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If you have sold or transferred all your shares in **Daisho Microline Holdings Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer 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)

ADOPTION OF THE NEW SHARE OPTION SCHEME AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening a special general meeting of Daisho Microline Holdings Limited to be held at Room 631, 6/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Hong Kong on Tuesday, 22 November 2016 at 10:30 a.m. or such time immediately after the annual general meeting of the Company to be held at the same place and date is closed is set out on pages 17 to 18 of this circular. A form of proxy for use by the Shareholders at the special general meeting or any adjourned meeting is also enclosed. 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, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and 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 adjourned meeting should you so wish.

4 November 2016

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
INTRODUCTION	4
ADOPTION OF THE NEW SHARE OPTION SCHEME	4
SGM	6
RESPONSIBILITY STATEMENT	7
RECOMMENDATION	7
APPENDIX – SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME	8
NOTICE OF SPECIAL GENERAL MEETING	17

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday or public holiday in Hong Kong) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is open for the business of dealing in securities
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Commencement Date”	the date on which the offer of an Option is duly accepted by the Grantee in accordance with the New Share Option Scheme
“Company”	Daisho Microline Holdings Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0567)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Eligible Person(s)”	(i) any director (whether executive or non-executive, including any independent non-executive director) or employee (whether full time or part time) of any member of the Group; (ii) consultant, adviser, supplier or customer of any member of the Group; and (iii) any other group of classes of participants which the Board may, from time to time in its absolute discretion, consider appropriate on the basis of such participants’ contribution or potential contribution to the development, growth or benefit of the Group or any member of it

DEFINITIONS

“Grantee”	any Eligible Person who accepts an offer of an Option in accordance with the terms of the New Share Option Scheme or (where the context so permits) the legal representative(s) entitled to any such Option in consequence of the death of the original Grantee
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	1 November 2016, 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
“New Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the SGM under the Ordinary Resolution, a summary of the principal terms of the rules of which is set out in the Appendix to this circular
“Option(s)”	an option to subscribe for Shares pursuant to the New Share Option Scheme
“Option Period”	a period to be determined and notified by the Board to the Grantee during which the Option may be exercised, and in any event such period shall not exceed a period of ten (10) years commencing on the Commencement Date
“Option Price”	the amount of HK\$1.00 payable for each acceptance of grant of Option(s)

DEFINITIONS

“SGM”	the special general meeting of the Company to be held at Room 631, 6/F, Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Hong Kong on Tuesday, 22 November 2016 at 10:30 a.m. or such time immediately after the annual general meeting of the Company to be held at the same place and date is closed, notice of which is set out on pages 17 to 18 of this circular
“Share(s)”	Ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price at which each Share subject to an Option may be subscribed on the exercise of that Option, subject to adjustments in accordance with the New Share Option Scheme
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance, Chapter 622 of the Laws of Hong Kong) of the Company
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent.



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

Executive Directors:

CHAN Sik Ming, Harry (*Chairman & CEO*)
AU-YEUNG Wai Hung
CHEUNG Lai Na

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Independent Non-executive Directors:

LI Chi Kwong
YEUNG Chi Shing, Bret
LEUNG King Fai
CHOU Yuk Yan

Head Office and Principal Place of Business:

Units 1-2, 16/F.
Nan Fung Commercial Centre
19 Lam Lok Street
Kowloon Bay
Hong Kong

4 November 2016

To the Shareholders

Dear Sir or Madam,

ADOPTION OF THE NEW SHARE OPTION SCHEME AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide you with the information and to seek your approval of the resolution regarding the proposed adoption of the New Share Option Scheme and to provide you with the notice of SGM.

ADOPTION OF THE NEW SHARE OPTION SCHEME

The previous share option scheme of the Company ("**Previous Share Option Scheme**"), which became effective on 28 August 2003 and expired on 27 August 2013, was adopted for the purpose of encouraging the eligible participants to perform their best in achieving the goals of the Company and at the same time allowing the eligible participants to enjoy the results of the Company attained through their effort and contribution. As at the Latest Practicable Date, there were no outstanding share options under the Previous Share Option Scheme. In light of the expiry of the Previous Share Option Scheme and in order to enable the Board to continue providing incentives or

LETTER FROM THE BOARD

rewards to eligible participants and to enable the Group to recruit and retain high-calibre employees, the Board proposes to adopt the New Share Option Scheme. An ordinary resolution will be proposed at the SGM to approve the adoption of the New Share Option Scheme, the principal terms of which are set out in the Appendix to this circular.

