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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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)

### CONTINUING CONNECTED TRANSACTIONS

**Financial Adviser to Luoyang Glass Company Limited**



**BRIDGE PARTNERS CAPITAL LIMITED**

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



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A letter from the Independent Board Committee (as defined herein) is set out on page 30 to 31 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 32 to 45 of this circular.

A notice of the third extraordinary general meeting 2011 of the Company (the “EGM”) to be held at 9:00 a.m. on 28 December 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 49 to 52 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.

8 November 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 .....	30
Letter from Goldin Financial .....	32
Appendix — General information .....	46
Notice of the Third Extraordinary General Meeting 2011 .....	49

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## DEFINITIONS

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

“associate”	has the same meaning as ascribed to it under the Hong Kong 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
“CLFG Composite Services Agreement”	the composite services agreement dated 18 October 2011 entered into between CLFG and the Company pursuant to which CLFG Group agreed to provide certain composite services to the Group
“CLFG Engineering Technical Services Framework Agreement”	the engineering technical services framework agreement dated 18 October 2011 entered into between CLFG and the Company, pursuant to which CLFG Group agreed to provide certain technical services to the Group
“CLFG Group”	CLFG, its controlling shareholder and their respective controlled companies/entities (the “ <b>Relevant Parties of CLFG</b> ”) and/or the non-wholly owned subsidiaries of the Company in which the Relevant Parties of CLFG has 10% or more voting rights
“CLFG Mineral Company”	中國洛陽浮法玻璃集團礦產有限公司 (CLFG Mineral Company Limited*), a limited liability company incorporated in the PRC owned as to 40.29% and 59.71% by the Company and CLFG respectively
“CLFG Product Sale Framework Agreement”	the product sale framework agreement dated 18 October 2011 entered into between CLFG and the Company, pursuant to which CLFG Group agreed to sell its float glass products to the Group

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## DEFINITIONS

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“CLFG Raw Materials Sale Framework Agreement”	the raw materials sale framework agreement dated 18 October 2011 entered into between CLFG and the Company, pursuant to which CLFG Group agreed to provide certain raw materials to the Group
“CNBMG”	China National Building Material Group Corporation, a wholly state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“CNBMG Engineering Materials Sale Framework Agreement”	the engineering materials sale framework agreement dated 18 October 2011 entered into between CNBMG and the Company, pursuant to which the CNBMG Group agreed to sell certain equipments for glass production and fire-resistant materials to the Group
“CNBMG Engineering Technical Services Framework Agreement”	the engineering technical services framework agreement dated 18 October 2011 entered into between CNBMG and the Company, pursuant to which the CNBMG Group (excluding CLFG Group) agreed to provide certain technical services to the Group
“CNBMG Financial Services Framework Agreement”	the financial services framework agreement dated 18 October 2011 entered into between CNBMG and the Company, pursuant to which the CNBMG Group agreed to provide certain financial services to the Group
“CNBMG Group”	CNBMG, its controlling shareholder and their respective controlled companies/entities (the “ <b>Relevant Parties of CNBMG</b> ”) and/or the non-wholly owned subsidiaries of the Company in which the Relevant Parties of CNBMG has 10% or more voting rights
“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)

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## DEFINITIONS

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“Composite Services Agreement”	the composite services agreement dated 18 October 2011 entered into between the Company and CLFG, pursuant to which the Group agreed to provide certain composite services, including but not limited to storage services, transportation services, management services and other services to CLFG Group
“connected person(s)”	has the same meaning as ascribed to it under the Hong Kong Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors of the Company
“EGM”	The third extraordinary general meeting 2011 of the Company to be held at 9:00 a.m. on 28 December 2011 (Wednesday) to consider and, if thought fit, approve ordinary resolutions in respect of, among other things, the New CCT Agreements and their respective New Caps
“Equity Custodian Agreement”	the equity custodian agreement dated 18 October 2011 entered into between the Company and CLFG, pursuant to which CLFG has entrusted the Company to manage the Longxin Equity
“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 to advise on the Non-exempt CCT Agreements and their respective New Caps
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“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 Product Sale Framework Agreement”	the product sale framework agreement dated 18 October 2011 entered into between the Company and Huayi Glass, pursuant to which the Group agreed to sell its super-thin float glass products to Huayi Glass
“Independent Board Committee”	an independent board committee of the Company comprising of all the independent non-executive Directors
“Independent Shareholders”	Shareholders other than CLFG, CNBMG and Huayi Glass and their respective associates
“Latest Practicable Date”	4 November 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information containing herein
“Longhai Glass”	洛玻集團洛陽龍海電子玻璃有限公司 (CLFG Luoyang Longhai Electric Glass Company Limited*), a limited liability company incorporated in the PRC and wholly-owned by the Company
“Longxin Equity”	50% equity interest in Longxin Glass owned by CLFG
“Longxin Glass”	洛陽龍新玻璃有限公司 (Luoyang Longxin Glass Company Limited*), a limited liability company incorporated in the PRC and owned as to 50% by CLFG
“New Cap(s)”	the maximum aggregate annual transaction amounts for each of the continuing connected transactions contemplated under the New CCT Agreements for each of the three years ending 31 December 2014
“New CCT Agreements”	Non-exempt CCT Agreements, Other CCT Agreements and CNBMG Financial Services Framework Agreement
“Non-exempt CCT Agreements”	Raw Materials Sale Framework Agreement, CLFG Product Sale Framework Agreement and Huayi Glass Product Sale Framework Agreement

