | |
|---|--|--|--|
| Stock code | 60504 | 60505 | 60506 |
| Style | European Style | European Style | European Style |
| Type | Bear | Bear | Bear |
| Category | R | R | R |
| Settlement Method | Cash Settled | Cash Settled | Cash Settled |
| Index | Hang Seng Index | Hang Seng Index | Hang Seng Index |
| Launch date | 6 February 2012 | 6 February 2012 | 6 February 2012 |
| Issue size | 208,000,000 contracts | 208,000,000 contracts | 208,000,000 contracts |
| Issue price | HK\$0.250 per contract | HK\$0.250 per contract | HK\$0.250 per contract |
| Cash settlement amount per exercise amount (if any) payable following automatic exercise | <p>If no mandatory call event occurs during the mandatory call observation period, the contracts will automatically be exercised on the expiry date. You will receive a cash settlement amount (if any) in Hong Kong dollars calculated by us using the following formula:</p> <p><i>For bear contracts:</i> [(strike level – closing level) x index currency amount] – expenses</p> <p><i>For bull contracts:</i> [(closing level – strike level) x index currency amount] – expenses</p> | | |
| Index currency amount | $\frac{10,000}{11,000} \times \text{HK\$1.00}$ | $\frac{10,000}{11,000} \times \text{HK\$1.00}$ | $\frac{10,000}{10,000} \times \text{HK\$1.00}$ |
| Closing level | 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). | | |
| Relevant futures contracts | Hang Seng Index May 2012 Futures Contracts | Hang Seng Index May 2012 Futures Contracts | Hang Seng Index June 2012 Futures Contracts |
| Exercise amount | 10,000 contracts | 10,000 contracts | 10,000 contracts |

Mandatory call event *For bear contracts: A mandatory call event* means the first occurrence on a business day during the mandatory call observation period whereby the spot level is equal to or greater than the call level.

For bull contracts: A mandatory call event means the first occurrence on a business day during the mandatory call observation period whereby the spot level is equal to or less than the call level.

Spot level means the spot level of the index as compiled and published by Hang Seng Indexes Company Limited.

The **mandatory call observation period** means the period from (and including) the mandatory call observation period start date to (and including) the mandatory call observation period end date.

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|---|------------------|------------------|------------------|
| Mandatory call observation period start date | 13 February 2012 | 13 February 2012 | 13 February 2012 |
|---|------------------|------------------|------------------|

Mandatory call observation period end date The business day immediately preceding the expiry date.

Mandatory call payoff per exercise amount (if any) Upon the occurrence of a mandatory call event, the contracts will automatically be exercised on the mandatory call date and in respect of each series, every exercise amount will entitle the contractholder to receive the mandatory call payoff being an amount calculated by us in accordance with the following formula:

For bear contracts: [(strike level – maximum index level) x index currency amount] – expenses

For bull contracts: [(minimum index level – strike level) x index currency amount] – expenses

Maximum index level means the maximum index level of the index during the period from the time of the occurrence of the mandatory call event up to the end of the next trading session for callable bull/bear contracts on Hong Kong indices as compiled by Hang Seng Indexes Company Limited on the stock exchange (subject to adjustments in accordance with the conditions).

Minimum index level means the minimum index level of the index during the period from the time of the occurrence of the mandatory call event up to the end of the next trading session for callable bull/bear contracts on Hong Kong indices as compiled by Hang Seng Indexes Company Limited on the stock exchange (subject to adjustments in accordance with the conditions).

You are required to pay your own expenses upon such automatic exercise of the contracts on the mandatory call date. Payment of the expenses is reflected in the calculation of the mandatory call payoff. Upon automatic exercise on a mandatory call date, we or our agent will pay to you the mandatory call payoff (if any) in accordance with the conditions.

| | | | |
|-----------------------------|--|--|--|
| Initial funding cost | HK\$0.2321 (39.00% p.a., being 6-month HIBOR + 38.60% p.a. as determined by us). | HK\$0.2107 (35.00% p.a., being 6-month HIBOR + 34.60% p.a. as determined by us). | HK\$0.2227 (27.00% p.a., being 6-month HIBOR + 26.60% p.a. as determined by us). |
|-----------------------------|--|--|--|

