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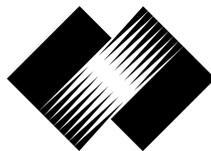
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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional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

**If you have sold or transferred** all your shares in **Luoyang Glass Company Limited (the “Company”)**, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**洛阳玻璃股份有限公司**

**LUOYANG GLASS COMPANY LIMITED**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 1108)

**REVISION OF 2011 ANNUAL CAP  
FOR A CONTINUING CONNECTED TRANSACTION  
AND REAPPOINTMENT OF AUDITORS**

**Financial Adviser to Luoyang Glass Company Limited**

寶  
橋

BRIDGE PARTNERS

**BRIDGE PARTNERS CAPITAL LIMITED**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders of Luoyang Glass Company Limited**



**高銀融資有限公司**

GOLDIN FINANCIAL LIMITED

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A letter from the Independent Board Committee (as defined herein) is set out on page 8 to 9 of this circular. A letter from Goldin Financial Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders (as defined herein), containing its advice to the Independent Board Committee and the Independent Shareholders is set out on page 10 to 18 of this circular.

A notice of the second extraordinary general meeting 2011 of the Company (the “EGM”) to be held at 9:00 a.m. on 20 July 2011 (Wednesday) at the conference room of the Company on 1st Floor, No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the People’s Republic of China (the “PRC”) is set out on page 22 to 24 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s share registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1901-5, Hopewell Centre, 183 Queen’s Road East, Hong Kong, or to the Company’s registered address at No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC as soon as possible and in any event not less than 24 hours before the time appointed for 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 adjournment thereof should you so wish.

2 June 2011

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## TABLE OF CONTENTS

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	<i>Page</i>
Definitions .....	ii
Letter from the Board .....	1
Letter from the Independent Board Committee .....	8
Letter from Goldin Financial .....	10
Appendix - General information .....	19
Notice of the Second Extraordinary General Meeting 2011 .....	22

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 13 May 2011 relating to the Revised 2011 Annual Cap
“associate”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“CLFG”	中國洛陽浮法玻璃集團有限責任公司 (China Luoyang Float Glass (Group) Company Limited*), a company incorporated in the PRC with limited liability and the controlling shareholder of the Company holding 31.80% equity interest in the Company
“CNBMG”	China National Building Material Group Corporation, a wholly state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“Company”	洛陽玻璃股份有限公司 (Luoyang Glass Company Limited*), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the main board of the Stock Exchange (stock code: 1108)
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors of the Company
“EGM”	the second extraordinary general meeting 2011 of the Company to be held at 9:00 a.m. on 20 July 2011 (Wednesday) to consider and, if thought fit, approve ordinary resolutions in respect of, among other things, the Master Agreement, the Revised 2011 Annual Cap and the Reappointment of Auditors
“Existing Continuing Connected Transaction”	the existing continuing connected transaction contemplated under the Huayi Glass Supply Agreement and the Supplemental Agreement

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## DEFINITIONS

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“Goldin Financial”	Goldin Financial Limited, a licensed corporation under the SFO licensed to carry on Type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders as to the Master Agreement and the Revised 2011 Annual Cap
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huayi CCT Transaction”	the continuing connected transaction contemplated under the Huayi Glass Supply Agreement and the Supplemental Agreement
“Huayi Glass”	安徽省蚌埠華益導電膜玻璃有限公司 (Anhui Province Bangbu Huayi Glass Company Limited*), a limited liability company incorporated in the PRC and an associate of CNBMG
“Huayi Glass Supply Agreement”	the Huayi Glass Supply Agreement dated 24 April 2009 entered into between Longhai Glass as supplier and Huayi Glass as purchaser, details of which were disclosed in the Company’s announcement dated 24 April 2009
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Zhang Zhanying, Mr. Guo Aimin, Mr. Huang Ping and Mr. Dong Jiachun, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders as to the Master Agreement and the Revised 2011 Annual Cap
“Independent Shareholders”	Shareholders other than CLFG and its associates
“Latest Practicable Date”	30 May 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information containing herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Longhai Glass”	洛玻集團洛陽龍海電子玻璃有限公司 (CLFG Luoyang Longhai Electronic Glass Company Limited*), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of the Company
“Longmen Glass”	洛玻集團龍門玻璃有限責任公司 (CLFG Longmen Glass Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Master Agreement”	a new supply framework agreement dated 13 May 2011 entered into between the Company as supplier and Huayi Glass as purchaser, pursuant to which the Company and/or any of its subsidiary(ies) has agreed to supply super-thin float flat glass to Huayi Glass for an aggregate value not exceeding RMB180 million for the year ending 31 December 2011
“New Continuing Connected Transaction”	the continuing connected transaction contemplated under the Master Agreement
“Original Approved Caps”	the maximum amounts of the aggregate annual values in respect of the Huayi CCT Transaction for each of the two years ending 31 December 2010 and 31 December 2011 as approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 20 August 2010
“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong and the Macau Special Administrative Region of the PRC and Taiwan
“Reappointment of Auditors”	the reappointment of Daxin Certified Public Accountants and PKF Certified Public Accountants as the domestic and international auditors of the Company for the year 2011 respectively
“Revised 2011 Annual Cap”	the proposed annual cap of not more than RMB180 million for the Huayi CCT Transaction and the transaction contemplated under the Master Agreement for the year ending 31 December 2011
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of RMB1.00 each of the Company
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning as ascribed to it under the Listing Rules
“substantial shareholders”	has the same meaning as ascribed to it under the Listing Rules
“Supplemental Agreement”	the supplemental agreement to the Huayi Glass Supply Agreement dated 10 June 2010 entered into between Longhai Glass and Huayi Glass
“%”	per cent