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## DEFINITIONS

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“Non-exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under each of the Non-exempt CCT Agreements (as the context may require)
“Old CCT Agreements”	the existing agreements entered into between (i) the Group and (ii) CLFG Group or Huayi Glass on 24 April 2009 and the equity custodian agreement entered into between the Company and CLFG on 12 November 2010, all of which will expire on 31 December 2011 and the transactions contemplated thereunder constituted continuing connected transactions of the Company
“Other CCT Agreements”	Product Sale Framework Agreement, Composite Services Agreement, Equity Custodian Agreement, Water and Electricity Framework Agreement, CLFG Composite Services Agreement, CLFG Raw Materials Sale Framework Agreement, CLFG Engineering Technical Services Framework Agreement, CNBMG Engineering Technical Services Framework Agreement and CNBMG Engineering Materials Sale Framework Agreement
“percentage ratios”	has the same meaning as ascribed to it under the Hong Kong Listing Rules, as applicable to a transaction
“PBOC”	the People’s Bank of China
“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
“Product Sale Framework Agreement”	the product sale framework agreement dated 18 October 2011 entered into between the Company and CLFG, pursuant to which the Group agreed to sell its float glass products to CLFG Group
“Raw Materials Sale Framework Agreement”	the raw materials sale framework agreement dated 18 October 2011 entered into between the Company and CLFG, pursuant to which the Group agreed to provide certain raw materials to CLFG Group

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Listing Rules”	the Shanghai Stock Exchange Share Listing Rules
“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 Hong Kong Listing Rules
“substantial shareholders”	has the same meaning as ascribed to it under the Hong Kong Listing Rules
“Water and Electricity Framework Agreement”	the framework agreement dated 18 October 2011 entered into between the Company and CLFG, pursuant to which the Group agreed to supply water and electricity to CLFG Group
“%”	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)  
Ms. Song Fei  
Mr. Ni Zhisen  
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

8 November 2011

To the Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 12 November 2010 and the circulars of the Company dated 27 May 2009, 2 July 2010 and 2 June 2011, which set out, among other things, the continuing connected transactions of the Company and their respective existing cap amounts.

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## LETTER FROM THE BOARD

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On 18 October 2011, the Company made an announcement to announce that the Group entered into the New CCT Agreements with a term of three years commencing from 1 January 2012 to 31 December 2014 for the purposes of (i) renewing the Old CCT Agreements (all of which will expire on 31 December 2011) so as to ensure continuous provision of goods and services to and from the Group; and (ii) coping with the operation needs and business development of the Group in light of its production expansion plan in the coming years and the development of new production lines.

In this connection, among the New CCT Agreements, the Company entered into two technical services agreements with CLFG and CNBMG respectively and the engineering materials sale framework agreement with CNBMG, pursuant to which CLFG Group and CNBMG Group will provide various technical services to the Group, and CNBMG Group will supply equipments for glass production and fire-resistant materials to the Group respectively. The Company also entered into the Equity Custodian Agreement with CLFG, pursuant to which CLFG has entrusted the Company to manage the Longxin Equity. Furthermore, in view of the future business development of the Group, the Company entered into the CNBMG Financial Services Framework Agreement with CNBMG, pursuant to which CNBMG Group agreed to provide entrusted loan(s) via financial institution(s) and financial guarantee(s) in respect of the Group's bank loans.

The purpose of this circular is to provide you with (i) further details of each of the New CCT Agreements and their respective New Caps, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from Goldin Financial to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt CCT Agreements and their respective New Caps, and (iv) a notice to convene the EGM at which ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, approve each of the New CCT Agreements and their respective New Caps.

