

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 to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Morning Star Resources Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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星晨集團有限公司*

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

**ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting (“EGM”) of the Company to be held at Conference Room, 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Wednesday, 8 June 2011 at 12:45 p.m. (or immediately after the closing of the annual general meeting of the Company convened at the same place and on the same date, whichever is earlier) is set out on pages 16 and 17 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed herein.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return the same to the Company’s share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and, in any event, not fewer than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

* *For identification purpose only*

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DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme becomes unconditional
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of directors of the Company (and, in relation to the New Share Option Scheme, includes any committee or delegate of the Board appointed by the Board to perform any of its functions)
“Business Day”	any day on which the Stock Exchange is open for business of dealing in securities
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Morning Star Resources Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
“Connected Person(s)”	has the meaning as defined in the Listing Rules
“Contract”	in relation to an employee or a director, his/her contract of employment or service contract or terms of employment with his/her Employer (as amended from time to time), whether or not such contract is written or oral and comprised in one or more documents
“Controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company, and in relation to the New Share Option Scheme, the directors of any Eligible Entity, including executive and non-executive director(s)
“EGM”	the extraordinary general meeting of the Company to be held on Wednesday, 8 June 2011 at 12:45 p.m. (or immediately after the closing of the annual general meeting of the Company convened at the same place and on the same date, whichever is earlier) for the purpose of considering and, if thought fit, approving, among other things, the New Share Option Scheme

DEFINITIONS

“Eligible Entity”	the Company and its subsidiaries (as defined in the Companies Ordinance), and any entity (including associated company) in which the Company, or any of its subsidiaries holds any equity interest
“Employer”	in relation to a Participant, the Eligible Entity which employs or has appointed him/her under his/her Contract
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Non-Executive Director”	in relation to any company, a person who from time to time is an independent non-executive director of that company within the meaning of the Listing Rules
“Latest Practicable Date”	19 May 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the share option scheme proposed to be approved by the Shareholders at the EGM
“Offer Date”	in relation to an Option, the date (which must be a Business Day) on which a Participant is offered such Option
“Open Offer”	the proposed issue of 1,690,183,285 new Shares by way of open offer (with bonus issue), details of which were set out in the prospectus of the Company dated 5 May 2011
“Option”	in relation to the New Share Option Scheme, a right granted under the New Share Option Scheme to subscribe for Shares in accordance with the New Share Option Scheme
“Option-holder”	a person holding an Option (and, where relevant, includes his personal representatives)
“Option Period”	in relation to an Option, the period, which is notified by the Board when making an offer to a Participant, during which the Option may be exercised, such period must not exceed the period of 10 years from the Offer Date of such Option

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“Option Price”	in respect of any Option granted under the New Share Option Scheme, the subscription price for each Share payable by the Option-holder on exercise of the Option as determined by the Board and notified to an Option-holder in accordance with the Rules
“Other Scheme(s)”	any other share option scheme(s) involving the grant by the Company or any of its subsidiaries of options over new securities issued by the Company or any of its subsidiaries established by the Company or any of its subsidiaries in accordance with Chapter 17 of the Listing Rules or any other share option scheme(s) which is determined by the Stock Exchange to be analogous to a share option scheme as described in Chapter 17 of the Listing Rules (including the Existing Share Option Scheme)
“Participant”	any person who is (or will be on and following the Offer Date) an employee (whether full time or part time) holding salaried office or employment under a Contract with an Eligible Entity or is a Director (including executive and non-executive directors) of an Eligible Entity or any adviser, consultant, agent, contractor, customer and supplier of any member of the Group or any Eligible Entity whom the Board in its sole discretion considers eligible for the New Share Option Scheme on the basis of his or her contribution to the Group
“Rules”	the rules of the New Share Option Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning as defined in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