\* *Denotes English translation of the name of a Chinese company or entity and is provided for identification purposes only.*



**洛阳玻璃股份有限公司**

**LUOYANG GLASS COMPANY LIMITED**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 1108)

*Executive Directors:*

Mr. Song Jianming (*Chairman*)  
Mr. Ni Zhisen  
Ms. Song Fei  
Mr. Cheng Zonghui

*Registered office:*

No. 9 Tang Gong Zhong Lu  
Xigong District  
Luoyang Municipal  
Henan Province  
the PRC

*Non-executive Directors:*

Mr. Zhao Yuanxiang  
Mr. Zhang Chengong  
Mr. Guo Yimin

*Independent non-executive Directors:*

Mr. Zhang Zhanying  
Mr. Guo Aimin  
Mr. Huang Ping  
Mr. Dong Jiachun

2 June 2011

*To the Shareholders,*

Dear Sir or Madam,

**REVISION OF 2011 ANNUAL CAP  
FOR A CONTINUING CONNECTED TRANSACTION  
AND REAPPOINTMENT OF AUDITORS**

**INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the New Continuing Connected Transaction contemplated under the Master Agreement in respect of the supply of super-thin float flat glass to Huayi Glass and the circular of the Company dated 2 July 2010 in relation to, among other things, the Huayi CCT Transaction under the Supplemental Agreement.

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## LETTER FROM THE BOARD

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On 10 June 2010, the Supplemental Agreement was entered into between Longhai Glass, a wholly-owned subsidiary of the Company, as supplier, and Huayi Glass, as purchaser, pursuant to which Longhai Glass agreed to supply super-thin float flat glass to Huayi Glass for an aggregate value not exceeding RMB80,020,000 and RMB100,080,000 for each of the two years ending 31 December 2010 and 31 December 2011, respectively. The Supplemental Agreement and the Original Approved Caps were approved by the then Independent Shareholders at the Company's extraordinary general meeting held on 20 August 2010.

On 13 May 2011, the Company entered into the Master Agreement with Huayi Glass in relation to the Revised 2011 Annual Cap. Instead of entering into agreements for each continuing connected transaction by the relevant Company's subsidiaries with Huayi Glass for the supply of super-thin float flat glass products, the Master Agreement sets out the framework within which the key terms, conditions and the general pricing principles of the New Continuing Connected Transaction between the Company's subsidiaries and Huayi Glass have been determined. The Existing Continuing Connected Transaction will be replaced by the New Continuing Connected Transaction upon approval by the Independent Shareholders at the EGM. Save for the Revised 2011 Annual Cap, the terms and conditions of the Master Agreement are substantially the same as those of the Supplemental Agreement.

Reference is also made to the announcement of the Company dated 26 May 2011. On 26 May 2011, the Board resolved to reappoint Daxin Certified Public Accountants and PKF Certified Public Accountants as the domestic and international auditors of the Company for the year 2011 respectively.

The purpose of this circular is to provide you with (i) further details of the Master Agreement, the Revised 2011 Annual Cap and the Reappointment of Auditors; (ii) the recommendations from the Independent Board Committee; (iii) the letter of advice from Goldin Financial to the Independent Board Committee and the Independent Shareholders and (iv) a notice to convene the EGM at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Master Agreement, the Revised 2011 Annual Cap and the Reappointment of Auditors.

### **DETAILS OF THE REVISED 2011 ANNUAL CAP**

#### **MASTER AGREEMENT**

Date: 13 May 2011

Parties: The Company, as supplier  
Huayi Glass, as purchaser

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## LETTER FROM THE BOARD

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Pursuant to the Master Agreement, the Company and/or any of its subsidiary(ies) (including Longhai Glass) has agreed to supply super-thin float flat glass to Huayi Glass at a price to be determined with reference to the prevailing market price at the time of transaction. The price offered to Huayi Glass by the Company will not be less than that offered to other third parties. The expected annual transaction amount under the Master Agreement for the year ending 31 December 2011 will not be more than RMB180 million. Huayi Glass shall pay in advance for each sales transaction before the Company or its subsidiaries deliver the super-thin float flat glass.

### Revised 2011 Annual Cap

The Revised 2011 Annual Cap of not more than RMB180 million is determined based on the management's internal projection of the expected value of the goods to be sold to Huayi Glass by the Company and its subsidiaries (including Longhai Glass) after taking into account (i) the expected Huayi Glass's demand for super-thin float flat glass for the year ending 31 December 2011 and (ii) the expected increase in the selling price of the A-grade super-thin float flat glass in the PRC with reference to the prevailing market price.

