

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus 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 the Prospectus Documents to the purchaser(s) or the 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 the transferee(s).

A copy of each of the Prospectus Documents, together with the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix III to this Prospectus, has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of any of these documents.

Dealings in the securities of the Company may be settled through CCASS and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of listing of, and permission to deal in, the Offer Shares and Bonus Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares and Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares and Bonus Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.



星晨集團有限公司*

Morning Star Resources Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 542)

**OPEN OFFER OF 1,207,273,775 OFFER SHARES
ON THE BASIS OF FIVE OFFER SHARES
FOR EVERY ONE ADJUSTED SHARE HELD ON THE RECORD DATE
WITH BONUS ISSUE ON THE BASIS OF TWO BONUS SHARES
FOR EVERY FIVE OFFER SHARES TAKEN UP UNDER THE OPEN OFFER**

Financial Adviser to the Company



KINGSTON CORPORATE FINANCE LTD.

Underwriter to the Open Offer



KINGSTON SECURITIES LTD.

Terms used in this cover page have the same meanings as defined in this Prospectus.

The latest time for acceptance of and payment for the Offer Shares is at 4:00 p.m. on Monday, 23 May 2011. The procedures for application and payment of the Offer Shares are set out on page 19 of this Prospectus.

The Underwriting Agreement contains provisions which entitle the Underwriter by notice in writing, to terminate the Underwriting Agreement prior to the Latest Time for Termination on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement and force majeure" on pages 13 and 14 of this Prospectus. If the Underwriter terminates the Underwriting Agreement, the Open Offer and the Bonus Issue will not proceed.

Shareholders should note that the Shares have been dealt in on an ex-entitlement basis commencing from Wednesday, 27 April 2011 and that dealings in the Shares may take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Thursday, 26 May 2011), will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

* *For identification purposes only*

5 May 2011

TERMINATION OF UNDERWRITING AGREEMENT

Shareholders should note that the Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if:

1. in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - 1.1. the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - 1.2. the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
3. there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
4. any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
5. any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not *ejusdem generis* with any of the foregoing; or
6. any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Open Offer; or

TERMINATION OF UNDERWRITING AGREEMENT

7. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer, the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Kingston Securities shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

1. any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of Kingston Securities; or
2. any Specified Event comes to the knowledge of Kingston Securities.

Any such notice shall be served by Kingston Securities prior to the Latest Time for Termination and thereupon the obligations of all parties under the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

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DEFINITIONS

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

“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the Capital Reorganisation became effective on 8 April 2011
“Amendments to Articles of Association”	the amendments made to the Articles to allow the allotment and issue of the Bonus Shares which is not in proportion to the shareholding of the Shareholders
“Announcement”	the announcement of the Company dated 19 November 2010 relating to, amongst other things, the proposed Capital Reorganisation, the change of board lot size, the Open Offer and the Amendments to Articles of Association
“Application Form”	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares (with Bonus Shares) which shall be in the agreed form
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the issue of the Bonus Shares pursuant to the terms and conditions to be set out in the Prospectus Documents
“Bonus Shares”	in respect of the Open Offer, the 482,909,510 bonus Adjusted Shares to be issued (for no additional payment) to the First Registered Holders of Offer Shares on the basis of two (2) bonus Adjusted Shares for every five (5) Offer Shares taken up under the Open Offer subject to the terms and conditions as set out in the Prospectus Documents
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Hong Kong
“Capital Reduction”	the reduction of the nominal value of the issued share capital of the Company from HK\$2.00 per Consolidated Share to HK\$0.01 per Adjusted Share by way of cancellation of HK\$1.99 of the paid up capital on each Consolidated Share
“Capital Reorganisation”	the capital reorganisation of the Company involving the Share Consolidation, Capital Reduction and Subdivision, which became effective on 8 April 2011

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System, established and operated by HKSCC
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Morning Star Resources Limited, a company incorporated in the Cayman Islands with limited liability and the issued securities of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	share(s) of HK\$2.00 each in the share capital of the Company after the Share Consolidation but before the Capital Reduction
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company for approving, inter alia, the Capital Reorganisation, the Open Offer (with Bonus Issue) and the Amendments to Articles of Association
“Excluded Shareholder(s)”	the Overseas Shareholders as at the Record Date where the Directors, after making enquiries, consider it necessary or expedient on account either of legal restriction under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to such Shareholders
“First Registered Holders”	Qualifying Shareholders who have applied for and received the Offer Shares allotted to them by the Company after lodging valid Application Forms or in respect of those Underwritten Shares not taken up and those first registered holders who have received the Underwritten Shares which the Underwriter subscribed or procured subscription pursuant to the Underwriting Agreement
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	the Shareholder(s), other than the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates, who are not involved in, nor interested in, the Underwriting Agreement

DEFINITIONS

“Independent Third Party(ies)”	independent third party(ies) who is (are) not connected person(s) of the Company and is (are) independent of and not connected with the Company or its connected persons
“Kingston Securities” or “Underwriter”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under the SFO
“Last Trading Day”	19 November 2010, the last day on which the Shares were traded on the Stock Exchange immediately preceding the publication of the Announcement
“Latest Practicable Date”	28 April 2011, being the latest practicable date for ascertaining certain information for inclusion in this Prospectus
“Latest Time for Acceptance”	being 4:00 p.m. on 23 May 2011 or such other date and/or time as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Offer Shares (with Bonus Shares) as described in the Prospectus
“Latest Time for Termination”	4:00 p.m. on the third Business Day after the Latest Time for Acceptance or such other time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the meaning as defined in the Listing Rules
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Offer Shares”	1,207,273,775 Adjusted Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of five (5) Offer Shares for one (1) Adjusted Share held on the Record Date pursuant to the Open Offer
“Open Offer”	the proposed issue of the Offer Shares (with Bonus Shares) by way of open offer to the Qualifying Shareholders for subscription pursuant to the terms and conditions to be set out in the Prospectus Documents
“Overseas Shareholders”	the Shareholders whose addresses on the register of members of the Company are outside Hong Kong
“Posting Date”	5 May 2011 or such other day as may be agreed between the Company and the Underwriter for despatch of the Prospectus Documents
“PRC”	the People’s Republic of China