星晨集團有限公司*

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

Executive Directors

Mr. SUNG Wai Man, Peter
Mr. CHI Chi Hung, Kenneth
Mr. YEUNG Kwok Leung

Non-Executive Director

Mr. TSO Shiu Kei, Vincent

Independent Non-Executive Directors

Ms. CHAN Hoi Ling
Ms. SO Wai Lam
Mr. SUNG Yat Chun

Registered Office

The Offices of Caledonian Bank &
Trust Limited
P.O. Box 1043
George Town
Grand Cayman KY1-1102
Cayman Islands

*Head office and principal place of
business in Hong Kong*

Unit 1803, 18th Floor
Tower 1, Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

23 May 2011

To the Shareholders

Dear Sir or Madam,

**ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with (i) the details of the New Share Option Scheme; and (ii) the notice convening the EGM.

* For identification purposes only

LETTER FROM THE BOARD

PROPOSAL FOR ADOPTION OF THE NEW SHARE OPTION SCHEME

New Share Option Scheme

The Company does not have any share option scheme. At the EGM, an ordinary resolution will be proposed for the Company to approve and adopt the New Share Option Scheme, which will take effect on the date of its adoption at the EGM subject to the Stock Exchange granting approval for the listing of and dealing in the Shares to be issued and allotted pursuant to the exercise of options in accordance with the terms and conditions of the New Share Option Scheme.

The purpose of the New Share Option Scheme is to enable the Company to grant Options to the Participants in recognition of their contribution to the Group.

Assuming that the Open Offer is completed and there is no further change in the issued share capital between the period from the Latest Practicable Date to the Adoption Date, the number of Shares issuable pursuant to the New Share Option Scheme on the Adoption Date will be 193,163,804 Shares.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but are not limited to the exercise price, exercise period and lock-up period (if any). The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful to Shareholders.

None of the Directors is trustee of the New Share Option Scheme or has a direct or indirect interest in the trustee.

With respect to the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

Conditions precedent of the New Share Option Scheme

The adoption of the New Share Option Scheme is conditional upon:

- (a) the passing of an ordinary resolution to adopt the New Share Option Scheme by the Shareholders; and
- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the exercise of Options in accordance with the terms of the New Share Option Scheme.

Subject to the obtaining of Shareholders' approval with respect to the adoption of the New Share Option Scheme at the EGM, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any Other Schemes must not in aggregate exceed 10% of the total issued capital of the Company as at the Adoption Date unless the Company obtains a fresh approval from Shareholders to renew the 10% limit on the basis that the maximum number of Shares in respect of which Options may be granted under the New Share Option

LETTER FROM THE BOARD

Scheme together with any Options outstanding and yet to be exercised under the New Share Option Scheme and any Other Schemes must not exceed 30% of the issued share capital of the Company from time to time.

A summary of the principal terms of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the EGM is set out in Appendix I to this circular from pages 8 to 15. A copy of the rules of the New Share Option Scheme is available for inspection at the Company's principal place of business in Hong Kong at Unit 1803, 18th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong during normal business hours from the date hereof up to and including the date of the EGM.

In accordance with the requirements of the Listing Rules, the Company will publish an announcement on the outcome of the EGM in respect of the resolution relating to the adoption of the New Share Option Scheme on the website of the Stock Exchange.

Application for listing

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on pages 16 and 17 of this circular. The EGM will be convened for the purpose of considering and, if thought fit, passing the resolution to approve the adoption of the New Share Option Scheme.

As at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting on the resolution regarding the proposed adoption of the New Share Option Scheme at the EGM.

A form of proxy for use at the EGM is sent to the Shareholders together with this circular. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not fewer than 48 hours before the time for holding of the EGM or adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting at the EGM or any adjourned meeting thereof should the Shareholders so wish.

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.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the proposed adoption of the New Share Option Scheme is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

GENERAL

The English text of this circular and proxy form shall prevail over the Chinese text.