Automatic exercise of contracts on the expiry date If no mandatory call event occurs during the mandatory call observation period, the contracts will automatically be exercised on the expiry date in board lots or integral multiples thereof. You will not be required to deliver any exercise notice. **You are required to pay your own expenses upon automatic exercise of the contracts on the expiry date.** Payment of the expenses is reflected in the calculation of the cash settlement amount.

| | | | |
|--------------------|-------------|-------------|--------------|
| Expiry date | 30 May 2012 | 30 May 2012 | 28 June 2012 |
|--------------------|-------------|-------------|--------------|

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

| | | | |
|---|--|------------------|------------------|
| Valuation date | The expiry date. | | |
| Call level | 20,760 | 21,000 | 20,850 |
| Strike level | 20,960 | 21,200 | 21,050 |
| Exercise and trading currency | Hong Kong dollars. | | |
| Board lot | 10,000 contracts | 10,000 contracts | 10,000 contracts |
| Entitlement on automatic exercise of the contracts | Upon automatic exercise of the contracts on a mandatory call date or the expiry date (as the case may be), we will make payment to the relevant contractholder of the mandatory call payoff (if any) or the cash settlement amount (if any) (as the case may be). The mandatory call payoff (if any) or the cash settlement amount (if any) shall be despatched not later than three CCASS settlement days following the price determination date or the valuation date, as the case may be (settlement date), by crediting that amount in accordance with the CCASS Rules, to the designated bank account. | | |

Price determination date means the date on which the maximum index level or the minimum index level, as the case may be, is determined by us.

CCASS settlement day has the meaning ascribed to the term "Settlement Day" in the General Rules of CCASS, subject to such modification and amendment prescribed by HKSCC from time to time.

If as a result of a settlement disruption event, it is not possible for us to procure payment electronically through CCASS by crediting the relevant designated bank account of the contractholder on the original settlement date, we shall use our reasonable endeavours to (i) procure payment electronically through CCASS by crediting your relevant designated bank account and (ii) notify you in accordance with condition 11 as soon as reasonably practicable after the original settlement date. We will not be liable to you for any interest in respect of the amount due or any loss or damage that you may suffer as a result of the existence of the settlement disruption event, nor shall we be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the contracts.

If we determine, in our sole discretion, that on the valuation date a market disruption event has occurred, then we shall determine the closing level on the basis of our good faith estimate of the closing level that would have prevailed on that day but for the occurrence of the market disruption event provided that we, if applicable, may, but shall not be obliged to, determine such closing level by having regard to the manner in which futures contracts relating to the index are calculated.

If the mandatory call payoff or the cash settlement amount (as the case may be) at the time of determination is less than or equal to zero, you will lose the value of your investment in the contracts.

Listing We have made an application to the stock exchange for, and the stock exchange has agreed in principle to, the listing of and dealings in, the contracts. The issue of the contracts is conditional on such listing being granted. It is expected that dealings in the contracts on the stock exchange will commence on or about 13 February 2012.

We do not intend to apply for a listing of the contracts on any other stock exchange other than the stock exchange.

Admission into CCASS All necessary arrangements have been made to enable the contracts to be admitted to CCASS. All activities in CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. If you are a CCASS investor participant you may hold your contracts in your account with CCASS. If you do not have a CCASS account, your broker (as a CCASS participant) will arrange to hold the contracts for you in an account at CCASS.