Set out below are (i) the transaction amounts for the year ended 31 December 2010 and the four months ended 30 April 2011 under the Huayi CCT Transaction; (ii) the existing 2010 and 2011 annual cap under the Supplemental Agreement and (iii) the proposed Revised 2011 Annual Cap:

<b>Transaction amount for the year ended 31 December 2010 under Huayi CCT Transaction <i>RMB'000</i></b>	<b>Transaction amount for the four months ended 30 April 2011 under Huayi CCT Transaction <i>RMB'000</i></b>	<b>Existing 2010 annual cap under the Supplemental Agreement <i>RMB'000</i></b>	<b>Existing 2011 annual cap under the Supplemental Agreement <i>RMB'000</i></b>	<b>Proposed Revised 2011 Annual Cap <i>RMB'000</i></b>
73,106	34,659	80,020	100,080	180,000

As referred to the table above, the historical transaction amount for the year ended 31 December 2010 under Huayi CCT Transaction amounted to RMB73.106 million, representing approximately 91.36% of the approved annual cap for the year ended 31 December 2010 under the Supplemental Agreement. In view of (i) the continuous business cooperation with Huayi Glass and (ii) Longmen Glass becoming a new supplier to supply super-thin float flat glass to Huayi Glass, the Directors consider that the Revised 2011 Annual Cap is fair and reasonable.

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## LETTER FROM THE BOARD

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### REASONS FOR ENTERING INTO THE MASTER AGREEMENT AND THE REVISION OF THE EXISTING 2011 ANNUAL CAP

In light of (1) the continuous business cooperation with Huayi Glass and the expected increase in the price and demand for the super-thin float flat glass; (2) Longmen Glass (a wholly-owned subsidiary of the Company which is principally engaged in production and sale of float sheet glass) becoming a new supplier to supply super-thin float flat glass to Huayi Glass and (3) the flexibility that could be provided to the Group from the New Continuing Connected Transaction for catering the changing business circumstances of the subsidiaries of the Company, the Company entered into the Master Agreement with Huayi Glass on 13 May 2011. Instead of entering into agreements for each continuing connected transaction by the relevant Company's subsidiaries with Huayi Glass for the supply of super-thin float flat glass products, the Master Agreement sets out the framework within which the key terms and conditions and the general pricing principles of the New Continuing Connected Transaction between the Company's subsidiaries and Huayi Glass have been determined. The Existing Continuing Connected Transaction will be replaced by the New Continuing Connected Transaction upon approval by the Independent Shareholders at the EGM. Save for the Revised 2011 Annual Cap, the terms and conditions of the Master Agreement are substantially the same as those of the Supplemental Agreement. The Master Agreement shall take effect after signing by the parties thereto and upon approval by the Independent Shareholders at the EGM, and will have a term up to 31 December 2011.

The Directors consider that the entering into of the Master Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group and the Revised 2011 Annual Cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### INFORMATION OF THE GROUP AND HUAYI GLASS

The Group is principally engaged in the production and sale of float sheet glass and reprocessed automobile glass.

Huayi Glass is principally engaged in the business of production and sale of indium tin oxide conductive coating glass, vacuum coated glass, relevant machinery and equipment and electrical products. It is an associate of CNBMG, which is the ultimate controlling shareholder of the Company.

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## LETTER FROM THE BOARD

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### **LISTING RULES IMPLICATION**

Huayi Glass is an associate of CNBMG (the ultimate controlling shareholder of CLFG, who holds 159,018,242 shares of the Company, and the Company). By virtue of their interests in the Company, CLFG, CNBMG and Huayi Glass are regarded as connected persons of the Company under the Listing Rules. CLFG together with its associates will abstain from voting at the EGM. Mr. Zhao Yuanxiang, Mr. Zhang Chengong and Mr. Guo Yimin, the non-executive Directors of the Company, have abstained from voting to approve the Master Agreement and the Revised 2011 Annual Cap in the Board meeting due to the fact that they are senior management of CLFG or its controlling shareholder and therefore not regarded as independent to make any recommendation to the Board in this regard.

Pursuant to Rule 14A.36 of the Listing Rules, the Company is required to re-comply with Rules 14A.35(3) and (4) of the Listing Rules in respect of the Revised 2011 Annual Cap. Since the proposed Revised 2011 Annual Cap is more than 5% of the applicable percentage ratios, the transaction contemplated under the Master Agreement constitutes a non-exempt continuing connected transaction of the Company under Rule 14A.35 of the Listing Rules.

### **REAPPOINTMENT OF AUDITORS**

Reference is made to the announcement of the Company dated 26 May 2011.

Daxin Certified Public Accountants and PKF Certified Public Accountants have been the domestic and international auditors of the Company for the year 2010 respectively. In view of their thorough understanding of the Company and their high professional level, on 26 May 2011, the Board resolved to reappoint the above audit firms as the domestic and international auditors of the Company for the year 2011. Ordinary resolution regarding the Reappointment of Auditors will be proposed at the EGM for the Shareholders' consideration and approval.

### **EGM**

The EGM will be held at 9:00 a.m. on 20 July 2011 (Wednesday) at the conference room of the Company on 1st Floor, No.9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC. The purpose of the EGM is for the Independent Shareholders to consider and, if thought fit, approve the Master Agreement and the Revised 2011 Annual Cap and for the Shareholders to consider and, if thought fit, approve the Reappointment of Auditors. At the EGM, voting of the Shareholders will be conducted by way of poll.

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## LETTER FROM THE BOARD

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A notice of the EGM is set out on page 22 to 24 of this circular. A form of proxy use at the EGM is also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1901-5, Hopewell Centre, 183 Queen's Road East, Hong Kong, or to the Company's registered address at No.9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC as soon as possible and in any event not less than 24 hours before the time appointed for 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 meetings should you so wish.