### **A. CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING AND ANNOUNCEMENT REQUIREMENTS ONLY UNDER THE HONG KONG LISTING RULES**

Set out below is a summary of the principal terms of each of the Other CCT Agreements, which are subject to reporting and announcement requirements only under the Hong Kong Listing Rules:

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## LETTER FROM THE BOARD

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### 1. THE PRODUCT SALE FRAMEWORK AGREEMENT

Date: 18 October 2011

Parties: (1) The Company; and

(2) CLFG

Term: 1 January 2012 to 31 December 2014

*Brief summary of the Product Sale Framework Agreement:*

Pursuant to the Product Sale Framework Agreement, the Group agreed to sell float glass products to CLFG Group at a price to be determined with reference to the prevailing market price at the time of particular transaction. The price offered to CLFG Group by the Group will not be more favourable than that offered to other independent third party(ies) on similar products. In principle, the payment shall be settled monthly and paid in the following month after delivery of the float glass products.

The table below summarises the existing cap amounts for the three years ending 31 December 2011 for the Product Sale Framework Agreement:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the year ending 31 December 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing cap amounts ( <i>Note</i> )	14,025	37,172	51,670

*Note:* Based on the cap amounts as set out in the float glass sale and purchase framework agreement dated 24 April 2009 entered into between the Company, on behalf of the Group, as supplier and CLFG, on behalf of CLFG Group, as purchaser.

The table below summarises the actual transaction amounts recorded for the two years ended 31 December 2010 and the six months ended 30 June 2011:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the six months ended 30 June 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Actual transaction amounts	7,964	7,298	1,202

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## LETTER FROM THE BOARD

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As referred to the table above, the actual transaction amounts for the two years ended 31 December 2009 and 2010 and the six months ended 30 June 2011 were approximately RMB7,964,000, RMB7,298,000 and RMB1,202,000 respectively, representing approximately 56.78%, 19.63% and 2.33% of the existing cap amounts for the years ended 31 December 2009 and 2010 and the year ending 31 December 2011 respectively. The actual transaction amounts were decreasing mainly due to the fact that certain production lines have been closed for cold repair and modification. Both the existing cap amounts and the proposed New Caps are determined based on the assumption that the production lines are fully operated. It is expected that its production lines will be fully operated in 2012.

The Company estimated that the proposed New Caps under the Product Sale Framework Agreement for the three years ending 31 December 2014 will be RMB9,068,000, RMB10,427,000 and RMB12,205,000 respectively. The proposed New Caps are determined based on the estimated value of the float glass products to be sold to CLFG Group by the Group after taking into account (i) the estimated demand of CLFG Group on the float glass products, (ii) the anticipated increase in the selling price of the float glass products in the PRC with reference to the prevailing market price and (iii) the expected increase in the production cost and overhead in the future.

## 2. THE COMPOSITE SERVICES AGREEMENT

Date: 18 October 2011

Parties: (1) The Company; and  
(2) CLFG

Term: 1 January 2012 to 31 December 2014

### *Brief summary of the Composite Services Agreement:*

Pursuant to the Composite Services Agreement, the Group agreed to provide the following services to CLFG Group at a price to be determined with reference to the prevailing market price at the time of particular transaction. CLFG Group shall settle the payment within 15 business days before the end of each financial year. Given that the transaction amount under the Composite Services Agreement will be relatively small, the Company considers that additional administrative cost will be incurred if the payment is made more frequently. Therefore, the Directors consider that the payment term of the Composite Services Agreement is on normal commercial term.

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## LETTER FROM THE BOARD

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Services to be provided under the Composite Services Agreement include but not limited to:

- (1) technology usage and consultation services;
- (2) establishment and organization of production safety and environmental protection system;
- (3) implementation of glass colour change according to the market demand;
- (4) preparation of glass technology software to implement the technology operation;
- (5) analytical services for defected glass;
- (6) examination of oven and main equipments and preparation of repairing proposal;
- (7) examination of production table and testing devices;
- (8) assistance in restoration of production after serious accident;
- (9) storage services;
- (10) transportation services;
- (11) management training services; and
- (12) brand management services.

The applicable price of the composite services offered to CLFG Group by the Group will not be more favourable than the price offered to other independent third party(ies).

According to the Composite Services Agreement, CLFG Group shall entrust the Group to conduct research in reliance on the production technologies solely owned by the Group. The Group shall be entitled to the ownership of any new production technologies for producing float glass and any related technologies developed in the course of conducting such research. However, CLFG Group shall be entitled to use such new technologies for its operations free of charge during the term of the Composite Services Agreement.

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## LETTER FROM THE BOARD

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The table below summarises the existing cap amounts for the three years ending 31 December 2011 for the Composite Services Agreement:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the year ending 31 December 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing cap amounts ( <i>Note</i> )	5,000	5,000	5,000

*Note:* Based on the cap amounts as set out in the composite services agreement dated 24 April 2009 entered into between the Company as services provider and Longxin Glass as customer.