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

By order of the Board
Morning Star Resources Limited
CHI Chi Hung, Kenneth
Executive Director

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved at the EGM:

1. PURPOSE

The purpose of the New Share Option Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

2. WHO MAY JOIN

To determine the eligibility of the Participant, the Board may offer to grant an Option to any Participant who has made a contribution to the Group to subscribe for such number of Shares at the Option Price calculated according to paragraph 5 below, subject always to any limits and restrictions specified in the Rules.

3. PAYMENT ON ACCEPTANCE OF OPTION OFFER

A Participant shall pay the Company HK\$1.00 for the grant of an Option on acceptance of an Option offer within 21 days after the Offer Date.

4. TERMS OF OPTIONS

Options granted under the New Share Option Scheme are subject to such terms and conditions as may be determined by the Board at its absolute discretion and specified in the offer of an Option, which terms and conditions may include:

- (A) vesting conditions which must be satisfied before an Option-holder's Option shall become vested and capable of being exercised; and
- (B) the Board may, in its absolute discretion, specify performance conditions that must be achieved before an Option can be exercised and/or the minimum period for which an Option must be held before it can be exercised.

These provisions will give the Board flexibility to impose conditions suitable for fulfilling the various purposes of the New Share Option Scheme. Apart from this general discretion of the Board, the Rules do not contain specific provisions on the minimum period during which an Option must be held before exercise or on performance targets applicable to Options.

Under the New Share Option Scheme, the Directors have discretion to set a minimum period for which an option has to be held before the exercise of the subscription rights attaching thereto. This discretion allows the Directors to provide an incentive to eligible Participants to remain as eligible Participants and thereby enable the Group to continue to benefit from the services and contributions of the eligible Participants. This discretion, coupled with the power of the Directors to impose any performance target or other restrictions as they consider appropriate before the Option can be exercised, enable the Group to provide incentives to the Participants to use their best endeavours in assisting the growth and development of the Group. Although the New Share Option Scheme does not provide for the

granting of Options with rights to subscribe for Shares at a discount to the traded prices of the Shares on the Stock Exchange, the Directors are of the view that the flexibility given to the Directors in granting Options to Participants and to impose a minimum period for which the Options can be exercised, will place the Group in a better position to attract human resources that are valuable to the growth and development of the Group as a whole.

5. OPTION PRICE

The Option Price will be determined by the Board at its absolute discretion and notified to an Option-holder. The minimum Option Price shall not be less than the highest of:

- (A) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date;
- (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; and
- (C) the nominal value of the Shares.

6. MAXIMUM NUMBER OF SHARES SUBJECT TO THE NEW SHARE OPTION SCHEME

- 6.1 Subject to the limits referred to in paragraphs 6.2, 6.3 and 6.4, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any options to be granted under any Other Scheme must not in aggregate exceed 10% of the aggregate of the Shares in issue as at the Adoption Date.

Options lapsed in accordance with the terms of the New Share Option Scheme and any Other Scheme will not be counted for the purpose of calculating the 10% limit in this paragraph 6.1.

- 6.2 With the approval of the Shareholders in general meeting, the Board may "refresh" the 10% limit under paragraph 6.1 (and may further refresh such limit in accordance with this paragraph) provided that the total number of Shares which may be issued upon the exercise of all Options to be granted under the New Share Option Scheme and any Other Scheme under the limit as "refreshed" shall not exceed 10% of the Shares in issue as at the date on which the Shareholders approve the "refreshed" limit.

Options previously granted under the New Share Option Scheme and Option granted under any Other Schemes (including those outstanding, cancelled and lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

- 6.3 Subject to the limits referred to in paragraphs 6.4, 7 and 23 below, the Board may, with the approval of the Shareholders, grant Options in excess of the 10% limit to Participants specifically identified before Shareholders' approval is sought. In such situation, the Company will send a circular to the Shareholders containing a generic description of the

specified Participants who may be granted such Options, the number and terms of such Options to be granted and the purpose of granting such Options to the specified Participants with an explanation of how the terms of the Options will serve the purpose.