An announcement will be made by the Company following conclusion of the EGM to inform the Shareholders of the results of the EGM.

### RECOMMENDATION

The Board (with the opinion of the Independent Board Committee set out in the section headed "Letter from the Independent Board Committee" in this circular) considered that the entering into of the Master Agreement and the Revised 2011 Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board also considered that the Reappointment of Auditors is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends (i) the Independent Shareholders to vote in favour of the resolutions with respect to the Master Agreement and the Revised 2011 Annual Cap and (ii) the Shareholders to vote in favour of the Reappointment of Auditors to be proposed at the EGM.

The Independent Board Committee, having taken into account of the advice of Goldin Financial, is of the opinion that the entering into of the Master Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms, and the Master Agreement and the Revised 2011 Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions as set out in the notice of EGM to approve the Master Agreement and the Revised 2011 Annual Cap.

Your attention is drawn to the letter from the Independent Board Committee as set out on page 8 to 9 of this circular which contains its recommendation to the Independent Shareholders in relation to the Master Agreement and the Revised 2011 Annual Cap. Your attention is also drawn to the letter of advice from Goldin Financial as set out on page 10 to 18 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Master Agreement and the Revised 2011 Annual Cap. You are advised to read the said letters from the Independent Board Committee and Goldin Financial before deciding how to vote at the EGM.

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**LETTER FROM THE BOARD**

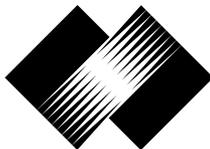
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**ADDITIONAL INFORMATION**

Your attention is drawn to the additional information as set out in the appendix to this circular and the notice of EGM.

By order of the Board of  
**LUOYANG GLASS COMPANY LIMITED**  
**Song Jianming**  
*Chairman*

Luoyang, the PRC



**洛阳玻璃股份有限公司**

**LUOYANG GLASS COMPANY LIMITED**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 1108)

2 June 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**REVISION OF 2011 ANNUAL CAP  
FOR A CONTINUING CONNECTED TRANSACTION**

We refer to the circular dated 2 June 2011 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Master Agreement and the Revised 2011 Annual Cap and to advise the Independent Shareholders as to whether, in our opinion, the entering into of the Master Agreement and the Revised 2011 Annual Cap are fair and reasonable so far as the Independent Shareholders are concerned. Goldin Financial has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Agreement and the Revised 2011 Annual Cap.

We wish to draw your attention to the (i) “Letter from the Board”; (ii) “Letter from Goldin Financial” to the Independent Board Committee and the Independent Shareholders which contains its advice in respect of the terms of the Master Agreement and the Revised 2011 Annual Cap and (iii) additional information as set out in the appendix of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Master Agreement and the Revised 2011 Annual Cap, and having taken into account of the opinion of Goldin Financial and, in particular, the factors, reasons and recommendations as set out in the “Letter from Goldin Financial” on page 10 to 18 of the Circular, we consider that the entering into of the Master Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms, and the Master Agreement and the Revised 2011 Annual Cap are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions which will be proposed at the EGM to approve the Master Agreement and the Revised 2011 Annual Cap.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

Mr. Zhang Zhanying

Mr. Guo Aimin

Mr. Huang Ping

Mr. Dong Jiachun

*Independent non-executive Directors*

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## LETTER FROM GOLDIN FINANCIAL

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*The following is the full text of the letter from Goldin Financial setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Master Agreement and the Revised 2011 Annual Cap, which has been prepared for the purpose of inclusion in this circular.*



**Goldin Financial Limited**  
23/F  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

2 June 2011

*To the Independent Board Committee and the Independent Shareholders of  
Luoyang Glass Company Limited*

Dear Sirs,

### **REVISION OF 2011 ANNUAL CAP FOR A CONTINUING CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the independent board committee (the “**Independent Board Committee**”) and the independent shareholders ( the “**Independent Shareholders**”) of Luoyang Glass Company Limited (the “**Company**”) in connection with the proposed revision of 2011 annual cap (the “**Revised 2011 Annual Cap**”) of the Company in relation to the sale of super-thin float flat glass (the “**Huayi CCT Transaction**”) contemplated under the supplemental supply agreement (the “**Supplemental Agreement**”) between CLFG Luoyang Longhai Electronic Glass Company Limited (the “**Longhai Glass**”) and Anhui Province Bangbu Huayi Glass Company Limited (the “**Huayi Glass**”) dated 10 June 2010 and a new supply framework agreement (the “**Master Agreement**”) in relation to, among other things, the Revised 2011 Annual Cap entered between the Company and Huayi Glass dated 13 May 2011, details of which are contained in the announcement dated 13 May 2011 (the “**Announcement**”) and in the “Letter from the Board”, on page 1 to page 7 of the circular of the Company dated 2 June 2011 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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## LETTER FROM GOLDIN FINANCIAL

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As Huayi Glass is an associate of CNBMG (the ultimate controlling shareholder of CLFG, who holds 159,018,242 Shares of the Company, and the Company), by virtue of their interests in the Company, CLFG, CNBMG and Huayi Glass are regarded as connected persons of the Company. The entering into of the Master Agreement constitutes a continuing connected transaction of the Company. Pursuant to Rule 14A.36 of the Listing Rules, the Company is required to re-comply with Rules 14A.35(3) and (4) of the Listing Rules in respect of the Revised 2011 Annual Cap. Since the proposed Revised 2011 Annual Cap under the Master Agreement is more than 5% of applicable percentage ratios, the transactions contemplated under the Master Agreement constitute a non-exempt continuing connected transaction of the Company under Rule 14A.35 of the Listing Rules. Accordingly, the Company will seek approval from the Independent Shareholders for the Master Agreement and the Revised 2011 Annual Cap by way of poll at the EGM.