DEFINITIONS

“Prospectus”	this prospectus issued by the Company in relation to the Open Offer on the Posting Date as may be agreed between the Company and the Underwriter
“Prospectus Documents”	the Prospectus and the Application Form
“Qualifying Shareholders”	the Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	4 May 2011 or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Open Offer
“Registrar”	Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, the branch share registrar of the Company in Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of par value HK\$0.20 each in the share capital of the Company (before the Capital Reorganisation took effect on 8 April 2011)
“Share Consolidation”	the consolidation of every 10 issued and unissued shares of the Company of HK\$0.20 each into 1 Consolidated Share of HK\$2.00 each
“Shareholder(s)”	the holder(s) of the Shares or Adjusted Share(s) (as the case may be)
“Specified Event”	an event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivision”	the subdivision of each authorised but unissued Consolidated Share into 200 Adjusted Shares
“Subscription Price”	the subscription price of HK\$0.20 per Offer Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Underwriting Agreement”	the underwriting agreement dated 19 November 2010 (as supplemented by a supplemental agreement dated 7 April 2011) in relation to the Open Offer and the Bonus Issue entered into between the Company and the Underwriter
“Underwritten Shares”	1,207,273,775 Offer Shares underwritten by the Underwriter
“Untaken Shares”	those (if any) of the Offer Shares for which duly completed Application Forms (accompanied by cheques or banker’s cashier orders for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before the Latest Time for Acceptance which shall be not more than 1,207,273,775 Offer Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

2011

Temporary counter for trading in Adjusted Shares in the board lot of 200 Adjusted Shares (in the form of existing share certificates) closes	4:00 p.m. on Wednesday, 18 May
Designated agent to stand in the market to provide matching services ends	4:00 p.m. on Wednesday, 18 May
Parallel trading in Adjusted Shares (in the form of new share certificates and existing share certificates) ends	4:00 p.m. on Wednesday, 18 May
Last day for free exchange of existing share certificates for new share certificates for Adjusted Shares	Monday, 23 May
Latest time for acceptance of and payment for the Offer Shares (with Bonus Issue)	4:00 p.m. on Monday, 23 May
Open Offer becomes unconditional	4:00 p.m. on Thursday, 26 May
Announcement of results of the Open Offer (with Bonus Issue)	Monday, 30 May
Certificates for the Offer Shares and the Bonus Shares expected to be despatched on or before	Tuesday, 31 May
Dealings in Offer Shares and Bonus Shares expected to commence	Thursday, 2 June

Note: All times above refer to Hong Kong times.

Dates or deadlines specified in this Prospectus are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR OFFER SHARES

The latest time for acceptance of and payment for Offer Shares will not take place if there is:

- (a) a tropical cyclone warning signal number 8 or above, or
- (b) a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on Monday, 23 May 2011. Instead the latest time of acceptance of and payment for the Offer Shares will be extended to 5:00 p.m. on the same Business Day;
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 23 May 2011. Instead the latest time of acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Offer Shares does not take place on Monday, 23 May 2011, the dates mentioned in the section headed “Expected timetable” may be affected. An announcement will be made by the Company in such event as soon as practicable.

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. SO Wai Lam
Ms. CHAN Hoi Ling
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

5 May 2011

To the Shareholders

Dear Sir or Madam,

**OPEN OFFER OF 1,207,273,775 OFFER SHARES
ON THE BASIS OF FIVE OFFER SHARES
FOR EVERY ONE ADJUSTED SHARE HELD ON THE RECORD DATE
WITH BONUS ISSUE ON THE BASIS OF TWO BONUS SHARES
FOR EVERY FIVE OFFER SHARES TAKEN UP UNDER THE OPEN OFFER**

INTRODUCTION

The Company announced on 19 November 2010 that the Company proposed to raise approximately HK\$241.45 million, before expenses, by way of an open offer of 1,207,273,775 Offer Shares at the Subscription Price of HK\$0.20 per Offer Share on the basis of five (5) Offer Shares for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date and payable in full on acceptance. The Bonus Shares will be issued to the First Registered Holders of the Offer Shares on the basis of two (2) Bonus Shares for every five (5) Offer Shares taken up under the Open Offer.

* For identification purposes only

LETTER FROM THE BOARD

At the EGM held on 7 January 2011, the resolutions for approving, inter alia, the Capital Reorganisation, the Open Offer (with Bonus Issue) and the Amendments to Articles of Association were duly passed by the Shareholders or the Independent Shareholders.

The purpose of this Prospectus is to provide you with further information regarding, among other things, the Open Offer (with Bonus Issue).