- 6.4 The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and all outstanding options granted and yet to be exercised under any Other Scheme shall not exceed 30% of the Shares in issue from time to time. No Options may be granted under the New Share Option Scheme and no options may be granted under any Other Schemes if this will result in the limit being exceeded.

7. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

Subject always to the limits referred to in paragraphs 6 above and 23 below, the Board shall not grant any Options to any Participant which, if exercised, would result in such Participant becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all Options granted to him (including those Options exercised or outstanding) in any 12-month period exceed 1% of the Shares in issue at such date.

The Board may grant Options to any Participant in excess of the individual limit of 1% in any 12-month period with the approval of the Shareholders in general meeting (with such Participant and his associates abstaining from voting). In such situation, the Company will send a circular to the Shareholders and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted (and previously granted to such Participant).

8. TIME OF EXERCISE OF OPTIONS

Subject to the provisions in paragraphs 10 to 15 below, an Option under the New Share Option Scheme which is vested and has not lapsed may be exercised at any time during such period notified by the Board as not exceeding 10 years from the Offer Date. The exercise of Options may also be subject to any conditions imposed by the Board at the time of offer (see paragraph 4 above).

9. NON-TRANSFERABILITY OF OPTIONS

Except for the transmission of an Option on the death of an Option-holder to his personal representatives, neither the Option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any Option-holder to any other person. If an Option-holder transfers, assigns or disposes of any such Option or rights, whether voluntarily or involuntarily, then the relevant Option will immediately lapse.

10. RIGHTS ON CEASING EMPLOYMENT

If an Option-holder ceases to be a Participant as a result of the cessation of his employment for any reason other than his death or the termination of his employment on certain grounds specified in the Rules and this paragraph 10, then the Option-holder may exercise any vested Option at the date of cessation of his employment within the period of 1 month following the date of such cessation or such other period as the Board may determine. The Board shall have the discretion to decide whether any

unvested Option can be exercised by such Option-holder and the time period for exercise. All Options not exercised shall lapse upon the expiry of the 1-month period or such other period as the Board may determine.

If an Option-holder ceases to be a Participant by reason of the termination of his employment on one or more grounds of misconduct or conviction of a criminal offence involving dishonesty, all Options not exercised shall lapse automatically on the date which the Option-holder ceases to be a Participant.

11. RIGHTS ON DEATH

If an Option-holder ceases to be a Participant by reason of his death and none of the events which would be a ground for termination of his employment specified in the Rules and paragraph 10 above has occurred, the legal personal representative(s) of the Option-holder may exercise any vested Option within a period of 12 months from the date of his death or such other period as the Board may determine. The Board shall have the discretion to decide whether any unvested Option can be exercised by the legal personal representative(s) of such Option-holder and the time period for exercise. All Options not exercised shall lapse upon the expiry of the 12-month period or such other period as the Board may determine.

12. RIGHTS ON A GENERAL OFFER

If more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror, any company controlled by the offeror or any person associated with or acting in concert with the offeror, the Board will notify every Option-holder of such event within 14 days of becoming so aware (or as soon as practicable). Each Option-holder will be entitled to exercise his vested Options during the 6-month period starting on the later of:

- (A) the date of the Board's notification to the Option-holders; and
- (B) the date on which the person making the offer obtains control of the Company.

The Options will only lapse on expiry of this 6-month period if the Board gives notice to the Option-holder before the end of the period specifying that the Options will lapse.

13. RIGHTS ON WINDING UP

In the event that a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to each Participant and thereupon, every Participant shall be entitled to exercise his/her Option (if not already exercised) to its full extent or to the extent specified (such exercise to occur not later than two Business Days prior to the proposed Shareholders' meeting referred to above) by 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, accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given, and the Company shall, as soon as possible and, in any event, no later than the day immediately

prior to the date of the proposed Shareholders' meeting, allot such number of Shares to the Participant which fall to be issued pursuant to the exercise of the Option. The Company shall give notice to the Participant of the passing of such resolution within seven days after the passing thereof.