Mr. Zhao Yuanxiang, Mr. Zhang Chengong and Mr. Guo Yimin, being the non-executive Directors of the Company, have abstained from voting to approve the Master Agreement and the Revised 2011 Annual Cap in the Board meeting due to the fact that they are senior management of CLFG or its controlling shareholders and therefore not regarded as independent to make any recommendation to the Board.

The Independent Board Committee comprising Mr. Zhang Zhanying, Mr. Guo Aimin, Mr. Huang Ping and Mr. Dong Jiachun, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Master Agreement and the Revised 2011 Annual Cap.

### **BASIS OF OUR ADVICE**

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the Supplemental Agreement and the Master Agreement. We have also reviewed certain information provided by the management of the Company relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the Master Agreement, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

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## LETTER FROM GOLDIN FINANCIAL

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All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts not contained in the Announcement and the Circular, the omission of which would make any statement in the Announcement and the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for, the Master Agreement and to justify reliance on the accuracy of the information contained in the Announcement and the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the date of the Announcement and the Circular.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Master Agreement and the Revised 2011 Annual Cap, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In assessing the Master Agreement and the Revised 2011 Annual Cap and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

#### **Background to, reasons for, and benefits of, entering into the Master Agreement**

##### *Background of the Group, Huayi Glass and the New Continuing Connected Transaction*

The Group is principally engaged in the production and sale of float sheet glass and reprocessed automobile glass and is one of the largest manufacturers and distributors of float glass in the PRC.

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## LETTER FROM GOLDIN FINANCIAL

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In performing its ordinary course of businesses, the Group has been from time to time carrying out transactions with its connected persons. Indeed, the Group has been carrying on transactions pursuant to a number of supply agreements including, among others, the Huayi Glass Supply Agreement with Huayi Glass for the Huayi CCT Transaction on 24 April 2009. In addition, as disclosed in the circular of the Company dated 2 July 2010, among other things, Longhai Glass and Huayi Glass entered into the Supplemental Agreement on 10 June 2010. Pursuant to the Supplemental Agreement, Longhai Glass has agreed to supply super-thin float flat glass to Huayi Glass with the Original Approved Caps of RMB80,020,000 and RMB100,080,000 for each of the two years ending 31 December 2010 and 31 December 2011, respectively.

Having considered that (i) the continuous business cooperation with Huayi Glass and the expected increase in the price and demand for the super-thin float flat glass; (ii) Longmen Glass (a wholly owned subsidiary of the Company which is principally engaged in production and sale of float sheet glass) becoming a new supplier to supply super-thin float flat glass to Huayi Glass; and (iii) the flexibility that could be provided to the Group from the New Continuing Connected Transaction for catering the changing business circumstances of the subsidiaries of the Company, the Company and Huayi Glass entered into the Master Agreement on 13 May 2011. Instead of entering into agreements for each continuing connected transaction by the relevant Company's subsidiaries with Huayi Glass for the supply of super-thin float flat glass products, the Master Agreement sets out the framework within which the key terms and conditions and the general pricing principles of the New Continuing Connected Transaction between the Company's subsidiaries and Huayi Glass have been determined.

Huayi Glass is principally engaged in the businesses of production and sales of Indium-tin Oxide (ITO) conductive coating glass, vacuum coated glass, relevant machinery and equipment and electrical products. As advised by the management of the Company, super-thin float flat glass is one of the components of Huayi Glass's products. The Huayi CCT Transaction has been conducted in the ordinary and usual course of respective businesses of the Group and Huayi Glass.

The New Continuing Connected Transaction is in substance an extension of the Huayi CCT Transaction and is necessary to reflect the increasing trend of price and demand for the super-thin float flat glass and to provide the aforesaid flexibility. Based on the historical transactions for the Huayi CCT Transaction between the Company and Huayi Glass, we concur with the Directors' view that the New Continuing Connected Transaction is expected to increase the revenue of the Group, bring synergies to the parties and/or provide the Group with overall business and operational convenience. We are of the view that the New Continuing Connected Transaction is in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM GOLDIN FINANCIAL

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### *Terms and conditions of the Master Agreement*

Pursuant to the Master Agreement, the Company and/or any of its subsidiary(ies) (including Longhai Glass) has agreed to supply super-thin float glass to Huayi Glass at a price to be determined with reference to the prevailing market price at the time of transaction. The price offered to Huayi Glass by the Company will not be less than that offered to other third parties. The expected annual transaction amount under the Master Agreement for the year ending 31 December 2011 will not be more than RMB180 million. Huayi Glass shall pay in advance for each sales transaction before the Company or its subsidiaries deliver the super-thin float flat glass. The Directors confirmed to us that, save for the Revised 2011 Annual Cap, the terms and conditions of the Master Agreement are substantially the same as those of the Supplemental Agreement.