The New Share Option Scheme is conditional upon:

- (i) the passing of an ordinary resolution to approve the New Share Option Scheme by the Shareholders in a general meeting of the Company and to authorize the Board to grant the Options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any Options granted under the New Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of the Options.

Pursuant to the terms of the New Share Option Scheme, the Board may, taking into account such factors as the Board may at its discretion consider appropriate, in its absolute discretion make an offer of an Option to any Eligible Person to subscribe for such number of Shares, being a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof, as the Board may determine. The New Share Option Scheme does not stipulate any performance target which needs to be achieved by the Grantee, or require a Grantee to hold his options for a minimum period, before the Options can be exercised. However, the Board may at its absolute discretion specify such conditions as it thinks fit when making an offer of an Option to an Eligible Person (including, without limitation, as to performance criteria which must be satisfied by the Eligible Person and/or the Company and/or its Subsidiaries, before an Option may be exercised), provided that such conditions shall not be inconsistent with any other terms and conditions of the New Share Option Scheme. The Board believes the New Share Option Scheme will provide incentives or rewards to Eligible Persons for their contribution to, and continuing efforts to promote the interests of, the Company and to enable the Group to recruit and retain high-calibre employees.

As at the Latest Practicable Date, no Option under the New Share Option Scheme has been granted and the Board considers that it is inappropriate to state the value of the Options as if they had been granted on the Latest Practicable Date given that a number of variables which are necessary for the calculation of the value of the Options cannot be ascertained at this stage. Such variables include the subscription price, Option Period, interest rate and other relevant variables. The Board believes that any calculation of such value of the Options on the Latest Practicable Date would be based on a number of speculative assumptions and would therefore not be meaningful but would instead be misleading the Shareholders.

None of the Director is a trustee of the New Share Option Scheme or has a direct or indirect interest in the trustee of the New Share Option Scheme, if any.

LETTER FROM THE BOARD

As at the Latest Practicable Date, there were aggregate of 480,243,785 Shares in issue. Assuming no Shares will be issued or repurchased from the Latest Practicable Date to the date of the SGM, the maximum number of Shares that may be issued upon exercise of the Options that may be granted under the New Share Option Scheme and any other scheme(s) is 48,024,000 Shares, representing about 10% of the Shares in issue as rounded down to an integral multiple of board lot for dealing in Shares on the Stock Exchange.

An application will be made to the Stock Exchange for the listing of and permission to deal in the Shares that may be issued pursuant to the exercise of Options that may be granted under the New Share Option Scheme.

A copy of the New Share Option Scheme is available for inspection at the principal place of business of the Company in Hong Kong at Units 1-2, 16/F., Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Hong Kong during normal business hours from the date hereof up to and including the date of the SGM.

SGM

Set out on pages 17 to 18 of this circular is the notice of the SGM to be held at Room 631, 6/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Hong Kong on Tuesday, 22 November 2016 at 10:30 a.m. or such time immediately after the annual general meeting of the Company to be held at the same place and date is closed at which an ordinary resolution will be proposed at the SGM to the Shareholders for the approval of the New Share Option Scheme. As at the Latest Practicable Date, no Shareholder is required to abstain from voting at the SGM for approving the New Share Option Scheme.

A form of proxy for use by the Shareholders at the SGM or any adjourned meeting is enclosed. Whether or not you are able to attend the SGM, 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, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

According to Bye-Law 70, at any general meeting a resolution put to vote at 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 members present in person (or, in the case of a member being a corporation, by its duly authorised corporate representative) or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

- (iii) by any member or members present in person (or, in the case of a member being corporation, by its duly authorised corporate representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised corporate representative) or by proxy and holding Shares conferred 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 Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the SGM will put the Ordinary Resolution proposed at the SGM to be voted by way of a poll.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

There is no Shareholder who is required to abstain from voting in respect of the ordinary resolution to be proposed at the SGM.