| | | | |
|---|---|---|---|
| Form | <p>The contracts are represented by a global certificate registered in the name of HKSCC Nominees Limited. You are not entitled to definitive certificates. Computershare Hong Kong Investor Services Limited will maintain a register in Hong Kong showing HKSCC Nominees Limited as the registered holder of the contracts. Any notices delivered to HKSCC Nominees Limited as the registered holder of the contracts will be communicated to you or your broker/custodian as CCASS participants in accordance with the General Rules of CCASS and the CCASS Operational Procedures. You may have to rely on your broker/custodian to ensure that the notices reach you.</p> <p>You, as a beneficial holders of the contracts, are not entitled to any certificate representing your interests in the contracts. You can refer to the records of CCASS or your brokers/custodians and the statements you receive from CCASS or your brokers/custodians to determine your beneficial interests in the contracts.</p> | | |
| Transfers of contracts | <p>You can only transfer your contracts in board lots or integral multiples thereof in CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures. If you transfer your contracts through the stock exchange, settlement must currently be made not later than two trading days after the dealing was entered into.</p> | | |
| Status of the contracts upon liquidation | <p>The contracts will constitute our general, unsecured contractual obligations. They are not obligations of any other person. The contracts will rank equally among themselves and (save for certain obligations required to be preferred by law) equally with all our other unsecured obligations.</p> | | |
| Governing law | <p>Hong Kong law.</p> | | |
| Maintenance of register | <p>Computershare Hong Kong Investor Services Limited will maintain the register for the contracts.</p> | | |
| Liquidity provider | <p>Daiwa Capital Markets Trading Hong Kong Limited</p> | <p>Daiwa Capital Markets Trading Hong Kong Limited</p> | <p>Daiwa Capital Markets Trading Hong Kong Limited</p> |
| <i>Broker ID</i> | 9569 | 9569 | 9569 |
| <i>Tel</i> | 27738168 | 27738168 | 27738168 |
| <i>Address</i> | <p>Level 28, One Pacific Place, 88 Queensway, Hong Kong</p> | <p>Level 28, One Pacific Place, 88 Queensway, Hong Kong</p> | <p>Level 28, One Pacific Place, 88 Queensway, Hong Kong</p> |

TERMS AND CONDITIONS OF THE CONTRACTS

The terms and conditions applicable to the contracts are set out in the section “Terms and conditions of the Index Callable Contracts (Cash Settled)” in the base listing document. For the purposes of the conditions, the terms below shall have the following meanings:

| | | | |
|------------------------------------|--|--|---|
| Stock Code: | 60504 | 60505 | 60506 |
| Amendment to “Expiry Date”: | The definition of “Expiry Date” in Condition 2(c) shall be deleted and replaced by the following: “ Expiry Date means the Maturity Date, or if that date is not a day on which the Relevant Futures Contracts expire on the Hong Kong Futures Exchange Limited, the day on which the Relevant Futures Contracts will expire on the Hong Kong Futures Exchange Limited (or its successor or assign);” | | |
| Board Lot: | 10,000 Contracts | 10,000 Contracts | 10,000 Contracts |
| Call Level: | 20,760 | 21,000 | 20,850 |
| Closing Level: | 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 specifications for the Relevant Futures Contracts (as amended from time to time) published by the Hong Kong Futures Exchange Limited (or its successor or assign). Regulation 012 currently provides, inter alia, that: “012. The Final Settlement Price of a Stock Index Futures Contract shall be a number determined by the Clearing House in accordance with the Contract Specifications.” The Contract Specifications for Hang Seng Index Futures currently provides, among other things, that: “The Final Settlement Price for Hang Seng Index Futures Contracts shall be a number, rounded down to the nearest whole number, determined by the Clearing House and shall be the average of quotations of the Hang Seng Index compiled, computed and disseminated by Hang Seng Indexes Company Limited taken at (i) five (5) minute intervals from five (5) minutes after the start of, and up to five (5) minutes before the end of, the Continuous Trading Session of SEHK; and (ii) the close of trading on SEHK on the Last Trading Day. The Chief Executive of the Exchange has the power under the Regulations for trading Stock Index Futures Contracts to determine the Final Settlement Price under certain circumstances” (Capitalised terms have the meanings ascribed to those terms in, and shall otherwise be interpreted in accordance with, the Regulations for trading Stock Index Futures Contracts and the Contract Specifications for Hang Seng Index Futures of the Hong Kong Futures Exchange Limited.) | | |
| Contracts: | 208,000,000 European Style (Cash Settled) Category R Index Callable Bear Contracts due 30 May 2012 in Global Registered Form relating to the Index | 208,000,000 European Style (Cash Settled) Category R Index Callable Bear Contracts due 30 May 2012 in Global Registered Form relating to the Index | 208,000,000 European Style (Cash Settled) Category R Index Callable Bear Contracts due 28 June 2012 in Global Registered Form relating to the Index |
| Exercise Amount: | 10,000 Contracts | 10,000 Contracts | 10,000 Contracts |
| Index: | Hang Seng Index | Hang Seng Index | Hang Seng Index |