14. REORGANISATION OF CAPITAL STRUCTURE

In the event of a capitalisation of profits or reserves, further rights issues of Shares, consolidation or subdivision of Shares, or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital as consideration in respect of a transaction), such corresponding adjustments (if any) shall be made to:

- (A) the number of Shares, the subject matter of the Option (insofar as it is unexercised); and/or
- (B) the price at which the Options are exercisable.

Any such adjustment shall be made on the basis that:

- (A) the proportion of the issued share capital of the Company to which an Option-holder is entitled after such adjustment shall remain the same as that to which he was entitled before such adjustment;
- (B) it will not enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of the Company for which any Option-holder would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustments; and
- (C) the auditor or independent financial adviser selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the note to Rule 17.03 (13) of the Listing Rules, except where such adjustment is made on a capitalisation issue.

15. LAPSE OF OPTIONS

An Option will lapse on the earliest of:

- (A) the expiry of the Option Period; or
- (B) the expiry of any of the other periods referred to in paragraphs 10, 11, 12 and 13 above; or
- (C) the expiry of 3 months following a court order sanctioning a compromise or arrangement in relation to the reconstruction of the Company or its amalgamation with another company or companies.

16. RANKING OF SHARES

No dividends will be payable and no voting rights will be exercisable in relation to an Option that has not been exercised (including those arising on a liquidation of the Company). Shares issued on the exercise of an Option will rank equally in all respects with the Shares in issue on the date of allotment.

They will not rank for any rights (which include, among other things, voting rights and dividend rights) attaching to Shares by reference to a date preceding the date of allotment. The Shares subject to the New Share Option Scheme are not required to be separately designated.

17. CANCELLATION OF OPTIONS

Notwithstanding any other provision in the New Share Option Scheme (except for the provisions in paragraph 18 below), the Board may cancel any Option (which has been granted but not yet exercised). Unless the Option-holder otherwise agrees, the Board may only cancel such Option if, at the election of the Board:

- (A) the Company pays to the Option-holder an amount equal to the fair market value of the Option at the date of cancellation as determined by the Board, after consultation with the auditor or an independent financial adviser appointed by the Board; or
- (B) the Board offers to grant to the Option-holder replacement Options (or options under any Other Scheme) of equivalent value to the Options to be cancelled, provided that the grant of such replacement Options (or options under any Other Scheme) shall not cause the limits set out in paragraphs 6, 7 above and 23 below to be breached; or
- (C) the Board makes such arrangements as the Option-holder may agree to compensate him for the loss of the Option.

18. AMENDMENTS TO THE NEW SHARE OPTION SCHEME AND TERMS OF OPTIONS

Subject to the provisions of this paragraph 18, the Board may amend any of the provisions of the New Share Option Scheme and the terms of any Options (including amendments in order to comply with changes in legal or regulatory requirements) at any time (but not so as to affect adversely any rights which have accrued to any Option-holders at that date) and provided that amendments which are to the advantage of present or future Option-holders and which relate to matters contained in Rule 17.03 of the Listing Rules are sanctioned by the Shareholders in a general meeting.

Any amendment to the Rules which is of a material nature or any amendment to the terms and conditions of the Options granted may only be made with the approval of the Shareholders save where the amendments take effect automatically under the Rules. The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of the Board in relation to any amendment of the Rules may only be made with the approval of the Shareholders in a general meeting.

19. TERMINATION OF THE NEW SHARE OPTION SCHEME

The Company, by ordinary resolution in general meeting, or the Board may terminate the New Share Option Scheme at any time and in such event no further Options shall be granted under the New Share Option Scheme but any Options which have been granted but not yet exercised shall continue to be valid and exercisable in accordance with the Rules.