The table below summarises the actual transaction amounts recorded for the two years ended 31 December 2010 and the six months ended 30 June 2011:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the six months ended 30 June 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Actual transaction amounts	3,628	2,841	962

As shown in the table above, the actual transaction amounts for the two years ended 31 December 2009 and 2010 and the six months ended 30 June 2011 were approximately RMB3,628,000, RMB2,841,000 and RMB962,000 respectively, representing approximately 72.56%, 56.82% and 19.24% of the existing cap amounts for the years ended 31 December 2009 and 2010 and the year ending 31 December 2011 respectively. The actual transaction amounts were decreasing mainly due to the fact that the demand of CLFG Group on composite services was reduced as one of the production lines of Longxin Glass has been suspended since September 2010.

The Company estimates the proposed New Caps under the Composite Services Agreement for the three years ending 31 December 2014 are RMB4,404,000, RMB4,374,000 and RMB4,344,000 respectively. The proposed New Caps are determined based on the Company's internal estimation on the aggregate value of the services to be rendered to CLFG Group by the Group after taking into account (i) the estimated demand of CLFG Group on such services and product technologies, (ii) the expected price fluctuation with reference to the prevailing market price for provision of such services in the glass industry and Luoyang City, and (iii) the resumption of the production line of Longxin Glass, which would lead to an increase in the demand for such services by CLFG Group. The Directors considered that the proposed New Caps under the Composite Services Agreement after making reference to the aforesaid factors are fair and reasonable.

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## LETTER FROM THE BOARD

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### 3. THE EQUITY CUSTODIAN AGREEMENT

Date: 18 October 2011

Parties: (1) The Company; and

(2) CLFG

Term: 1 January 2012 to 31 December 2014

*Brief summary of the Equity Custodian Agreement:*

Pursuant to the Equity Custodian Agreement, CLFG has entrusted the Company to manage the Longxin Equity for a term of three years commencing from 1 January 2012. At present, the Longxin Equity has been managed by the Company according to the terms of the equity custodian agreement dated 12 November 2010 entered into between the Company and CLFG.

*Major Terms of the Equity Custodian Agreement:*

- (1) During the term of the agreement, the Company shall be entitled to exercise all the shareholder's rights attached to the Longxin Equity according to the Company Law of the PRC and the articles of association of Longxin Glass, including but not limited to the rights to attend and vote at the meetings of shareholders, board of directors and supervisory committee of Longxin Glass, and other forms of shareholder's rights under the Company Law of the PRC and the articles of association of Longxin Glass. The Company shall also perform the shareholder's obligations attached to the Longxin Equity;
- (2) The Company shall be entitled to appoint its directors and supervisors in the board and supervisory committee of Longxin Glass;
- (3) The Company shall exercise the voting rights and the shareholder's rights attached to the Longxin Equity at its discretion and CLFG shall authorize the Company to sign on behalf of CLFG on relevant documents;
- (4) All proposals for the meetings of shareholders, board of directors and supervisory committee of Longxin Glass shall be submitted by the Company at its discretion and CLFG cannot submit any proposals on its own;

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## LETTER FROM THE BOARD

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- (5) The Company shall not be responsible for and assume no liabilities whatsoever in respect of any loss in relation to the Longxin Equity (including the operating loss or other losses of Longxin Glass);
- (6) CLFG shall be responsible for all the legal liabilities in any litigation relating to the Longxin Equity; and
- (7) The accounts of Longxin Glass shall not be consolidated into the Group's accounts.

The table below summarises the actual management fees recorded for the six months ended 30 June 2011:

**For the six months ended**  
**30 June 2011**  
*RMB'000*

Actual management fees	500
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The annual management fee shall be paid to the Company in a single payment in cash within 10 business days upon the end of each financial year and completion of Longxin Glass's auditing work for that year. The annual management fee shall be equivalent to 15% of the profit attributable to the shareholders of Longxin Glass for each of the three financial years ending 31 December 2014, where such annual management fee shall not be less than RMB1,000,000 but not more than RMB3,000,000. As such, the Company estimates the proposed New Caps of the Equity Custodian Agreement for each of the three years ending 31 December 2014 are RMB3,000,000. The proposed New Caps under the Equity Custodian Agreement are determined with reference to the recent operation of Longxin Glass. Since the actual management fee will be determined based on the net profit of Longxin Glass for each financial year, the Directors consider that the payment term of the Equity Custodian Agreement is on normal commercial term.