The Board is of the opinion that the adoption of the New Share Option Scheme is in the best interests of the Company and the Shareholders as a whole and therefore recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

Your attention is also drawn to the information set out in the Appendix to this circular.

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

The following is a summary of the principal terms of the new share option scheme of the Company (the “Scheme”) to be conditionally approved by the Shareholders at the SGM but such summary does not form part of, nor was it intended to be, part of the Scheme nor should it be taken as affecting the interpretation of the rules of the Scheme:

1. Purpose and basis of eligibility

The purpose of the Scheme is to provide incentives or rewards to Eligible Persons for their contribution to, and continuing efforts to promote the interests of, the Company and to enable the Company and its Subsidiaries to recruit and retain high-calibre employees. In determining the basis of eligibility of each Eligible Persons, the Board would take into account such factors as the Board may at its absolute discretion consider appropriate.

2. Conditions

The Scheme is conditional upon:

- (a) the passing by the Shareholders in a general meeting of the Company of an ordinary resolution to approve the adoption of the Scheme and authorising the Directors to grant Options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any Options granted under the Scheme; and
- (b) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of the Options.

3. Duration and administration

Subject to the fulfillment of conditions as set out in paragraph 2 above and the termination provisions as set out in paragraph 21 below, the Scheme shall be valid and effective for a period of 10 years commencing on the date (the “Adoption Date”) on which the Scheme is conditionally adopted by resolution of the Shareholders in general meeting of the Company (the “Scheme Period”), after which period no further Options will be granted or accepted. Subject to the aforesaid, in all other respects, subject to the compliance with the provisions under the Listing Rules, the provisions of the Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted and accepted under the Scheme, and Options which are granted within the Scheme Period shall continue to be exercisable in accordance with the terms of their issue.

The Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the Scheme) shall be final, conclusive and binding on all parties.

The Board shall have the power from time to time to make or vary regulations for the administration and operation of the Scheme, provided that the same are not inconsistent with the requirements of the Listing Rules and the provisions of the Scheme.

4. Grant of Options and acceptance by Grantee

On and subject to the requirements of the Listing Rules and the terms of the Scheme, the Board shall be entitled at any time and from time to time during the Scheme Period to make an offer to any Eligible Person (the “Offer”), taking into account such factors as the Board may at its discretion consider appropriate, as the Board may in its absolute discretion select, to subscribe for such number of Shares (being a board lot or an integral multiple thereof) as the Board may determine at the Subscription Price.

The Board shall not grant an Option to any Eligible Person:

- (a) after inside information has come to the knowledge of the Board, until such inside information has been announced pursuant to the requirements of the Listing Rules;
- (b) within the period commencing one month immediately before the earlier of:
 - (i) the date of the meeting of the Board for the approval of the Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and
 - (ii) the deadline for the Company to publish such results announcement, and ending on the date of such results announcement;
- (c) within the period in which directors of a listed issuer shall be prohibited from dealing in any securities of the listed issuer, as specified under the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 (as may be amended from time to time) to the Listing Rules.

An Offer shall be made to an Eligible Person by letter (the date of which shall be deemed to be the date on which the grant of an Option is made (the “Offer Date”)) in such form as the Board may from time to time determine specifying, among other things, the number of Shares and the Option Period in respect of the relevant Option, the Subscription Price, the method of accepting such Offer, and the conditions (if any) which must be satisfied before the Option may be exercised, as the Board may determine from time to time.

The Offer shall remain open for acceptance by the Eligible Person for a period not later than 28 days from the Offer Date. Each acceptance of the grant of Options must be accompanied by a payment of the Option Price of HK\$1.00, which shall not be refundable or be considered as part of the Subscription Price.

5. Subscription Price

Subject to any adjustments made pursuant to any alterations to share capital of the Company, the Subscription Price shall be determined by the Board and notified to an Eligible Person at the time when the Options are granted to the Eligible Person and shall be at least the highest of: (a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date of the Option; and (c) the nominal value of a Share.