| | | | |
|--|--|--|--|
| Index Compiler: | Hang Seng Indexes Company Limited | Hang Seng Indexes Company Limited | Hang Seng Indexes Company Limited |
| Index Currency Amount: | $\frac{10,000}{11,000} \times \text{HK\$}1.00$ | $\frac{10,000}{11,000} \times \text{HK\$}1.00$ | $\frac{10,000}{10,000} \times \text{HK\$}1.00$ |
| Index Exchange: | The Stock Exchange of Hong Kong Limited | The Stock Exchange of Hong Kong Limited | The Stock Exchange of Hong Kong Limited |
| Issue Date: | 10 February 2012 | 10 February 2012 | 10 February 2012 |
| Mandatory Call Observation Period Start Date: | 13 February 2012 | 13 February 2012 | 13 February 2012 |
| Maturity Date: | 30 May 2012 | 30 May 2012 | 28 June 2012 |
| Relevant Futures Contracts: | Hang Seng Index May 2012 Futures Contracts | Hang Seng Index May 2012 Futures Contracts | Hang Seng Index June 2012 Futures Contracts |
| Settlement Currency: | Hong Kong dollars | Hong Kong dollars | Hong Kong dollars |
| Strike Level: | 20,960 | 21,200 | 21,050 |

INFORMATION ON THE LIQUIDITY PROVIDER

Will there be a market for the contracts?

The stock exchange requires us to provide liquidity in the contracts to ensure that there will always be a market price available for the purchase and sale of the contracts (subject to the circumstances described below). We have appointed Daiwa Capital Markets Trading Hong Kong Limited as our liquidity provider for the contracts.

What is a liquidity provider?

The liquidity provider is an affiliate of the issuer. The liquidity provider is a stock exchange participant and is therefore subject to prudential and conduct regulation by the stock exchange and the Securities and Futures Commission. The liquidity provider has agreed to act as our agent in providing liquidity in the contracts. If the liquidity provider is unable to perform its functions, we will appoint a substitute liquidity provider for the contracts.

How will the liquidity provider provide liquidity?

The liquidity provider will use its reasonable endeavours to make a market in the contracts by responding to requests for bid and offer prices. You can request for a price by calling (852) 27738168. The liquidity provider will respond to your request within 15 minutes of your request.

All quotes will be displayed on the designated stock page for the contracts. The liquidity provider will provide quotes with a maximum of a 25 tick spread (where 'spread' is as prescribed under the rules of the stock exchange) between bid and offer prices, for a minimum of ten board lots of the contracts. The liquidity provider will provide you with prices for the contracts in the secondary market during the life of the contracts. Such prices will be available on each business day on which the contracts are traded on the stock exchange from five minutes after the start of the continuous trading session as defined in the rules and regulations of the stock exchange (**the continuous trading session**) or after trading commences for the first time on any business day until the end of the continuous trading session.

How are the prices calculated?

Any price provided by the liquidity provider will be based on a pricing model which takes into account such factors as the liquidity provider deems appropriate, including, without limitation, the volatility and level of the relevant index and the related futures contracts, the time left to the exercise of the contracts, the strike level and call level of the contracts, the dividend history of the shares of the companies comprising the relevant index and the prevailing interest rate climate.

Are there circumstances that the liquidity provider cannot provide liquidity?

