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**Contracts
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 callable bull/bear contracts detailed below (the **contracts**).

Stock code	62341
Issue size	158,000,000 contracts
Index	Hang Seng Index
Style	European
Type	Bull
Category	R
Settlement method	Cash Settled
Exercise amount	10,000 contracts
Issue price	HK\$0.250 per contract
Strike level	18,980
Call level	19,180
Relevant futures contracts	Hang Seng Index September 2012 Futures Contracts
Index currency amount	$\frac{10,000}{10,000} \times \text{HK\$}1.00$
Index compiler	Hang Seng Indexes Company Limited

Stock code	62341
Index exchange	The Stock Exchange of Hong Kong Limited
Initial funding costs	HK\$0.2265 (33.00% p.a.; 6-month HIBOR +32.6% p.a.)
Expiry date[#]	27 September 2012
Board lot	10,000 contracts
Premium*	11.87%
Gearing*	7.68x
Effective gearing*	7.68x
Liquidity provider	Daiwa Capital Markets Trading Hong Kong Limited
Broker ID	9595
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 gearing, effective gearing and premium may not be comparable to similar information provided by other issuers of index callable contracts as different issuers may use different pricing models.

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

What is a mandatory call event? What happens if a mandatory call event occurs?

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.

Mandatory call observation period start date means 25 May 2012.

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

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** (if any) being an amount per exercise amount calculated by the issuer in accordance with the following formula:

For bear contracts: $[(\text{strike level} - \text{maximum index level}) \times \text{index currency amount}] - \text{expenses}$

For bull contracts: $[(\text{minimum index level} - \text{strike level}) \times \text{index currency amount}] - \text{expenses}$

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).

If the mandatory call payoff is at or below zero, you will lose all your investment in the contracts.

How do we calculate the cash settlement amount following automatic exercise 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. You are not required to deliver any exercise notice and you will receive from the issuer the **cash settlement amount** (if any) per exercise amount in Hong Kong dollars calculated by the issuer as equal to:

For bear contracts: $[(\text{strike level} - \text{closing level}) \times \text{index currency amount}] - \text{expenses}$

For bull contracts: $[(\text{closing level} - \text{strike level}) \times \text{index currency amount}] - \text{expenses}$

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).

If the cash settlement amount is at or below zero, you will lose all your investment in the contracts.

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 24 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 contracts. The secondary market for the contracts may be limited.

Additional information

The contracts 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 contracts on the stock exchange. The date of commencement of dealings in the contracts is expected to be 25 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 contracts **but neither the index compiler nor Hang Seng Data Services warrants 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.

Daiwa Capital Markets Hong Kong Limited

18 May 2012