PROPOSED OPEN OFFER WITH BONUS ISSUE

Issue statistics

Basis of the Open Offer	:	five (5) Offer Shares for every one (1) Adjusted Share held on the Record Date and payable in full on acceptance, together with two (2) Bonus Shares for every five (5) Offer Shares taken up
Subscription Price	:	HK\$0.20 per Offer Share
Number of Adjusted Shares in issue as at the Latest Practicable Date	:	241,454,755 Adjusted Shares
Number of Offer Shares	:	1,207,273,775 Offer Shares
Number of Bonus Shares	:	482,909,510 Bonus Shares to be issued to the First Registered Holders of the Offer Shares on the basis of two (2) Bonus Shares for every five (5) Offer Shares taken up under the Open Offer
Total number of Shares in issue upon completion of the Open Offer and the Bonus Issue	:	1,931,638,040 Shares

As at the Latest Practicable Date, the Company has no derivatives, options, warrants or conversion rights or other similar rights which are convertible into Shares.

Bonus Issue

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the First Registered Holders of the Offer Shares on the basis of two (2) Bonus Shares for every five (5) Offer Shares taken up under the Open Offer.

On the basis of 1,207,273,775 Offer Shares to be issued under the Open Offer, 482,909,510 Bonus Shares will be issued.

LETTER FROM THE BOARD

The total number of Offer Shares and Bonus Shares of 1,690,183,285 Shares represents:

- (i) approximately 700.00% of the Company's issued share capital as at the Latest Practicable Date; and
- (ii) approximately 87.50% of the Company's issued share capital as enlarged by the issue of the Offer Shares and Bonus Shares.

Subscription Price

The Subscription Price of HK\$0.20 per Offer Share is payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 89.53% to the closing price of HK\$1.91 per Adjusted Share, based on the closing price of HK\$0.191 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 89.58% to the average closing price of approximately HK\$1.92 per Adjusted Share, based on the average closing prices of Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$0.192 per Share and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 45.05% to the theoretical ex-entitlement price of HK\$0.364 per Adjusted Share, based on the closing price of HK\$0.191 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and
- (iv) a discount of approximately 39.39% to the closing price of HK\$0.330 per Adjusted Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

Since two (2) Bonus Shares will be issued upon subscription of five (5) Offer Shares, for illustration purpose, the average price for each Adjusted Share to be allotted and issued under the Open Offer (together with the Bonus Issue) is approximately HK\$0.143 which represents:

- (i) a discount of approximately 92.51% to the closing price of HK\$1.91 per Adjusted Share, based on the closing price of HK\$0.191 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 92.55% to the average closing price of approximately HK\$1.92 per Adjusted Share, based on the average closing prices of Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$0.192 per Share and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 60.71% to the theoretical ex-entitlement price of HK\$0.364 per Adjusted Share, based on the closing price of HK\$0.191 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and

LETTER FROM THE BOARD

- (iv) a discount of approximately 56.67% to the closing price of HK\$0.330 per Adjusted Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price of the Adjusted Shares and the recent market conditions and the financial requirements of the Group.

The Directors consider that the Subscription Price would encourage Shareholders to participate in the Open Offer and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group. In view of the prevailing market conditions of the capital market in Hong Kong and the benefits of the Open Offer and the Bonus Issue, the Directors consider that the terms of the Open Offer and the Bonus Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Directors have not received any information from any substantial Shareholders of their intention to take up the Offer Shares (with the Bonus Shares) to be offered to them.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders and will send the Prospectus (without the Application Form), for information only, to the Excluded Shareholders on the Posting Date.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not be an Excluded Shareholder.

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

Excluded Shareholders

The Company will ascertain whether there are any Overseas Shareholders on the Record Date. In determining whether there will be any Excluded Shareholders, the Company will make enquiries regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges in relation to the Company's offering of the Offer Shares and the Bonus Shares to the Overseas Shareholders in compliance with the Listing Rules. If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares and the Bonus Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders. Accordingly, the Open Offer (with Bonus Issue) will not be extended to the Excluded Shareholders.

Based on the register of members of the Company as at the Record Date, there was one Shareholder with registered address in Malaysia. Pursuant to the Listing Rules, the Board has made enquiries as to whether there is any legal restriction under the applicable securities legislation of the relevant jurisdiction or requirement of any relevant regulatory body or stock exchange with respect to the offer of Offer Shares and Bonus Shares to such Overseas Shareholder.

LETTER FROM THE BOARD

The Directors, after making enquiries pursuant to the Listing Rules, are of the view that the Open Offer will be extended to such Overseas Shareholder with registered address in Malaysia as no local legal or regulatory compliance is required to be made in this jurisdiction.

Fractions of Offer Shares

The Company will not allot and issue any fractional Offer Shares to the Qualifying Shareholders.

No application for excess Offer Shares

There will be no arrangement for application of Offer Shares by the Qualifying Shareholders in excess of their entitlements. Any Untaken Shares will be underwritten by the Underwriter.

Status of the Offer Shares and the Bonus Shares

The Offer Shares and the Bonus Shares (when allotted and issued fully paid or credited as fully paid) will rank pari passu in all respects with the Adjusted Shares in issue on the date of allotment and issue of the Offer Shares and the Bonus Shares. Holders of the Offer Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares and the Bonus Shares.

Share certificates of the Offer Shares and the Bonus Shares

Subject to fulfillment of the conditions of the Open Offer as set out in the section headed “Conditions of the Open Offer (with Bonus Issue)” below, share certificates for all fully paid Offer Shares and Bonus Shares are expected to be posted on or before 31 May 2011 to those Qualifying Shareholders who have accepted and paid in full for the Offer Shares by ordinary post at their own risk.