Where, pursuant to the Scheme, a grant of an Option is subject to prior approval of the Shareholders, for the purposes of identifying the relevant reference prices as mentioned in (a) and (b) in the above paragraph, the date of the Board meeting at which such grant was proposed shall be taken to be the Offer Date for such relevant Options and the mechanism for determination of the Subscription Price as set out in the above paragraph shall apply with appropriate changes.

6. Maximum number of Shares which may be issued upon exercise of options

Overall 30% limit. The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme, together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of any member of the Group, must not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Scheme and any other share option scheme(s) of any member of the Group if such grant will result in the said 30% limit being exceeded.

10% Scheme Mandate Limit. In addition to the above and subject to further provisions as mentioned in the paragraphs below in this sub-section 6, the total number of Shares which may be issued upon exercise of all Options to be granted under the Scheme, together with all options to be granted under any other share option scheme(s) of any member of the Group, must not in aggregate represent more than 10% of the total number of Shares in issue as at the Adoption Date (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Scheme or any other share option scheme(s) of any member of the Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Refreshment of the Scheme Mandate Limit. The Company may seek approval by the Shareholders in general meeting to "refresh" the Scheme Mandate Limit (or to further refresh a refreshed Scheme Mandate Limit), in accordance with the Listing Rules, provided that: the Scheme Mandate Limit so refreshed (or further refreshed, as the case may be) must not exceed 10% of the total number of issued Shares as at the date of the approval by the Shareholders of the refreshing (or further refreshing, as the case may be) of the Scheme Mandate Limit. Options previously granted under the Scheme or any other share option scheme(s) of any member of the Group (including Options outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the Scheme Mandate Limit as "refreshed".

Granting options beyond the Scheme Mandate Limit. The Company may also seek separate approval by the Shareholders in general meeting, in accordance with the Listing Rules, for granting options beyond the Scheme Mandate Limit (or the refreshed Scheme Mandate Limit) to such Eligible Persons, in respect of such number of Shares and on such terms as may be specified in such approval.

Scheme Mandate Limit after share consolidation or subdivision. If the Company conducts a share consolidation or subdivision after the approval of the Scheme Mandate Limit, the maximum number of Shares that may be issued upon exercise of all options to be granted under this Scheme and all other share option scheme(s) of the Company under the Scheme Mandate Limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.

7. Maximum entitlement of each Eligible Person

Limit for each Eligible Person. Unless approved by the Shareholders in accordance with the Listing Rules, the total number of Shares issued and to be issued upon exercise of Options granted or to be granted to each Eligible Person (including exercised, cancelled and outstanding options) under the Scheme in any 12-month period shall not exceed 1% of the total number of Shares in issue as at the proposed grant date. Any further grant of Options to such Eligible Person in excess of this limit shall be separately approved by the Shareholders in general meeting of the Company in accordance with the Listing Rules, with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting.

Grant to a Director, chief executive or substantial shareholder. Where an Option is to be granted to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, such grant must first be approved by the independent non-executive Directors (“INED”) (excluding any INED who is the proposed Grantee of such Options).

Grant to INED or substantial shareholder. Where any grant of Options is proposed to be made to an INED or a substantial shareholder of the Company, or any of their respective associates, and such grant will result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Scheme in the 12-month period up to and including the date of the grant of the Options:

- (i) representing in aggregate over 0.1% of the total number of Shares then in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant of the Options, in excess of HK\$5 million,

such further grant of Options must be approved by the Shareholders in general meeting. In such case, the Company shall send a circular to the Shareholders containing the

information required by the Listing Rules. Such Grantee, his associates and all core connected persons of the Company must abstain from voting in favour of the relevant resolution at such general meeting.

8. Exercise of Options

An Option may be exercised in accordance with the terms of the Scheme and the terms of the Offer at any time during the option period, being a period to be determined and notified by the Board to the Grantee, and in any event such period shall not exceed a period of 10 years commencing on the Commencement Date (subject to early termination (if any) under the Scheme).

Unless otherwise determined by the Board and specified in the Offer, the Grantee is not required to achieve any performance targets or to hold his Options for a minimum period before exercising his Options.