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## LETTER FROM THE BOARD

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### 4. THE WATER AND ELECTRICITY FRAMEWORK AGREEMENT

Date: 18 October 2011

Parties: (1) The Company; and

(2) CLFG

Term: 1 January 2012 to 31 December 2014

*Brief summary of the Water and Electricity Framework Agreement:*

Pursuant to the Water and Electricity Framework Agreement, the Group agreed to supply water and electricity to CLFG Group at a fee to be determined with reference to their respective prevailing market fee, which is based on the relevant PRC regulations from time to time. CLFG Group shall pay the water and electricity fees monthly before the seventh day of the following month. The applicable water and electricity fees to be charged to CLFG Group shall not be more favourable than those charged to other independent third party(ies).

The table below summarises the existing cap amounts for the three years ending 31 December 2011 for the Water and Electricity Framework Agreement:

	For the year ended 31 December 2009	For the year ended 31 December 2010	For the year ending 31 December 2011
	RMB'000	RMB'000	RMB'000
Existing cap amounts ( <i>Note</i> )	24,714	25,881	27,105

*Note:* Based on the cap amounts as set out in the water, electricity and steam supply framework agreement dated 24 April 2009 entered into between the Company as supplier and CLFG, on behalf of CLFG Group, as purchaser.

The table below summarises the actual transaction amounts recorded for the two years ended 31 December 2010 and the six months ended 30 June 2011:

	For the year ended 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2011
	RMB'000	RMB'000	RMB'000
Actual transaction amounts	9,447	10,889	4,489

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## LETTER FROM THE BOARD

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The Company estimates the proposed New Caps under the Water and Electricity Framework Agreement for the three years ending 31 December 2014 are RMB12,813,000, RMB1,540,000 and RMB1,655,000 respectively. The proposed New Caps are determined based on the estimated charges after taking into account (i) the anticipated increase in the unit price for water and electricity supply, (ii) the anticipated increase in the volume for water and electricity supply and (iii) the Group's relocation plan.

At present, certain offices of CLFG Group are located adjacent to the headquarters of the Group. Since the establishment of the Company in 1994, the Company has shared the water and electricity facilities with CLFG Group. The Directors consider that it would be more cost-effective for the Company to supply water and electricity to CLFG Group given their proximity. However, according to the 《洛陽市隋唐洛陽城遺址保護條例》(Rules for Luoyang City Relic Protection of Luoyang City of Sui Tang Dynasties\*) and relic protection needs of Luoyang City, the Company is required to relocate its headquarter office. As such, the Group will cease to supply water and electricity to most of the members of CLFG Group from 2013 onwards and hence the proposed New Caps under the Water and Electricity Framework Agreement for 2013 and 2014 will be significantly reduced.

### 5. THE CLFG COMPOSITE SERVICES AGREEMENT

Date: 18 October 2011

Parties: (1) CLFG; and  
(2) The Company

Term: 1 January 2012 to 31 December 2014

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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*Brief summary of the CLFG Composite Services Agreement:*

Pursuant to the CLFG Composite Services Agreement, CLFG Group agreed to provide composite services to the Group including but not limited to:

- (1) development of float glass technology services and the relevant technology consultation services;
- (2) patents licensing;
- (3) technology analysis and assessment;
- (4) technology examination, proposal and information;
- (5) products development;
- (6) analysis and test services and other technology services;
- (7) staff training services, management services of retired staff affairs and training of armed militiamen;
- (8) civil air-raid shelters services; and
- (9) advertising services.

The price for the provision of the above services will be determined with reference to:

- a. the applicable price set by the state government of the PRC (“**State Price**”); or
- b. if there is no applicable State Price for any such services, the market price shall be used. The price for providing the same or similar services to independent third party(ies) in Luoyang City or areas near Luoyang City will be considered when determining the market price. The price offered to the Group will not be less favourable than that offered to other independent third party(ies) on the same or similar services.

The Group shall pay the price of the services rendered by CLFG Group during the year within one month upon the receipt of the payment notice in the first month of the following year from CLFG Group.

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## LETTER FROM THE BOARD

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The table below summarises the existing cap amounts for the three years ending 31 December 2011 for the CLFG Composite Services Agreement:

	For the year ended 31 December 2009	For the year ended 31 December 2010	For the year ending 31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing cap amounts ( <i>Note</i> )	5,000	5,000	5,000

*Note:* Based on the cap amounts as set out in the composite services agreement dated 24 April 2009 entered into between CLFG as supplier and the Company as customer.

The table below summarises the actual transaction amounts recorded for the two years ended 31 December 2010 and the six months ended 30 June 2011:

	For the year ended 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Actual transaction amounts	4,080	2,000	1,200

The Company estimates the proposed New Caps under the CLFG Composite Services Agreement for the three years ending 31 December 2014 are RMB2,850,000, RMB3,190,000 and RMB3,480,000 respectively. The proposed New Caps are determined based on the Company's internal projection and the business plans of the Company after taking into account (i) the estimated demand and fees for provision of technology-related services, (ii) the estimated demand and fees for training of armed militiamen, (iii) the estimated demand and fees for provision of civil air-raid shelters services in Luoyang City, (iv) the estimated demand and fees for staff training services and advertising services in Luoyang City, and (v) the business growth of the Group.