Application for listing and dealings

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares and the Bonus Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of listing of, and permission to deal in, the Offer Shares and Bonus Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares and Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares and Bonus Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

Dealings in the Offer Shares will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

LETTER FROM THE BOARD

UNDERWRITING ARRANGEMENT

The Underwriting Agreement

- Date : 19 November 2010 (after trading hours) (as supplemented by a supplemental agreement dated 7 April 2011 relating to the revised timetable)
- Underwriter : Kingston Securities
- Maximum number of Offer Shares to be underwritten by the Underwriter : The Underwriter has agreed to fully underwrite 1,207,273,775 Underwritten Shares
- Commission : 2.5% of the aggregate Subscription Price in respect of the number of Underwritten Shares

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Kingston Securities and its ultimate beneficial owners are Independent Third Parties. As at the Latest Practicable Date, the Underwriter and its associates did not hold any Share.

Termination of the Underwriting Agreement and force majeure

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if:

1. in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - 1.1. the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - 1.2. the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

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2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
3. there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
4. any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
5. any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not *ejusdem generis* with any of the foregoing; or
6. any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Open Offer; or
7. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer, the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Kingston Securities shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

1. any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of Kingston Securities; or
2. any Specified Event comes to the knowledge of Kingston Securities.

Any such notice shall be served by Kingston Securities prior to the Latest Time for Termination and thereupon the obligations of all parties under the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

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Conditions of the Open Offer (with Bonus Issue)

The Open Offer (with Bonus Issue) is conditional upon the fulfillment of all of the following:

- a. the Capital Reorganisation having become effective;
- b. the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by the Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Posting Date;
- c. the posting of the Prospectus Documents to the Qualifying Shareholders on or before the Posting Date;
- d. the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares and the Bonus Shares by no later than the first day of their dealings;
- e. the Underwriting Agreement not being terminated or rescinded by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- f. the passing of the necessary resolution(s) by the Shareholders (where applicable, the Independent Shareholders) at the EGM to approve each of the (i) the Capital Reorganisation; (ii) the Open Offer with the Bonus Issue; (iii) the Amendments to Articles of Association, and the transactions contemplated thereunder; and
- g. compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement.

As at the Latest Practicable Date, conditions a, d and f have been fulfilled. If any of the above conditions are not satisfied at or prior to the respective time stipulated therein, the Underwriting Agreement shall be terminated accordingly and none of the parties shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been properly incurred by the Underwriter in connection with the Open Offer shall to the extent agreed by the Company be borne by the Company, and the Open Offer and Bonus Issue will not proceed.

LETTER FROM THE BOARD

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company immediately upon completion of the Open Offer (with Bonus Issue) are set out below for illustration purpose only:

Shareholders	As at the Latest Practicable Date		Immediately after the completion of the Open Offer (with Bonus Shares) (assuming all Offer Shares are subscribed for by the Qualifying Shareholders)		Immediately after the completion of the Open Offer (with Bonus Shares) (assuming NO Offer Shares are subscribed for by the Qualifying Shareholders) (Note 2)	
	Number of Adjusted Shares	Approximate %	Number of Adjusted Shares	Approximate %	Number of Adjusted Shares	Approximate %
<i>Substantial Shareholder</i>						
Star Advance International Limited (Note 1)	70,000,000	28.99	560,000,000	28.99	70,000,000	3.62
<i>Public</i>						
Underwriter	—	—	—	—	1,690,183,285	87.50
Other public Shareholders	<u>171,454,755</u>	<u>71.01</u>	<u>1,371,638,040</u>	<u>71.01</u>	<u>171,454,755</u>	<u>8.88</u>
Total	<u>241,454,755</u>	<u>100.00</u>	<u>1,931,638,040</u>	<u>100.00</u>	<u>1,931,638,040</u>	<u>100.00</u>

Notes:

1. Star Advance International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Fong Shing Kwong.
2. This scenario is for illustrative purpose only and will never occur. Pursuant to the Underwriting Agreement, in the event the Underwriter being called upon to subscribe for or procure subscribers to subscribe for any of the Untaken Shares:
 - (a) the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to exceed 19.90% of the voting rights of the Company upon completion of the Open Offer, and
 - (b) the Underwriter shall use all reasonable endeavours to ensure that each of the subscribers for the Untaken Shares (i) shall be a third party independent of, not acting in concert (within the meanings of the Takeovers Code) with and not connected with the Company, any of the Directors, chief executive of the Company or substantial Shareholders (as defined in the Listing Rules) or any of their respective associates; and (ii) shall not, together with any party acting in concert (within the meaning of the Takeover Code) with it, hold 10% or more of the voting rights of the Company upon completion of the Open Offer. The Company will ensure sufficient public float upon completion of the Open Offer.

Use of Proceeds

It is expected that the gross proceeds from the Open Offer will be approximately HK\$241.45 million and the estimated net proceeds from the Open Offer will be approximately HK\$233.74 million. The Directors intend that the net proceeds from the Open Offer will be used towards the Group's plan to penetrate and strengthen its position in the travel industry and provide funding for any future

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investments and acquisitions by the Group and for the general working capital of the Group. It is intended that the net proceeds from the Open Offer will be used: (i) as to 5% for marketing and advertising campaigns of the travel and tourism division of the Group; (ii) as to 2.5% for renovation of office and branch outlets; (iii) as to 2.5% for upgrading system and purchase of new computer equipments; (iv) as to 70% for possible development of property on the Group's piece of land in Zhongshan, the PRC and for any future investments and acquisitions by the Group when such opportunities present themselves in future; and (v) as to 20% for the general working capital of the Group.