An Option may be exercised in whole or in part (but if in part only, in respect of a board lot or an integral multiple thereof) by the Grantee (or, as the case may be, by his legal personal representative(s)) giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. The full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given shall be paid to the Company in accordance with the terms of the Offer. Within 30 days after receipt of the notice and the remittance and, where appropriate, receipt of the confirmation from the independent financial adviser or the auditors for the time being of the Company, the Company shall allot the relevant Shares to the Grantee credited as fully paid and issue to the Grantee (or his legal representative(s), as the case may be) a share certificate in respect of the Shares so allotted.

9. Transferability of Options

An Option shall be personal to the Grantee and shall not be assignable nor transferable, and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option. Any breach of the foregoing shall result in any such Option granted to such Grantee becoming automatically lapsed.

10. Rights on ceasing to be an Eligible Person

If the Grantee ceases to be an Eligible Person for any reason other than of his death or the termination of his employment, office or consultancy on one or more of the grounds of misconduct or bankruptcy etc. as specified in the Scheme, the Option may be exercised in accordance with the provisions of the Scheme up to his entitlement at the date of such cessation (to the extent he is entitled to exercise at the date of cessation but not already exercised) within the period of one month (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual day of employment, office or consultancy with the relevant member of the Group

whether payment in lieu of notice is made or not (if applicable), or the date on which the relationship constituting him an Eligible Person ceases (as the case may be).

11. Rights on death and disability

If the Grantee of an outstanding Option dies or becomes permanently disabled before exercising the Option in full or at all, and none of certain events specified in the Scheme which would be a ground for termination of his employment, office or consultancy has occurred, the Option may be exercised by his personal representative(s), within 12 months (or such longer period as the Board may determine) from the date of his death or becoming permanently disabled (whichever is earlier, if applicable) (the “**Reference Date**”), up to the entitlement (to the extent not already exercised) of such Grantee at the Reference Date or, if appropriate, an election be made by his personal representative(s) pursuant to the period as mentioned in sub-sections 12, 13 or 15 below.

12. Rights on general offer by way of take-over

If a general offer by way of a take-over or otherwise is made (other than by way of a scheme of arrangement) to all Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror (within the meaning of the Code on Takeovers and Mergers)) and if such offer becomes and is declared unconditional prior to the expiry of the relevant Option Period, the Grantee (or his legal personal representative(s)) may by notice in writing to the Company, within 21 days after the date on which such offer becomes or is declared unconditional, exercise the Option to its full extent (to the extent which has become exercisable and not already exercised) or to the extent specified in such notice.

13. Rights on general offer by way of scheme of arrangement

If a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, the Grantee (or his legal personal representative(s)) may, after the date on which such offer becomes or is declared unconditional (but before such time as shall be notified by the Company) by notice in writing to the Company exercise the Option to its full extent (to the extent which has become exercisable and not already exercised) or to the extent specified in such notice.

14. Rights on compromise or arrangement for reconstruction or amalgamation

Other than a general offer or a scheme of arrangement as mentioned in sub-sections 12 and 13 above, if a compromise or arrangement between the Company and its members or creditors is proposed for a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all Grantees on the same date as it despatches the notice of meeting for considering such a compromise or arrangement. Each Grantee (or his legal personal

representative(s)) may, until the earlier of: (a) the end of 2 calendar months after the date of such notice and (b) the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his Options whether in full or in part, but the exercise of an Option shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under this Scheme.

15. Rights on winding up

If a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as it despatches such notice to each member of the Company, give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his Options (to the extent which has become exercisable and not already exercised) by giving notice in writing to the Company not later than seven Business Days prior to the proposed general meeting of the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

16. Adjustment in the event of alteration of capital structure

In the event of any alteration to the capital structure of the Company whilst any Option remains exercisable, arising from capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction), adjustments (if any) will be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
- (ii) the Subscription Price in relation to each outstanding Option,

provided that no adjustment shall be made to the extent that the effect of such adjustment would be to enable a Share to be issued at less than its nominal value.

In addition, such adjustment as mentioned above in this sub-section 16 shall give a Grantee the same proportion of the issued share capital of the Company as to which he was previously entitled. In respect of any of the said adjustment, other than any made on a capitalization issue, an independent financial adviser or the auditors for the time being of the Company must also confirm to the Board in writing that the adjustments satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules.