### 6. THE CLFG RAW MATERIALS SALE FRAMEWORK AGREEMENT

Date: 18 October 2011

Parties: (1) CLFG; and  
(2) The Company

Term: 1 January 2012 to 31 December 2014

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## LETTER FROM THE BOARD

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*Brief summary of the CLFG Raw Materials Sale Framework Agreement:*

Pursuant to the CLFG Raw Materials Sale Framework Agreement, CLFG Group agreed to supply raw materials such as silicon powder to the Group at a price to be determined with reference to the prevailing market price at the time of particular transaction. The price offered to the Group by CLFG Group will not be less favourable than that offered to other independent third party(ies) on similar raw materials. In principle, the payment shall be settled monthly and paid in the following month after delivery of raw materials.

The table below summarises the existing cap amounts for the three years ending 31 December 2011 for the CLFG Raw Materials Sale Framework Agreement:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the year ending 31 December 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing cap amounts ( <i>Note</i> )	29,980	37,295	39,250

*Note:* Based on the cap amounts as set out in the silicon powder sale and purchase framework agreement dated 24 April 2009 entered into between CLFG Mineral Company, as supplier and the Company, on behalf of the Group, as purchaser.

The table below summarises the actual transaction amounts recorded for the two years ended 31 December 2010 and the six months ended 30 June 2011:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the six months ended 30 June 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Actual transaction amounts	0	3,297	4,212

The Company estimates the proposed New Caps under the CLFG Raw Materials Sale Framework Agreement for the three years ending 31 December 2014 are RMB21,714,000, RMB25,143,000 and RMB25,512,000 respectively. The proposed New Caps are determined based on the estimated value of silicon powder to be purchased after taking into account (i) the production expansion plan of the Group, (ii) the anticipated increase in the price of silicon powder and (iii) the anticipated increase in demand of silicon powder from the Group.

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## LETTER FROM THE BOARD

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### 7. THE CLFG ENGINEERING TECHNICAL SERVICES FRAMEWORK AGREEMENT

Date: 18 October 2011

Parties: (1) CLFG; and  
(2) The Company

Term: 1 January 2012 to 31 December 2014

*Brief summary of the CLFG Engineering Technical Services Framework Agreement:*

Pursuant to the CLFG Engineering Technical Services Framework Agreement, CLFG Group agreed to provide technical services to the Group including but not limited to:

- (1) feasibility study of float glass production line;
- (2) the design of float glass production line;
- (3) the construction of float glass production line; and
- (4) the equipment for the production of float glass.

The price for the services to be rendered will be determined with reference to:

- a. the applicable State Price; or
- b. if there is no applicable State Price for any such services, the market price shall be used. The price for providing the same or similar services to independent third party(ies) in Luoyang City or areas near Luoyang City will be considered when determining the market price. The price offered to the Group will not be less favourable than that offered to other independent third party(ies) on the same or similar services.

The Group shall pay the price of the services rendered by CLFG Group during the year within one month upon the receipt of the payment notice in the first month of the following year from CLFG Group.

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## LETTER FROM THE BOARD

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The table below summarises the actual transaction amounts recorded for the two years ended 31 December 2010 and the six months ended 30 June 2011:

	For the year ended 31 December 2009	For the year ended 31 December 2010	For the six months ended 30 June 2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Actual transaction amounts	0	1,380	0

The Company estimates the proposed New Caps under the CLFG Engineering Technical Services Framework Agreement for the three years ending 31 December 2014 are RMB5,300,000, RMB8,300,000 and RMB8,300,000 respectively. The proposed New Caps are determined based on the engineering technical services demand of the Group after taking into account (i) the implementation of the new development project of the Group, (ii) technologies involved and the complexity and challenge of the technical work and (iii) the expected fees with reference to the prevailing market price for provision of such services.

### **8. THE CNBMG ENGINEERING TECHNICAL SERVICES FRAMEWORK AGREEMENT**

Date: 18 October 2011

Parties: (1) CNBMG; and

(2) The Company

Term: 1 January 2012 to 31 December 2014

*Brief summary of the CNBMG Engineering Technical Services Framework Agreement:*

Pursuant to the CNBMG Engineering Technical Services Framework Agreement, CNBMG Group (excluding CLFG Group) agreed to provide technical services to the Group including but not limited to:

- (1) feasibility study of float glass production line;
- (2) the design of float glass production line; and
- (3) the construction of float glass production line.