REASONS FOR AND BENEFIT OF THE OPEN OFFER (WITH BONUS ISSUE)

The Group is principally engaged in the provision of travel and travel-related services, property development, financial services and securities broking.

Having considered other possibilities or alternatives for fund-raising options for the Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and costs of the viable options, the Board considers that the Open Offer is in the best interest of the Company in view of the prevailing market conditions and in particular the financial situation and fund requirements of the Group.

The Company has considered the possibility of a rights issue instead of Open Offer which allows Shareholders to trade the nil-paid rights. However, given the additional administrative costs and expenses to be borne by the Company in arranging trading arrangements of the nil-paid rights and additional time for trading of nil paid rights shares, the Company considers that the Open Offer is more time and cost effective and a better option.

The Open Offer allows the Group to significantly strengthen its financial position. The Board considers that the Open Offer (together with the Bonus Issue) are in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enable the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. The Bonus Issue will give the Shareholders an incentive to take part in the Open Offer.

However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted to one-eighth in comparison with their shareholdings before the Open Offer and the Bonus Issue. Qualifying Shareholders should also note that based on the closing price of HK\$0.191 per Share as quoted on the Stock Exchange on the Last Trading Day, the theoretical ex-entitlement price per Adjusted Share after the Open Offer and the Bonus Issue is approximately HK\$0.364, representing a discount of approximately 80.94% to the adjusted closing price of HK\$1.91 per Adjusted Share.

Odd lots may be created as a result of the Open Offer, Bonus Issue, Capital Reorganisation and the change of board lot size. In order to relieve the difficulty for the Shareholders in trading with odd lots, the Company has appointed a designated broker to match the purchase and sale of odd lots of the Adjusted Shares at the relevant market price on a best effort basis. Please refer to the section headed "Trading Arrangements for Adjusted Shares" below for reference. However, the matching of odd lots of Adjusted Shares is not guaranteed and after the matching service expires, trading of odd-lot Shares on the market may not be desirable in terms of trading cost per Share to Shareholders.

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As at the Latest Practicable Date, the Board has decided to consolidate its resources and focus on its core businesses in travel and travel-related businesses and property-related business in Zhongshan, the PRC; and to dispose of its peripheral businesses. On 3 December 2010, the Group entered into a sale and purchase agreement with VMS Investment Group Limited, the purchaser, relating to the disposal of the entire issued share capital of Morning Star Securities Limited, an indirect wholly-owned subsidiary of the Company, which is principally engaged in securities broking. The Group is also reviewing its Malaysian share investments which are listed on the Bursa Malaysia Securities Berhad and may consider disposal of such investments when opportunities arise. Apart from the foregoing, as at the Latest Practicable Date, the Group does not have any target of acquisition or disposal but would be interested in future attractive business opportunities. As at the Latest Practicable Date, the Group has no current intention to conduct further fund-raising exercise following the proposed Open Offer.

The Directors consider that the Open Offer and the Bonus Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Open Offer and the Bonus Issue.

TRADING ARRANGEMENTS FOR ADJUSTED SHARES

In order to facilitate the trading of odd lots of the Adjusted Shares as a result of the Capital Reorganisation and change of board lot size, the Company has appointed Kingston Securities as an agent to match, on a “best effort” basis, the sale and purchase of odd lots of the Adjusted Shares (if any) arising from the Capital Reorganisation and the change of board lot size from Tuesday, 26 April 2011 up to and including Wednesday, 18 May 2011. Such arrangement is to facilitate Shareholders who wish to dispose of or top up their odd lots of Adjusted Shares. Shareholders who wish to take advantage of this facility should contact Ms. Rosita Kiu at telephone number (852) 2298-6215 or by fax at (852) 2298-0682 during the period. Shareholders should note that the matching of the sale and purchase of odd lots of Adjusted Shares is not guaranteed.

Shareholders are recommended to consult their licensed securities dealers, bank managers, solicitors, professional accountants or other professional advisers if they are in any doubt about the facilities described above.

PREVIOUS FUND RAISING EXERCISE IN THE PRIOR 12-MONTH PERIOD

The Company has not conducted any fund raising activities in the past twelve months before the Latest Practicable Date.

WARNING OF THE RISKS OF DEALING IN SHARES

Shareholders and potential investors should note that the Open Offer (with Bonus Issue) is subject to the fulfillment of certain conditions, which include but are not limited to the Underwriting Agreement not being terminated in accordance with the terms thereof. Accordingly, the Open Offer (with Bonus Issue) may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

Shareholders should note that the trading of Adjusted Shares on an ex-entitlement basis is expected to commence on Wednesday, 27 April 2011. Any person contemplating buying or selling of the Shares from now up to the date on which all conditions of the Open Offer are fulfilled will bear the risk that the Open Offer (with the Bonus Issue) may not become unconditional and may not proceed.

LETTER FROM THE BOARD

PROCEDURES FOR APPLICATION AND PAYMENT

If you are a Qualifying Shareholder, you will find the Application Form enclosed with this Prospectus which entitles you to apply for the number of Offer Shares in your assured entitlement shown thereon. If you wish to apply for such Offer Shares or any lesser number of such Offer Shares, you must complete, sign and lodge the same in accordance with the instructions printed thereon, together with the remittance for the full amount payable on application with the Registrar by not later than 4:00 p.m. (Hong Kong time) on 23 May 2011. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "**Morning Star Resources Limited**" and crossed "Account Payee Only".