17. Lapse of Options

An Option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in sub-sections 10, 11 or 12 above;
- (iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-section 13 above;
- (iv) save as otherwise provided in sub-section 14 above or by the Court in relation to the scheme in question, upon such compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company referred to in sub-section 14 becoming effective;
- (v) the close of business on the seventh Business Day prior to the general meeting referred to in sub-section 15 above;
- (vi) the date on which the Grantee ceases to be an Eligible Person by reason of the termination of his employment, office or consultancy on certain grounds specified in the Scheme including, but not limited to, misconduct, bankruptcy, insolvency, having made any arrangement or composition with his creditors and conviction of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which the relevant Grantee's employer or principal would be entitled to terminate his employment, office or consultancy pursuant to any applicable laws or under the Grantee's contract, agreement or arrangement with the relevant member of the Group;
- (vii) subject to the rules referred to in sub-section 15, the date of the commencement of the winding-up of the Company;
- (viii) the date on which the Board exercises the Company's right to cancel the Option because of a breach by the Grantee of the rules summarised in sub-section 9 above; or
- (ix) the date on which the Option is cancelled by the Board as referred to in sub-section 19 below.

18. Ranking and voting rights of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Bye-laws of the Company and will rank equally with the fully-paid Shares in issue on the date of allotment and will entitle the holders the rights (including

those arising on a liquidation of the Company) to vote and to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

19. Cancellation of Options

The Board may cancel an Option granted but not exercised with the approval of the Grantee of such Option, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation.

No Options may be granted to an Eligible Person in place of his cancelled Options unless there are available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit from time to time.

20. Alteration to the Scheme

The terms of the Scheme may be altered in any respect by resolution of the Board except that the definitions of "Eligible Person(s)", "Grantee" and "Option Period", and the provisions of the Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of the Eligible Persons unless with the prior approval of the Shareholders in general meeting.

Any alterations to the terms of the Scheme which are of a material nature or any change to the terms of Options granted must first be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Scheme.

The amended terms of the Scheme or the Options must comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of the Board in relation to any alteration to the terms of the Scheme must first be approved by the Shareholders in general meeting.

21. Termination of the Scheme

The Company by resolution of the Shareholders in general meeting or by resolution of the Board may at any time terminate the operation of the Scheme and in such event no further Option will be granted but the provisions of the Scheme shall remain in force in all other respects. All Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Scheme and the terms of the Offers with respect to such outstanding Options.

NOTICE OF SPECIAL GENERAL MEETING



DAISHO MICROLINE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 0567)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Daisho Microline Holdings Limited (the “**Company**”) will be held at Room 631, 6/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Hong Kong on Tuesday, 22 November 2016 at 10:30 a.m. or such time immediately after the annual general meeting of the Company to be held at the same place and date is closed for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** subject to the approval by the shareholders of Daisho Microline Holdings Limited at its general meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in, the shares of HK\$0.10 each in the capital of the Company which may fall to be issued pursuant to the share option scheme (a copy of which is produced to the meeting marked “**A**” and signed by the Chairman of this meeting for the purpose of identification) (the “**Scheme**”), the Scheme be and is hereby approved and adopted by the Company and the board of directors of the Company be and is hereby authorized to grant options and to allot, issue and deal with the shares pursuant to the exercise of any option granted thereunder and to take such steps and do such acts and to enter into such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Scheme.”

By order of the Board
CHAN Sik Ming, Harry
Chairman

Hong Kong, 4 November 2016

Principal place of business:

Units 1-2, 16/F.

Nan Fung Commercial Centre

19 Lam Lok Street

Kowloon Bay

Hong Kong

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and, on a poll vote in his stead. A proxy need not be a member of the Company.
2. A proxy form for the meeting is enclosed. In order 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 of such power of attorney must be deposited with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
3. As at the date of this notice, the Board comprises three executive directors, namely, CHAN Sik Ming Harry, AU-YEUNG Wai Hung and CHEUNG Lai Na, and four independent non-executive directors, namely, LI Chi Kwong, YEUNG Chi Shing Bret, LEUNG King Fai and CHOU Yuk Yan.