
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Daisho Microline Holdings Limited** (“the Company”), you should at once hand this circular with the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

**PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY
AND
SUPPLEMENTAL INFORMATION TO
THE COMPANY’S CIRCULAR DATED 26 JULY 2006**

A notice convening a special general meeting of the Company (“the “Special General Meeting”) to be held at Garden Room A-B, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 8 September 2006 at 10:30 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:00 a.m. shall have been concluded or adjourned) is set out on pages 7 to 9 of this circular. Whether or not you are able to attend the Special General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Special General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjournment thereof, should you so wish.

Hong Kong, 15 August 2006

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:—

“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company as may be amended from time to time
“Circular”	the circular dated 26 July 2006 issued by the Company to the Shareholders
“Code”	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
“Company”	Daisho Microline Holdings Limited, an exempted company incorporated in Bermuda the Shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	11 August 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Shares
“Special General Meeting”	the special general meeting of the Company to be held at Garden Room A-B, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 8 September 2006 at 10:30 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:00 a.m. shall have been concluded or adjourned) notice of which is set out on pages 7 to 9 of this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

Executive Directors:

Chan Sik Ming, Harry (*Chairman and
Chief Executive Officer*)

Motofumi Tsumura

Hiroto Sasaki

Hiroyuki Kikuchi

Au-Yeung Wai Hung

Independent Non-Executive Directors:

Kohu Kashiwagi

Chan Yuk Tong

Li Chi Kwong

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Principal Place of Business
in Hong Kong:*

Unit B12-16, 3rd Floor, Block B
Hoplite Industrial Centre,
3-5 Wang Tai Road
Kowloon Bay
Hong Kong

Hong Kong, 15 August 2006

To the Shareholders,

Dear Sir or Madam,

**PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY
AND
SUPPLEMENTAL INFORMATION TO
THE COMPANY'S CIRCULAR DATED 26 JULY 2006**

INTRODUCTION

Reference is made to the Circular in relation to the annual general meeting of the Company to be held on 8 September 2006 for the purpose of passing resolutions to approve the general mandates granted to the Directors to issue and repurchase Shares and the re-election of the Directors.

The purpose of this circular is to provide you with (i) further information relating to the source of funding of the repurchase of Shares and the basis of determining the Directors' emoluments as provided in the Circular; and (ii) information regarding the proposed amendments to the Bye-Laws in order to bring the Bye-Laws in line with the requirements of the Code and the Listing Rules, and to seek your approval for such matter at the Special General Meeting to be held at Garden Room A-B, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 8 September 2006 at 10:30 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:00 a.m. shall have been concluded or adjourned).

LETTER FROM THE CHAIRMAN

FUNDING OF REPURCHASES

Further to Section 3 of Appendix I of the Circular, the Company further provides that it will apply the retained earnings of the Company, which are legally available funds, in repurchasing the Shares.

DETAILS OF DIRECTORS OFFERING THEMSELVES FOR RE-ELECTION

Further to Appendix II of the Circular, the Company further provides that the determination of the Directors' emoluments of Mr. Hiroyuki Kikuchi, Mr. Kohu Kashiwagi and Dr. Li Chi Kwong are based on factors such as salaries paid by comparable companies, time commitment and responsibilities of the respective Directors as mentioned in the latest published annual report of the Company.

The Company is of the view that save as disclosed in the Circular and the above, no other information needs to be brought to the attention of the Shareholders and no other information needs to be disclosed pursuant to Rules 13.51(2)(h)-(v) of the Listing Rules in connection with the re-election of Mr. Hiroyuki Kikuchi, Mr. Kohu Kashiwagi and Dr. Li Chi Kwong as Directors.

PROPOSED AMENDMENTS TO THE BYE-LAWS

Certain amendments to the Listing Rules in relation to the Code became effective on 1 January 2005.

Pursuant to paragraph E.2.1 of the Code and in particular, Rule 13.39(3) of the Listing Rules, the chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. If a poll is required under such circumstances, the chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands.

Pursuant to paragraph A.4.2 of the Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to a private act called "The Juko Laboratories Holdings Limited Company Act 1990". Section 3(e) of the said Act provides as follows:

"Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any executive chairman and any managing director) be subject to retirement by rotation in such manner and at such frequency as the bye-laws of the Company may provide."

In light of the wording in brackets in the above section, the chairman and managing director of the Company may not be made subject to retirement by rotation. However, in light of the provision of paragraph A.4.2 of the Code, the chairman and managing director of the Company shall voluntarily retire at the annual general meeting at least once every three years.

LETTER FROM THE CHAIRMAN

Following a review of the Company's corporate governance practices with reference to the Code, the Directors propose to amend the following Bye-Laws:-

- (i) the existing Bye-Law 70 of the Bye-Laws to the effect that a Director or Directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies;
- (ii) the existing Bye-Law 71 of the Bye-Laws to the effect that the Company shall be required to disclose the voting figures on a poll;
- (iii) the existing Bye-Law 99 of the Bye-Laws to the effect that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that (a) save for a Director holding office as Chairman or Managing Director, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years, and (b) no Director holding office as Chairman or Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire; and
- (iv) the existing Bye-Law 102 of the Bye-Laws is re-numbered as Bye-Law 102(A) and a new Bye-Law 102 (B) is added to provide that persons appointed by the Directors to fill a casual vacancy on the Board shall hold office only until the next following general meeting of the Company.