It should be noted that unless the Application Form, together with the appropriate remittance, has been lodged with the Registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. (Hong Kong time) on 23 May 2011 by the Qualifying Shareholder, his/her/its entitlement to apply under the Open Offer will be deemed to have been declined and will be cancelled.

All cheques or banker's cashier orders will be presented for payment immediately following receipt and all interest earned on such application monies will be retained for the benefit of the Company. Any Application Form in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the relevant entitlements of the Qualifying Shareholder under the Open Offer will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination and/or if any of the conditions to which the Open Offer is subject are not fulfilled in accordance with the section headed "Conditions of the Open Offer (with Bonus Issue)", the application monies will be refunded, without interest, by cheques made out to the applicants (or in the case of joint applicants, to the first named applicant) and crossed "Account Payee Only", through ordinary post at the risk of the applicants to the addresses as registered in the register of members of the Company on or before 31 May 2011. Under the Underwriting Agreement, the Underwriter will subscribe or procure subscribers for the Offer Shares not subscribed by the Qualifying Shareholders.

The Application Form is for use only by the person(s) named therein and is not transferable or renounceable. All documents, including cheques and cashier orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses. No receipt will be issued in respect of any application monies received.

GENERAL

Your attention is drawn to the information contained in the Appendices to this Prospectus.

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

1. FINANCIAL INFORMATION

The financial information of the Group for each of the three years ended 31 December 2008, 2009 and 2010 was disclosed in the annual reports of the Company for the years ended 31 December 2008 (pages 29 to 71), 2009 (pages 27 to 73) and 2010 (pages 25 to 85) respectively. These annual reports are published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.msr.com.hk).

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 March 2011, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding other borrowings from the non-controlling shareholders of subsidiaries of approximately HK\$16.7 million and amounts due to related parties of approximately HK\$2.3 million. The other borrowings and amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Contingent liabilities

The Group had the following material contingent liabilities as at the close of business on 31 March 2011.

- Buy-back guarantees of approximately HK\$27.3 million are given by the Group in favour of banks for mortgage loans granted to the purchasers of the properties which were developed by the subsidiaries of the Group if the purchasers are incapable to repay the loans in full. In the opinion of the Directors, in case of any default payment, it is expected the net realisable value of the related property is sufficient to cover the repayment of the outstanding mortgage principal together with the interests and penalty payables, if any. As at 31 March 2011, no default payment is noted and hence, no provision for the buy-back guarantee is required.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables, as at the close of business on 31 March 2011, the Group did not have any loan capital issued or outstanding or agreed to be issued, bank overdrafts, loan or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseen circumstances and taking into account the present available financial resources, including the internally generated funds and the expected cash flows, the Group has sufficient working capital for its present requirements and for at least the next 12 months from the Latest Practicable Date.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. BUSINESS TREND AND PROSPECTS

The Group has identified business priorities that capitalize on its competitive strengths to support sustainable growth, and has been taking actions to infuse income generators to the Travel and Tourism Division, which include Corporate Ticketing, Events & Management, On-line Web-based Call Centre and Cruise Centre. The Group will continue to explore and develop quality and competitive travel products, and make use of the well-established service platforms to remain a preferred travel agent in Hong Kong. The Group's Property Division will continue to focus on the sale of its unsold completed units in Morning Star Villa and Morning Star Plaza and will focus on possible opportunities to generate maximum return on its lands and properties in Zhongshan, PRC.

To combat the ever-changing market conditions in the 21st century, the Group will be vigilant and proactive in attempting to achieve set performance goals and to safeguard the Shareholders' interest and profitability of the Group in the years ahead.



TO THE DIRECTORS OF MORNING STAR RESOURCES LIMITED

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of Morning Star Resources Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed Open Offer on the basis of five Offer Shares for every one Adjusted Share together with two Bonus Shares for every five Offer Shares taken up of the Company (the “Open Offer with Bonus Issue”) might have affected the Financial Information presented if the Open Offer with Bonus Issue had taken place at 31 December 2010, for inclusion as Appendix II to the prospectus of the Company dated 5 May 2011 (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 24 and 25 to the Prospectus.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the consolidated net tangible assets per share of the Group as at 31 December 2010 or any future date.

OPINION

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of the Chapter 4 of the Listing Rules.

Parker Randall CF (H.K.) CPA Limited

Certified Public Accountants

Hong Kong,
5 May 2011

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF GROUP

INTRODUCTION

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared by the directors of the Company in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the effect of the Open Offer with Bonus Issue on the audited consolidated net tangible assets of the Group as if the Open offer with Bonus Issue had taken place on 31 December 2010.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited equity attributable to the owners of the Company as at 31 December 2010, as extracted from the published annual report of the Company for the year ended 31 December 2010 which are published on both the websites of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.msr.com.hk), after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Open Offer with Bonus Issue.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2010 HK\$'000 (Note 1)	Estimated net proceeds from the Open Offer with Bonus Issue HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after the completion of the Open Offer with Bonus Issue HK\$'000
Based on the number of Offer Shares and Bonus Shares to be issued	217,927	233,740	451,667
Audited consolidated net tangible assets per Adjusted Share attributable to the owners of the Company as at 31 December 2010 after the completion of the Capital Reorganisation but prior to the completion of the Open Offer with Bonus Issue (Note 3)			HK\$0.903
Unaudited pro forma adjusted consolidated net tangible assets per Adjusted Share attributable to the owners of the Company upon the completion of the Open Offer with Bonus Issue (Note 4)			HK\$0.234