There will be circumstances under which the liquidity provider may not be able to, and will not be obliged to, provide liquidity. Such circumstances may include:

- (i) when the contracts are suspended from trading for any reason including, but without limitation, as a result of the shares of the companies comprising the relevant index being suspended from trading;
- (ii) when there are insufficient contracts available for effective market making activities by the liquidity provider (as determined by the liquidity provider in its discretion acting in good faith) in which event, only a bid price for the contracts will be available upon request. For the avoidance of doubt, in determining whether sufficient contracts are available for market making activities, contracts held by us or any of our affiliates in a fiduciary or agency (as opposed to proprietary) capacity shall be deemed to be not available for market making activities;
- (iii) during a pre-opening session or a closing auction session (if applicable) or any other circumstances as may be prescribed by the stock exchange from time to time;
- (iv) if it is a public holiday in Hong Kong and the stock exchange is not open for dealings;

- (v) on the expiry date of the contracts;
- (vi) operational and technical problems or other events beyond the control of the liquidity provider hindering its ability to provide liquidity;
- (vii) if the stock market experiences exceptional price movement and volatility, i.e. during fast markets;
- (viii) the occurrence of market disruption events, including, without limitation, any suspension of or limitation imposed on trading (caused by movements in level exceeding limits permitted by the relevant exchange or otherwise) in the shares of the companies comprising the relevant index or any warrants, options contracts or futures contracts relating to the relevant index;
- (ix) when the ability of the liquidity provider to source a hedge or unwind an existing hedge, as determined by the liquidity provider in its discretion acting in good faith, is materially affected by prevailing market conditions (in which case either only a bid price or only an offer price of the contracts shall be made but not both);
- (x) when the relevant index exchange is not open for regular trading or any warrants, options contracts or future contracts relating to the relevant index are not traded for any reasons; and
- (xi) when the theoretical value of each contract (as determined by the liquidity provider based on the pricing model) is less than HK\$0.01, then the liquidity provider will not be obliged to provide liquidity for the contracts. Nonetheless, if the liquidity provider elects (in its sole and absolute discretion) to provide liquidity in respect of such contracts, it will do so by providing both bid and offer prices for the contracts.

FURTHER INFORMATION

Are we regulated by any bodies under the rules?

We are regulated by the Securities and Futures Commission for the conduct of business in dealing in securities in Hong Kong.

Have we been rated by any credit rating agency?

As of the date of this document, we are not rated by any credit rating agency.

Are we involved in any litigation?

As of the date of this document and except as set out in this document (including the information referred to in the section headed "Supplemental Information about the Issuer") and in the base listing document, neither we nor any of our group companies are involved in any litigation, claims or arbitration proceedings which are material in the context of the issue of the contracts. Also, we are not aware of any proceedings or claims which are threatened or pending against us or our group companies.

Has there been any material adverse change?

Except as set out in this document (including the information referred to in the section headed "Supplemental Information about the Issuer") and in the base listing document, there has been no material adverse change in our or our group companies' financial or trading position since 31 March 2011.

Who makes determinations and calculations?

We will make any necessary determinations or calculations in respect of the contracts.

Where can you find out information about us?

You can find out more about us on the website www.hk.daiwacm.com, and on the website of the group of companies to which we belong, which is www.daiwa-grp.jp.

Are there any experts/auditors involved?

Our auditors, KPMG, have given and have not withdrawn their written consent to the reproduction of their auditor's report in the base listing document in the form and context in which it appears in the base listing document.

The auditor's report was not prepared for incorporation in the base listing document. Our auditors do not have any shareholding in our company or in any members of our group, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities or securities in any members of our group.

Are there any arrangements with brokers?

We do not have any special arrangements in place with any brokers with respect to the distribution of the contracts.

Do the stock exchange and the Securities and Futures Commission charge any fees?

The stock exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.003 per cent. in respect of each transaction effected on the stock exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the relevant securities. The levy for the investor compensation fund is currently suspended.

Is stamp duty payable?

There is no stamp duty payable in Hong Kong on the transfer of the contracts.

Has there been any updated information about us since the date of the base listing document?

There is no supplemental information about us except as set out in this document (including the information referred to in the section headed "Supplemental Information about the Issuer"). The information in the base listing document (as amended or updated from time to time) is up-to-date and is true and accurate as of the date of this document, except as modified and supplemented in this document.

MORE INFORMATION ABOUT THE CONTRACTS

How does the movement in the level of the index affect the value of the contracts?