In assessing the terms of the transactions under the Supplemental Agreement, we have reviewed sample copies of the invoices issued by the Group to independent third parties and compared them with those issued to Huayi Glass. Based on our review, we noted that the prices were charged at market prices comparable to those charged to independent third parties under normal commercial terms.

### *Increasing demand for LCD TV*

As advised by the management of the Company, the super-thin float glass supplied by the Group to Huayi Glass can be widely utilized for the manufacture of electronic products such as liquid crystal display (LCD) products, mobile phone protection screen, touch screen, air-conditioner display and television (TV) decoration plate and the products of Huayi Glass are mainly sold to the LCD TV manufacturers. In order to assess the commercial justification of revising the cap of the transactions contemplated under the Master Agreement, we have conducted researches from public domains on the future outlook and prospects of the LCD TV industry.

According to the “Statistical Communique of the People’s Republic of China on the 2010 National Economic and Social Development” released by the National Bureau of Statistics of China dated 28 February 2011, the output of colour TV sets in 2010 had increased by approximately 19.5% to approximately 118.30 million as compared to that of 2009, of which the output of the LCD TV sets increased by approximately 32.1% to approximately 89.38 million as compared to that of 2009. It is expected that the demand for Huayi’s ITO conductive coating glass, being one of the major raw materials for making LCD TV, would increase as a result of the increase in the production of LCD TV.

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## LETTER FROM GOLDIN FINANCIAL

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The Chinese government has implemented a number of policies to improve the livelihood of the rural population as well as foster greater domestic demand in the PRC. Among all these policies, the “Home Appliances to Countryside” and the “Home Appliance Trade-in Policy” are considered to be beneficial to the China TV industry. The Chinese government fully implemented the “Home Appliances to Countryside” program in February 2009. This subsidy program is nationwide and effective until 31 January 2013. It covers a total of ten home appliances ranging from TV sets, air conditioners, washing machines and microwave ovens, etc.. Another program called the “Home Appliance Trade-in Policy” started its pilots in nine provinces and cities from 1 June 2009 to 31 May 2010. It was announced in the Chinese national conference held by the Ministry of Commerce, the Ministry of Finance and the Ministry of Environmental Protection on 3 June 2010 that the pilots of “Home Appliance Trade-in Policy” would be further expanded to additional 19 provinces and cities and such policy was approved by the State Council of the PRC. This subsidy program would be implemented until 31 December 2011. This would increase incentives for urban dwellers to swap old cathode ray tube TVs with new LCD TVs.

### *Higher volume of New Continuing Connected Transaction*

It is expected that the aforesaid policies shall promote the consumption of LCD TV and upgrade TV facilities in rural areas. The management of the Company expects that the glass industry, in which both of the Group and Huayi Glass are principally engaged in, would be benefited from the aforesaid policies. It is expected that the derived demand for the Group’s glass products would be benefited from the increasing demand for the LCD TVs. Therefore, we consider that the Company has reasonable ground to revise the cap so as to accommodate such expected increase in the relevant transactions.

Having considered that (i) the Huayi CCT Transaction has been carried out by the Group in its ordinary course of business and the New Continuing Connected Transaction is in substance an extension of the Huayi CCT Transaction; (ii) the terms and conditions of the Master Agreement (except for the estimated cap amounts) are substantially the same as those of the Supplemental Agreement; (iii) the derived demand for the Group’s glass products to be resulted from the increasing demand for LCD TV; and (iv) the volume of New Continuing Connected Transaction is expected to increase, we are of the view that the New Continuing Connected Transaction is in the interest of the Company and the Shareholders as a whole and the Master Agreement and the Revised 2011 Annual Cap are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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## LETTER FROM GOLDIN FINANCIAL

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### REVISION OF ANNUAL CAP

The historical transacted amounts, the existing 2011 annual cap and the proposed Revised 2011 Annual Cap under the Huayi Glass Supply Agreement, the Supplemental Agreement and the Master Agreement respectively are set out as follows:

<b>Historical Transaction Amounts</b>				<b>Existing 2011</b>	<b>Proposed</b>
<b>For the year ended 31 December</b>			<b>For the four</b>	<b>annual cap</b>	<b>Revised 2011</b>
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>months ended</b>	<b>under the</b>	<b>Annual Cap</b>
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>30 April 2011</b>	<b>Supplemental</b>	<b>Annual Cap</b>
			<i>RMB'000</i>	<b>Agreement</b>	<i>RMB'000</i>
				<i>RMB'000</i>	
18,904	32,645	73,106	34,659	100,080	180,000

As illustrated above, we noted that the historical transaction amounts for 2009 and 2010 represented annual growth rates of approximately 72.69% and approximately 123.94% over 2008 and 2009 respectively. We also noted that the proposed Revised 2011 Annual Cap represents an increase of approximately 79.86% compared with the existing 2011 annual cap. Referring to the Letter from the Board, the Revised 2011 Annual Cap were set based on the management's internal projection on the expected value of the goods to be sold to Huayi Glass after taking into account of (i) the expected Huayi Glass's demand of such products, and (ii) the expected increase in the selling price of the A-grade super-thin float flat glass in the PRC with reference to the prevailing market price. We have reviewed the said projection prepared by the Company and have discussed with the management on the underlying basis and assumptions.