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## LETTER FROM THE BOARD

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The price for the services to be rendered will be determined with reference to:

- a. the applicable State Price; or
- b. if there is no applicable State Price for any such services, the market price shall be used. The price for providing the same or similar services to independent third parties in Luoyang City or areas near Luoyang City will be considered when determining the market price. The price offered to the Group will not be less favourable than that offered to other independent third party(ies) for the same or similar services.

The Group shall pay the price of the services rendered by CNBMG Group during the year within one month upon the receipt of the payment notice in the first month of the following year from CNBMG Group.

The table below summarises the actual transaction amounts recorded for the two years ended 31 December 2010 and the six months ended 30 June 2011:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the six months ended 30 June 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Actual transaction amounts	0	1,250	0

The Company estimates the proposed New Caps under the CNBMG Engineering Technical Services Framework Agreement for the three years ending 31 December 2014 are RMB10,000,000, RMB10,000,000 and RMB10,000,000 respectively. The proposed New Caps are determined based on the engineering technical services demand of the Group after taking into account (i) the implementation of the new development project of the Group, (ii) technologies involved and the complexity and challenge of the technical work and (iii) the expected fee with reference to the prevailing market price for provision of such services.



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## LETTER FROM THE BOARD

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### 9. THE CNBMG ENGINEERING MATERIALS SALE FRAMEWORK AGREEMENT

Date: 18 October 2011

Parties: (1) CNBMG; and

(2) The Company

Term: 1 January 2012 to 31 December 2014

*Brief summary of the CNBMG Engineering Materials Sale Framework Agreement:*

Pursuant to the CNBMG Engineering Materials Sale Framework Agreement, CNBMG Group agreed to supply equipment for float glass production and fire-resistant materials to the Group. The price will be determined with reference to the prevailing market price at the time of particular transaction. The price offered to the Group by CNBMG Group will not be less favourable than that offered to other independent third party(ies). In principle, the payment shall be settled monthly and made in the following month after delivery of equipment and materials.

The Company estimates the proposed New Caps under the CNBMG Engineering Materials Sale Framework Agreement for the three years ending 31 December 2014 are RMB10,000,000, RMB10,000,000 and RMB10,000,000 respectively. The proposed New Caps are determined based on the management's internal projection on the demand of equipment and materials for the production after taking into account (i) the implementation of the new development project of the Group, (ii) the estimated demand on the equipment and fire-resistant materials and (iii) the prevailing market price of such equipment and materials.

Each of the Other CCT Agreements shall take effect upon obtaining the Independent Shareholders' approval at the EGM and shall have a term of 3 years from 1 January 2012.

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## LETTER FROM THE BOARD

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### B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER THE HONG KONG LISTING RULES

Set out below is a summary of the principal terms of each of the Non-exempt CCT Agreements, which are subject to reporting, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules:

#### 1. THE RAW MATERIALS SALE FRAMEWORK AGREEMENT

Date: 18 October 2011

Parties: (1) The Company; and  
(2) CLFG

Term: 1 January 2012 to 31 December 2014

*Brief summary of the Raw Materials Sale Framework Agreement:*

Pursuant to the Raw Materials Sale Framework Agreement, the Group agreed to sell certain raw materials including but not limited to alkali, fuel oil, coal, silicon powder, dolomite powder, potassium feldspar powder, limestone powder, and shattered glass to CLFG Group at a price to be determined with reference to the prevailing market price of such raw materials. The applicable price of the raw materials offered to CLFG Group by the Group shall not be more favourable than that offered to other independent third party(ies). In principle, the payment shall be settled monthly and made in the following month after delivery of raw materials.

The table below summarises the existing cap amounts for the three years ending 31 December 2011 for the Raw Materials Sale Framework Agreement:

	For the year ended 31 December 2009	For the year ended 31 December 2010	For the year ending 31 December 2011
	RMB'000	RMB'000	RMB'000
Existing cap amounts ( <i>Note</i> )	722,860	797,100	927,370

*Note:* Based on the cap amounts as set out in the raw materials purchase agreement dated 24 April 2009 entered into between the Company as supplier and Longxin Glass as purchaser.