20. PERIOD OF THE NEW SHARE OPTION SCHEME

Subject to the Board exercising its right under the Rules to terminate the New Share Option Scheme, the New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be granted. The provisions of the New Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior to the expiry of the 10-year period and which are at that time or become thereafter capable of exercise under the Rules, or otherwise to the extent as may be required in accordance with the provisions of the New Share Option Scheme.

21. CONDITIONS

The New Share Option Scheme will be conditional on:

- (A) the passing of an ordinary resolution to adopt the New Share Option Scheme by the Shareholders; and
- (B) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued pursuant to the exercise of the Options in accordance with the terms of the New Share Option Scheme.

22. RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

A grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers. In particular, no Option may be granted during the period commencing one month immediately preceding the earlier of:

- (A) the date of the Board meeting for the approval of the Company's interim or annual results; and
- (B) the deadline for the Company to publish its interim or annual results announcement, and ending on the date of the results announcement.

The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

23. RESTRICTIONS ON GRANT OF OPTIONS TO DIRECTORS, CHIEF EXECUTIVES OR SUBSTANTIAL SHAREHOLDERS ETC.

Each grant of Options to a Participant who is a Director, chief executive or Substantial Shareholder of the Company, or any of their respective associates, under the New Share Option Scheme must be approved by the Independent Non-Executive Directors of the Company (excluding any Independent Non-Executive Director who is the proposed grantee of the Options).

Where any grant of Options to a Substantial Shareholder or an Independent Non-Executive Director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted under the New Share Option Scheme (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

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

such further grant of Options by the Board must be approved by the Shareholders in general meeting (the vote on such approval to be taken on a poll). Any Shareholder who is a Connected Person of the Company must abstain from voting in favour of the resolution to approve such further grant of Options.

A Shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing the number and terms of the Options to be granted and containing the recommendation from the Independent Non-Executive Directors (excluding any Independent Non-Executive Director who is the grantee of the Option) as to voting and any other information as required under the Listing Rules.

Any change in the terms of Options granted to Substantial Shareholders or Independent Non-Executive Directors or any of their respective associates must be approved by the Shareholders in general meeting.

24. ADMINISTRATION

The Board will have responsibility for administering the New Share Option Scheme. There are no trustees appointed for the purposes of the New Share Option Scheme.

NOTICE OF EXTRAORDINARY GENERAL MEETING



星晨集團有限公司*

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of Morning Star Resources Limited (the “**Company**”) will be held at Conference Room, 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Wednesday, 8 June 2011 at 12:45 p.m. (or immediately after the closing of the annual general meeting of the Company convened at the same place and on the same date, whichever is earlier) for the purpose of considering and, if thought fit, to pass with or without amendments the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the shares (the “**Shares**”) of HK\$0.01 each in the capital of the Company falling to be issued pursuant to the share option scheme (the “**New Share Option Scheme**”), the terms of which are set out in the document marked “A” which has been produced to this meeting and signed by the chairman of this meeting for the purpose of identification, the rules of the New Share Option Scheme be and are hereby approved and adopted and the directors of the Company be and are hereby authorised to grant options and to allot, issue and deal with Shares pursuant to the exercise of any option granted thereunder and to take all such steps as they may consider necessary or expedient to implement the New Share Option Scheme.”

By order of the Board
Morning Star Resources Limited
CHI Chi Hung, Kenneth
Executive Director

Hong Kong, 23 May 2011

Head office and Principal place of business in Hong Kong:

Unit 1803, 18th Floor
Tower 1, Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

Registered Office:

The Offices of Caledonian Bank & Trust Limited
P.O. Box 1043
George Town
Grand Cayman KY1-1102
Cayman Islands

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A form of proxy to be used for the meeting is enclosed.
- (2) Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting. In the case of a recognised clearing house, it may authorise such person(s) as it thinks fit to act as its representative(s) at the meeting and vote in its stead.
- (3) The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
- (4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be delivered at the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not fewer than 48 hours before the time appointed for holding the meeting or any adjourned meeting at which the person named in such instrument proposes to vote. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting, or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.