In formulating the said projection, we understand from the management that they have taken into consideration factors such as (i) the business expansion of Huayi Glass in the downstream market which leads to increase in sales volume; (ii) the steady improvement in the quality of the Group's A-grade super-thin float flat glass which induce Huayi Glass to shift some of their purchases from overseas suppliers to the Group; and (iii) Longmen Glass becoming a new supplier to supply super-thin float flat glass to Huayi Glass. Although the Company has only utilized approximately 34.63% of the existing 2011 annual cap for the four months ended 30 April 2011, we consider that the setting of the Revised 2011 Annual Cap by management after making reference to the aforesaid factors is fair and reasonable.

In view of the fact that the Group will be benefited from the sales of super-thin float flat glass as the New Continuing Connected Transaction will increase the Group's revenue, we are of the view that it is of the commercial interest of the Company to maximise the value of the New Continuing Connected Transaction.

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## LETTER FROM GOLDIN FINANCIAL

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In light of the above, we are of the view that the Revised 2011 Annual Cap for the New Continuing Connected Transaction is determined based on the reasonable estimation and after due and careful consideration and that is fair and reasonable for the management of the Company to make reference to the aforesaid factors as the basis to determine such annual cap.

However, the Shareholders should note that as the Revised 2011 Annual Cap is determined based on various factors relating to future events and assumptions which may or may not remain valid for the entire period up to 31 December 2011, they do not represent forecasts of revenue to be generated from the operations of the Group. Consequently, we express no opinion as to how closely the actual amounts to be received by the Group will correspond with the Revised 2011 Annual Cap.

### **LISTING RULES REQUIREMENT**

Pursuant to Rule 14A.36 of the Listing Rules, the Company is required to re-comply with Rules 14A.35(3) and (4) of the Listing Rules in respect of the Revised 2011 Annual Cap. The proposed Revised 2011 Annual Cap under the Master Agreement is more than 5% of applicable percentage ratios, the transactions contemplated under the Master Agreement constitute a non-exempt continuing connected transaction of the Company under Rule 14A.35 of the Listing Rules. The New Continuing Connected Transaction is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. If the Revised 2011 Annual Cap is expected to be exceeded, the Company will ensure re-compliance with Rule 14A.36 of the Listing Rules. The New Continuing Connected Transaction will continue to be subject to the annual review requirements set out in Chapter 14A of the Listing Rules.

### **ANNUAL REVIEW OF THE TRANSACTION**

The revised annual cap for the year ending 31 December 2011 will be subject to the annual review by the independent non-executive Directors, details of which must be included in the Company's subsequent published annual report and accounts. In addition, pursuant to the Listing Rules, the auditors of the Company must provide a letter to the Board confirming, among others, that the New Continuing Connected Transaction is conducted in accordance with their terms and that the Revised 2011 Annual Cap not being exceeded. Moreover, pursuant to the Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of such transactions or the relevant annual cap not being exceeded. We are of the view that there are appropriate measures in place to govern the conduct of the New Continuing Connected Transaction and safeguard the interests of the Independent Shareholders.

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## LETTER FROM GOLDIN FINANCIAL

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### RECOMMENDATIONS

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the above principal factors and reasons, in particular, the following:

- (i) the background to, the reasons for, and the benefits of, entering into the Master Agreement;
- (ii) the basis of determining the Revised 2011 Annual Cap; and
- (iii) the commercial justification for the New Continuing Connected Transaction.

Taking into consideration of the above mentioned principal factors and reasons, we consider that the New Continuing Connected Transaction and the Revised 2011 Annual Cap is fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Master Agreement and the Revised 2011 Annual Cap.

Yours faithfully,  
For and on behalf of  
**Goldin Financial Limited**

**Billy Tang**  
*Director*

## 1. 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.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors, supervisors and chief executive of the Company

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company has an interest or short position in any Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be (i) 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 the Directors, supervisors or chief executives of the Company was taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, entered in the register kept by the Company; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 and Rule 14A.59(11) of the Listing Rules.

None of the Directors has any interest, direct or indirect, in any assets which have been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Group were made up.

None of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

**(b) Substantial Shareholders' and other Shareholders' interests**

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executive of the Company, no other person has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or, who is, directly or indirectly, interested in 10 per cent. (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 members of the Group.

*Long positions in the domestic shares of the Company:*

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of domestic Shares held</b>	<b>Approximate percentage of the total issued domestic share capital of the Company (%)</b>	<b>Approximate percentage of the total issued share capital of the Company (%)</b>
CLFG	Beneficial owner	159,018,242	63.60	31.80
CNBMG ( <i>Note 1</i> )	Interest in controlled corporation	159,018,242	63.60	31.80
China Building Material Glass Company ( <i>Note 1</i> )	Interest in controlled corporation	159,018,242	63.60	31.80

*Note:*

- These 159,018,242 domestic Shares are registered and owned by CLFG. CNBMG is the beneficial owner of CLFG. CNBMG holds 51.70% and 19.00% (totally holding 70.70%) equity interest in CLFG through wholly-owned subsidiaries, China Building Material Glass Company and Bengbu Glass Industry Design Institute respectively. CNBMG is therefore deemed to be interested in 159,018,242 domestic Shares held by CLFG under the SFO.

### 3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### 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, the date to which the latest published audited consolidated financial statements of the Group were made up.

### 5. EXPERT AND CONSENT

The following is the qualification of the expert whose letter is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Goldin Financial	a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Goldin Financial has no shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and has no direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member 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.