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2010 are derived from the published annual report of the Company for the year ended 31 December 2010.
2. The estimated net proceeds from the Open Offer with Bonus Issue of approximately HK\$233.74 million are based on 1,207,273,775 Offer Shares to be issued at the subscription price of HK\$0.20 per Offer Share after deduction of estimated related expenses of approximately HK\$7.71 million.
3. The number of shares used for the calculation of audited consolidated net tangible assets per Adjusted Share is based on 241,454,755 Adjusted Shares in issue as at 31 December 2010. This amount is derived by dividing the number of shares in issue as at 31 December 2010 of 2,414,547,555 shares by 10.
4. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets per Adjusted Share after the completion of the Open Offer with Bonus Issue is calculated based on 1,931,638,040. Adjusted Shares in issue upon the completion of the Open Offer with Bonus Issue, comprises 241,454,755 Adjusted Shares in issue as at 31 December 2010, 1,207,273,775 Offer Shares to be issued pursuant to the Open Offer and 482,909,510 Bonus Shares to be issued upon the Bonus Issue.

1. RESPONSIBILITY STATEMENT

This Prospectus, 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 Prospectus 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 Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Open Offer are as follows:

As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>100,000,000,000</u>	Adjusted Shares	<u>1,000,000,000.00</u>
<i>Issued and fully paid:</i>		
<u>241,454,755</u>	Adjusted Shares	<u>2,414,547.55</u>

Upon completion of the Open Offer (with Bonus Issue)

<i>Authorised:</i>		<i>HK\$</i>
<u>100,000,000,000</u>	Adjusted Shares	<u>1,000,000,000.00</u>
<i>Issued and fully paid:</i>		
241,454,755	Adjusted Shares	2,414,547.55
1,207,273,775	Offer Shares	12,072,737.75
<u>482,909,510</u>	Bonus Shares	<u>4,829,095.10</u>
<u>1,931,638,040</u>		<u>19,316,380.40</u>

All the Adjusted Shares in issue, Offer Shares and Bonus Shares to be issued rank and will rank pari passu in all respects with each other including as regards to dividends, voting and return of capital.

As at the Latest Practicable Date, the Company has no options, warrants or conversion rights convertible into Shares.

The Adjusted Shares are listed on the Stock Exchange. No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

3. DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors was a director or an employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, any Directors or chief executive of the Company, the following persons had interests or short positions in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company and the amount of each of such persons' interests in such securities, together with particulars of any options in respect of such capital were as follows:

Position in the Adjusted Shares and underlying shares of the Company

Name of Shareholder	Capacity or Nature of Interests	Number of Adjusted Shares		Approximate percentage of issued share capital of the Company
		Long position	Short position	
Star Advance International Limited (Note)	Beneficial owner	70,000,000	—	28.99%

Note: Star Advance International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Fong Shing Kwong.

Positions in the Offer Shares and Bonus Shares

Name of Shareholder	Capacity or Nature of Interests	Number of Adjusted Shares	Approximate percentage of issued share capital of the Company (as enlarged by the issue of the Offer Shares and the Bonus Shares)
The Underwriter	Beneficial owner	1,690,183,285	87.50%
Chu Yuet Wah (<i>Note</i>)	Interest of a controlled corporation	1,690,183,285	87.50%

Note: The 1,690,183,285 Shares are the Offer Shares (with Bonus Shares) which the Underwriter has undertaken to underwrite in respect of the Open Offer. The Underwriter is wholly owned by Galaxy Sky Investments Limited, which in turn is wholly owned by Kingston Capital Asia Limited. The latter is wholly owned by Kingston Financial Group Limited, which is in turn owned as to 43.68% by Active Dynamic Limited, which is in turn wholly owned by Chu Yuet Wah. Chu Yuet Wah is therefore deemed to be interested in the 1,690,183,285 Adjusted Shares held by the Underwriter under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would require to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

4. EXPERT AND CONSENT

The following is the qualification of the expert who has given its advice or opinion which is contained in this Prospectus:

Name	Qualification
Parker Randall CF (H.K.) CPA Limited	Certified Public Accountants

Parker Randall CF (H.K.) CPA Limited has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter as set out in this Prospectus and reference to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, Parker Randall CF (H.K.) CPA Limited did not have any beneficial interest in the share capital of the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company, or any interest, either

direct or indirect, in any assets which had been since 31 December 2010 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to the Company.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, so far as known to the Directors, there is no litigation, arbitration or claim of material importance in which the Company is engaged or pending or threatened against the Company.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

7. MATERIAL CONTRACTS

During the two years immediately preceding the date of this Prospectus, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company and are or may be material:

- (a) an agreement for the sale and purchase of shares pursuant to which the Company acquired 2.56% interest in the capital of Morning Star Financial Services Limited from Knight Partners Limited at a consideration of HK\$1,320,000 dated 15 October 2009;
- (b) an agreement for the sale and purchase of shares pursuant to which the Company acquired 0.45% interest in the capital of Morning Star Financial Services Limited from Firstway International Investment Limited at a consideration of HK\$231,000 dated 3 November 2009;
- (c) the sale and purchase agreement dated 3 December 2010 entered into between Morning Star Financial Services Limited and Pool Heng Nominees Limited as the vendors and VMS Investment Group Limited as the purchaser in relation to the disposal of the entire issued share capital in Morning Star Securities Limited by the vendors to the purchaser; and
- (d) the Underwriting Agreement.