The trading price of every board lot of the contracts tends to mirror the movement in the level of the index in dollar value. For example, if the level of the index increases by 100 points, the trading price of every board lot of the contracts generally increases by an amount equal to:

100 points x index currency amount

What happens if a market disruption event occurs on a valuation date?

Generally, if we decide that a market disruption event has occurred on a valuation date, we shall determine the closing level on the basis of our good faith estimate of the closing level that would have prevailed on that day but for the occurrence of the market disruption event provided that we, if applicable, may, but shall not be obliged to, determine such closing level by having regard to the manner in which futures contracts relating to the index are calculated. Please refer to condition 2(c) for a list of events constituting a market disruption event and condition 4(d) for details.

Who should buy the contracts? Are they suitable for everyone?

The contracts are not suitable for everyone. You should make sure you fully understand the terms of the contracts, how the contracts work and the associated risks. The risk factor sections in the base listing document and in this document highlight some of the associated risks and you should study them carefully. You should also consider your financial position and investment objectives before deciding to invest in the contracts. Most importantly, you should consult your financial advisers, accounting and tax professionals where necessary.

Where can you find more information about us and the contracts?

The contracts are issued under our Hong Kong listed structured products programme. The programme is described in the base listing document and any addendum or successor to the base listing document (if any). Please read the base listing document together with this document carefully before you decide whether to buy the contracts. The base listing document contains important information, including information about:

- our business, financial condition and profitability;
- the risks of buying the contracts;
- Hong Kong taxation issues in relation to the contracts; and
- the legally binding terms and conditions of the contracts.

We have not authorised anyone to give you any information about the contracts other than the information in this document and the base listing document. You should not rely on any other information and we will not be responsible for any losses arising from such other information. The base listing document and any addendum or successor to the base listing document (if any) and this document are also available in a Chinese translation if you prefer.

SUPPLEMENTAL INFORMATION ABOUT THE ISSUER

1. Our latest unaudited interim financial report for the six months ended 30 September 2011 has been published. If you would like to view such report, it is available on our website <http://www.hk.daiwacm.com>.
2. The information set out in “Authorized Share Capital” and “Directors” set out in the section headed “INFORMATION ABOUT US” on page 131 of the base listing document shall be deleted and replaced by the following:

Authorized Share Capital

As of 27 September 2011, our authorised share capital is HK\$100,000,000 divided into 10,000,000 shares of HK\$10.00 each and US\$536,734,230 divided into 53,673,423 shares of US\$10.00 each, all of which have been issued and fully paid.

Directors

The names and titles of the current members of our Board of Directors are set out below:

| <i>Name</i> | <i>Title</i> |
|------------------------|--------------------------|
| Yoshio Urata | Chairman |
| Hironori Oka | President & CEO |
| Terence Patrick Mackey | Deputy President & COO |
| Shoichi Saito | Managing Director |
| Nagahisa Miyabe | Managing Director |
| Sumio Otsuka | Senior Managing Director |

The business and service of process address of each member of our Board of Directors is Level 26, One Pacific Place, 88 Queensway, Hong Kong.

3. On 29 July 2011, Daiwa Securities Group Inc. (**DSGI**) announced that it approved the conclusion of a Memorandum of Understanding on the integration between Daiwa Securities Co. Ltd. and Daiwa Securities Capital Markets Co. Ltd. (**DSCMC**), both of which are major subsidiaries of DSGI. The integration is expected to be effected on 1 April 2012. DSGI also announced on the same day that it concluded a Memorandum of Understanding with DSCMC to arrange the overseas subsidiaries of DSCMC to be transferred to operate under DSGI’s management by the end of December 2011.

Issuer

**Registered office of the Issuer
Daiwa Capital Markets Hong Kong Limited**

Level 26
One Pacific Place
88 Queensway
Hong Kong

Liquidity Provider

Daiwa Capital Markets Trading Hong Kong Limited

Level 28
One Pacific Place
88 Queensway
Hong Kong

Registrar, Agent and Transfer Office

Computershare Hong Kong Investor Services Limited

Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Auditors

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong