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**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**).

Stock code	18529
Index	Hang Seng Index
Style	European
Type	Call
Settlement method	Cash Settled
Issue size	200,000,000 warrants
Issue price	HK\$0.250
Expiry date[#]	30 January 2013
Board lot	10,000 warrants
Exercise amount	10,000 warrants
Strike level	20,200
Relevant futures contracts	Hang Seng Index January 2013 Futures Contracts
Index currency amount	$\frac{10,000}{6,300} \times \text{HK\$}1.00$
Index compiler	Hang Seng Indexes Company Limited

Stock code	18529
Index exchange	The Stock Exchange of Hong Kong Limited
Implied volatility*	28%
Gearing*	12.63x
Effective gearing*	6.12x
Premium*	9.45%
Liquidity provider	Daiwa Capital Markets Trading Hong Kong Limited
Broker ID	9523
Tel	27738168
Address	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 dated 14 February 2012), together with any additional addenda or successor document and the supplemental listing document to be dated 22 May 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 and on the website of the group of companies to which it belongs, which is 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 23 May 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 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 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 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 warrants, 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 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

16 May 2012