In order to allow the Company to destroy any proceeded documents in relation to share registration, the Directors propose to amend the existing Bye-Law 176 of the Bye-Laws to the effect that the Directors may authorise the destruction of any share certificate, dividend mandate, instrument of transfer and any other documents in relation to share registration which have been microfilmed or electronically stored by the Company or by the share registrar on its behalf.

Details of the proposed amendments to the Bye-Laws are set out in the special resolution in the notice of the Special General Meeting set out on pages 7 to 9 of this circular.

SPECIAL GENERAL MEETING

At the Special General Meeting, a special resolution will be proposed to approve the amendments to the Bye-Laws. The notice of Special General Meeting is set out on pages 7 to 9 of this circular.

LETTER FROM THE CHAIRMAN

ACTION TO BE TAKEN

A form of proxy for use at the Special General Meeting is enclosed with this Circular. Whether or not you are able to attend the Special General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Special General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjournment thereof, should you so wish.

RIGHT TO DEMAND A POLL

Pursuant to existing Bye-Law 70 of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:—

- (i) by the chairman of the meeting; or
- (ii) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative or corporate representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative or corporate representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative or corporate representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Pursuant to existing Bye-Law 76, on a show of hands, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative or, in case of a Shareholder being a clearing house (or its nominee), by its duly authorized corporate representative), shall have one vote. On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative or, in case of a Shareholder being a clearing house (or its nominee), by its duly authorized corporate representative) or by proxy shall have one vote for every fully paid up Share of which he is the holder. A Shareholder entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

LETTER FROM THE CHAIRMAN

RECOMMENDATION

The Directors consider that the proposed amendments to the Bye-Laws are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the special resolution to be proposed at the Special General Meeting to give effect to them.

Yours faithfully
By Order of the Board
Chan Sik Ming, Harry
Chairman

NOTICE OF SPECIAL GENERAL MEETING



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

NOTICE IS HEREBY GIVEN that the special general meeting of the Company will be held at Garden Room A-B, 2nd Floor, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 8 September 2006 at 10:30 a.m. (or so soon thereafter as the annual general meeting of the Company convened for the same place and date at 10:00 a.m. shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution of the Company:

SPECIAL RESOLUTION

“THAT the existing Bye-Laws of the Company be and are hereby amended in the following manner:—

(a) Bye-Law 70

- (1) By adding the words “a poll is taken as may from time to time be required under the rules of the stock exchange in the Relevant Territory or” immediately after the word “unless” in the fourth line of the first paragraph of the existing Bye-Law 70;
- (2) By deleting the full-stop at the end of Bye-Law 70 (iv) and substituting therefor a semicolon and the word “or” and inserting the following new Bye-Law 70 (v) immediately after Bye-Law 70 (iv):—

“(v) if required by the rules of the stock exchange in the Relevant Territory, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. or more of the total voting rights of all the members having the right to vote at the meeting.”

- (3) By adding the words “a poll is taken as may from time to time be required under the rules of the stock exchange in the Relevant Territory or unless” immediately after the word “Unless” at the beginning of the second paragraph of the existing Bye-Law 70;

(b) Bye-Law 71

By inserting the following sentence at the end of the existing Bye-Law 71:

“The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the stock exchange in the Relevant Territory.”

NOTICE OF SPECIAL GENERAL MEETING

(c) Bye-Law 99

By deleting the existing Bye-Law 99 in its entirety and substituting therefor the following new Bye-Law and its marginal note:

**Retirement
of Directors**

99. Subject to the manner of retirement by rotation of Directors as from time to time prescribed under the rules of the stock exchange in the Relevant Territory and notwithstanding any contractual or other terms on which any Director may be appointed or engaged, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that (i) save for a Director holding office as Chairman or Managing Director, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years, and (ii) no Director holding office as Chairman or Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. A retiring Director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereat.

(d) Bye-Law 102

By re-numbering the existing Bye-Law 102 as Bye-Law 102 (A) and adding the following new Bye-Law 102 (B) immediately after Bye-Law 102 (A):

“(B) The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election at such meeting.”

NOTICE OF SPECIAL GENERAL MEETING

(e) Bye-Law 176

By re-numbering the existing Bye-Law 176 as Bye-Law 176 (A) and adding the following new Bye-Law 176 (B) immediately after Bye-Law 176 (A):

“(B) Notwithstanding any provision contained in these Bye-Laws, the Directors may, if permitted by the applicable law and Statutes, authorize the destruction of documents set out in paragraphs (a) to (d) of Bye-Law 176(A) and any other documents in relation to share registration which have been microfilmed or electronically stored by the Company or by the share registrar on its behalf provided always that this Bye-Law shall apply only to the destruction of a document in good faith and without express notice to the Company or its share registrar that the preservation of such documents was relevant to a claim.

(f) Bye-Law 182

By deleting Bye-Laws 182 (vii) and 182(viii) in their entirety and substituting therefor the word “Deleted”

and **THAT** the Directors of the Company be and hereby authorized to do all such acts, deeds and things as they shall, in their absolute discretion, deem fit in order to effect and complete any of the foregoing.”

By Order of the Board
Chan Sik Ming, Harry
Chairman

Hong Kong, 15 August 2006

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with the Company’s branch registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude any member from attending and voting in person at the meeting if the member so wishes.