Goldin Financial has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and the references to its name, in the form and context in which it appears.

### 6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Huayi Glass Supply Agreement, the Supplemental Agreement and the Master Agreement will be available for inspection at the office of Messrs. Li & Partners at 22nd Floor, World Wide House, Central, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date of this circular.



**洛阳玻璃股份有限公司**

**LUOYANG GLASS COMPANY LIMITED**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 1108)

**NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING 2011**

**NOTICE IS HEREBY** given that the Second Extraordinary General Meeting 2011 (the “**EGM**”) of Luoyang Glass Company Limited (the “**Company**”) will be held at the conference room of the Company on 1st Floor, No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the People’s Republic of China (the “**PRC**”) at 9:00 a.m. on 20 July 2011 (Wednesday) for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

*Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 2 June 2011 (the “Circular”).*

1. To approve and confirm the Master Agreement (a copy of which has been produced to the EGM marked “1” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transaction contemplated thereunder and the implementation thereof, and the Revised 2011 Annual Cap;

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## NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING 2011

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2. To approve, confirm and ratify any one of the Directors for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds, to do or authorise doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the Master Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Master Agreement they may in their discretion consider to be desirable and in the interests of the Company, and all the Directors' acts as aforesaid; and
3. To approve the reappointment of Daxin Certified Public Accountants and PKF Certified Public Accountants as the domestic and international auditors of the Company for the year 2011 respectively and authorization to the Board for determining their remunerations.

By order of the Board  
**Luoyang Glass Company Limited**  
**Song Jianming**  
Chairman

Luoyang, the PRC  
2 June 2011

*As at the date of this notice, the Board comprises four executive Directors: Mr. Song Jianming, Mr. Ni Zhisen, Ms. Song Fei and Mr. Cheng Zonghui; three non-executive Directors: Mr. Zhao Yuanxiang, Mr. Zhang Chengong and Mr. Guo Yimin; and four independent non-executive Directors: Mr. Zhang Zhanying, Mr. Guo Aimin, Mr. Huang Ping and Mr. Dong Jiachun.*

*Notes:*

1. Holders of the Company's A shares who registered in the China Securities Depository and Clearing Corporation Limited, Shanghai Branch, and whose names appear on the register of members maintained by China Securities Depository and Clearing Corporation Limited, Shanghai Branch at the close of trading at 3:00 p.m. on 17 June 2011, are entitled to attend the EGM by presenting their identity cards, share account cards as well as power of attorney and identity cards of proxy(ies) (if applicable) during 8:00 a.m. to 12:00 noon and 2:00 p.m. to 5:30 p.m. on 29 June 2011 at the Secretarial Office of the Board, No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC for registration in relation to attending the EGM; overseas Shareholders may fax the copy of the same to the registered address of the Company on or before 29 June 2011.
2. Holders of the Company's H shares, whose names appear on the register of members maintained by Hong Kong Registrars Limited at the close of trading at 4:00 p.m. on 17 June 2011, are entitled to attend and vote at the EGM. The register of members of the Company's H shares will be closed from 18 June 2011 to 19 July 2011 (both days inclusive), during which period no transfer of H shares will be effected in order to determine the list of holders of H shares eligible to attend the EGM. Holders of H shares of the Company who wish to attend the EGM must lodge all share transfer forms accompanied by the relevant H share certificates with the registrar of the Company's H shares, namely Hong Kong Registrars Limited, at Rooms 1901-5, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:00 p.m. on 17 June 2011.

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## NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING 2011

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3. Any Shareholder entitled to attend and vote at the EGM may appoint a proxy or proxies (who need not be a Shareholder of the Company) to attend and vote at the EGM on his/her behalf. A proxy of a Shareholder who has appointed more than one proxy may only vote on a poll. A proxy needs not be a Shareholder.
4. The principal may appoint a proxy in written form (i.e. through the proxy form enclosed in the Circular). The proxy form shall be signed by the principal or his attorney as authorised. In case that the proxy form is signed by the attorney of the principal, the power of attorney or other authorisation documents must be notarially certified. To be valid, the proxy form, together with a notarially certified copy of the power of attorney or other authorisation documents must be lodged at the Company's share registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1901-5, Hopewell Centre, 183 Queen's Road East, Hong Kong or to the Company's registered address at No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC not less than 24 hours before the time appointed for holding of the EGM or any adjournment thereof.
5. Shareholders who intend to attend the EGM in person or by proxy should complete and return the signed reply slip for attending the meeting to the registered address of the Company on or before 29 June 2011 personally or by mail or fax.
6. Shareholders or their proxies shall produce their proofs of identity when attending the EGM. A proxy who is appointed to attend the EGM shall produce the proxy form at the same time.
7. The EGM is expected to last for not more than one day. Shareholders and proxies attending the EGM should be responsible for their own traveling and accommodation expenses.
8. The Company's registered address is as follows:  
  
No. 9 Tang Gong Zhong Lu, Xigong District  
Luoyang Municipal, Henan Province  
The People's Republic of China  
Postal Code: 471009  
Tel: 86-379-6390 8588  
Fax: 86-379-6325 1984
9. Completion and return of the proxy form will not preclude Shareholders of the Company from subsequently attending and voting in person at the EGM or any adjourned meetings should you so wish.