8. EXPENSES

The estimated expenses in connection with the Capital Reorganisation, the Open Offer (with Bonus Issue) (including but not limited to the underwriting commission, printing, registration, financial advisory, legal, professional and accounting charges) and the Amendments to Articles of Association are approximately HK\$7.71 million and are payable by the Company.

9. PARTIES

PARTICULARS OF DIRECTORS

(i) Name	Address
<i>Executive Directors:</i>	
Mr. SUNG Wai Man, Peter	Unit 1803, 18th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong
Mr. CHI Chi Hung, Kenneth	Unit 1803, 18th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong
Mr. YEUNG Kwok Leung	Unit 1803, 18th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong
<i>Non-Executive Director:</i>	
Mr. TSO Shiu Kei, Vincent	Unit 1803, 18th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong
<i>Independent Non-Executive Directors:</i>	
Ms. SO Wai Lam	Unit 1803, 18th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong
Ms. CHAN Hoi Ling	Unit 1803, 18th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong
Mr. SUNG Yat Chun	Unit 1803, 18th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong

(ii) Biographical Details of Directors*Executive Directors*

Mr. SUNG Wai Man, Peter

Mr. Peter SUNG, aged 57, has over 26 years of experience in the hospitality and travel industry. He has invested and built an online worldwide hotel booking system and developed the hotel business in China. He has also been the managing director of a private equity fund. He has extensive connections with airlines, hotels and tourism bureaus and business connections. Currently, he is a member of the Travel Industry Council as well as the Pacific Area Tourism Association.

Mr. CHI Chi Hung, Kenneth

Mr. CHI, aged 42, has over 18 years of experience in accounting and financial control. He holds a bachelor's degree in accountancy from the Hong Kong Polytechnic University, and was admitted as a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. YEUNG Kwok Leung

Mr. YEUNG, aged 37, holds a bachelor's degree in accountancy and has over 15 years of experience in auditing, financial controlling, accounting, corporate development as well as business strategies. He was admitted as a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Non-Executive Director

Mr. TSO Shiu Kei, Vincent

Mr. TSO, aged 44, is a solicitor practising in Hong Kong and a partner of K&L Gates, a solicitors' firm. He has extensive experience in corporate finance, corporate supervision and China practice in Hong Kong. Mr. TSO obtained a bachelor's degree in laws and a bachelor's degree in commerce from the University of Queensland, Australia. He was qualified as a solicitor in Australia in 1992.

Independent Non-Executive Directors

Ms. SO Wai Lam

Ms. SO, aged 29, holds a bachelor's degree in science with double majors in mathematics and statistics from the University of British Columbia in Canada. Ms. SO has over 7 years of experience in the corporate finance industry.

Ms. CHAN Hoi Ling

Ms. CHAN, aged 37, graduated from the University of South Australia with a bachelor's degree in accountancy. Ms. CHAN has extensive experience in auditing and accounting. Ms. CHAN was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants and the Australian Society of Certified Practising Accountants.

Mr. SUNG Yat Chun

Mr. SUNG, aged 32, is holder of a bachelor of science degree from the University of Western Sydney, Australia. Mr. SUNG specialises in product research and in-house operations, and is responsible for trading procedures for investment adviser. Mr. SUNG has been a compliance manager for United Overseas Bank and an operations officer for Success Securities Limited. He is also a member of the US National Futures Association and chief operation officer of STI Wealth Management Ltd. His product knowledge and long association with innovative strategies has allowed him to provide uniquely diversified solutions to clients' investments.

10. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Registered office	The Offices of Caledonian Bank & Trust Limited, P.O. Box 1043, George Town Grand Cayman KY1-1102, Cayman Islands
Principal place of business in Hong Kong	Unit 1803, 18th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong
Authorised representatives	CHI Chi Hung, Kenneth SUNG Wai Man, Peter
Company secretary	CHI Chi Hung, Kenneth, certified public accountant
Auditor	Parker Randall CF (H.K.) CPA Limited Suite 201, Two Grand Tower, 625 Nathan Road, Kowloon, Hong Kong
Underwriter	Kingston Securities Limited Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

Legal Advisers	<p><i>On Hong Kong Law:</i> D.S. Cheung & Co. 29th Floor, Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong</p> <p><i>On Cayman Islands law:</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
Principal Bankers	<p>CITIC Bank International Limited Citibank, N.A. Hang Seng Bank Limited Malayan Banking Berhad The Bank of East Asia, Limited The Hongkong and Shanghai Banking Corporation Limited</p>
Principal Registrar in the Cayman Islands	<p>Caledonian Bank & Trust Limited P.O. Box 1043, George Town Grand Cayman Cayman Islands British West Indies</p>
Branch Registrar in Hong Kong	<p>Tricor Tengis Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong</p>

11. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company since 31 December 2010, being the date to which the latest published audited accounts of the Company were made up.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of the Company.

The English text of this Prospectus shall prevail over the Chinese text in the case of inconsistency.

12. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Prospectus Documents and the consent letter as referred to under the paragraph headed “Expert and Consent” in this Appendix, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at Unit 1803, 18th Floor, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong from the date of this Prospectus up to and including 23 May 2011:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from Parker Randall CF (H.K.) CPA Limited on the unaudited pro forma financial information of the Group, the text of which is set out on pages 22 and 23 of this Prospectus;
- (c) the annual reports of the Company for the years ended 31 December 2009 and 31 December 2010;
- (d) the material contracts as referred to in the section headed “material contracts” in this appendix;
- (e) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (f) this Prospectus.