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## LETTER FROM THE BOARD

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The table below summarises the actual transaction amounts recorded for the two years ended 31 December 2010 and the six months ended 30 June 2011:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the six months ended 30 June 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Actual transaction amounts	139,492	143,323	20,687

As referred to the table above, the actual transaction amounts for the two years ended 31 December 2009 and 2010 and the six months ended 30 June 2011 were RMB139,492,000, RMB143,323,000 and RMB20,687,000 respectively, representing approximately 19.30%, 17.98% and 2.23% of the existing cap amounts for the years ended 31 December 2009 and 2010 and the year ending 31 December 2011 respectively. The actual transaction amounts were decreasing mainly due to the fact that (i) Longxin Glass has sourced by itself the coal products, being one of the major raw materials sold under the Raw Materials Sale Framework Agreement, since March 2011 and (ii) one of the production lines of Longxin Glass has been suspended since September 2010 for cold repair and modification.

The Company estimates that the proposed New Caps under the Raw Materials Sale Framework Agreement for the three years ending 31 December 2014 are RMB282,405,000, RMB285,141,000 and RMB298,631,000, respectively. The proposed New Caps are determined based on the estimated value of the raw materials to be sold to CLFG Group by the Group after taking into account (i) a production line of Longxin Glass closed for cold repair and modification is expected to resume operation in 2012 which will lead to increase in demand of raw materials; (ii) Longxin Glass would purchase the coal products from the Group again from 2012; and (iii) the expected increase in the price of raw materials caused by the rising trend of inflation rate in the PRC. The Directors considered that the proposed New Caps under the Raw Materials Sale Framework Agreement after making reference to the aforesaid factors are fair and reasonable.

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## LETTER FROM THE BOARD

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*Reasons for entering into the Raw Materials Sale Framework Agreement:*

At present, the Group has adopted a centralized approach in sourcing raw materials whereby the Company would source raw materials on behalf of its subsidiaries in order to achieve greater economies of scale and leverage on the stronger bargaining power with the suppliers. Given that Longxin Equity is currently managed by the Company, it is beneficial for the Group to source raw materials to Longxin Glass. As the sourcing of such raw materials for Longxin Glass would constitute continuing connected transactions, the Company entered into the Raw Materials Sale Framework Agreement with CLFG so as to ensure continuous provision of raw materials to Longxin Glass.

### **2. THE CLFG PRODUCT SALE FRAMEWORK AGREEMENT**

Date: 18 October 2011

Parties: (1) CLFG; and  
(2) The Company

Term: 1 January 2012 to 31 December 2014

*Brief summary of the CLFG Product Sale Framework Agreement:*

Pursuant to the CLFG Product Sale Framework Agreement, CLFG Group agreed to sell its float glass products to the Group at a price to be determined with reference to the prevailing market price at the time of particular transaction. The price offered to the Group by CLFG Group will not be less favourable than that offered to other independent third party(ies). In principle, the payment shall be settled monthly and made in the following month after delivery of float glass products.

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## LETTER FROM THE BOARD

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The table below summarises the existing cap amounts for the three years ending 31 December 2011 for the CLFG Product Sale Framework Agreement:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the year ending 31 December 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing cap amounts ( <i>Note</i> )	274,030	301,433	331,699

*Note:* Based on the cap amounts as set out in the supply agreement dated 24 April 2009 entered into between Longxin Glass as supplier and the Company as purchaser.

The table below summarises the actual transaction amounts recorded for the two years ended 31 December 2010 and the six months ended 30 June 2011:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the six months ended 30 June 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Actual transaction amounts	58,935	116,182	72,998

The Company estimates that the proposed New Caps under the CLFG Product Sale Framework Agreement for the three years ending 31 December 2014 are RMB343,507,000, RMB348,055,000 and RMB352,510,000, respectively. The proposed New Caps are determined based on the estimated demand of float glass products of the Group and the anticipated increase in the selling price of the float glass products in the PRC with reference to the prevailing market price.

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## LETTER FROM THE BOARD

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### *Reasons for entering into the CLFG Product Sale Framework Agreement*

At present, the Group has adopted a centralized approach in selling its float glass products whereby the Company would sell float glass products (including selling to CLFG Group under the Product Sale Framework Agreement) on behalf of the relevant subsidiaries in order to save selling costs for the Group. Given that Longxin Equity is currently managed by the Company, it is beneficial for the Group to sell glass products on behalf of Longxin Glass. As the supply of float glass products to the Group from Longxin Glass would constitute continuing connected transactions, the Company entered into the CLFG Product Sale Framework Agreement with CLFG so as to ensure continuous supply of float glass products from Longxin Glass.

### **3. THE HUAYI GLASS PRODUCT SALE FRAMEWORK AGREEMENT**

Date: 18 October 2011

Parties: (1) The Company; and  
(2) Huayi Glass

Term: 1 January 2012 to 31 December 2014

#### *Brief summary of the Huayi Glass Product Sale Framework Agreement:*

Pursuant to the Huayi Glass Product Sale Framework Agreement, the Group agreed to sell its super-thin float glass products to Huayi Glass at a price to be determined with reference to the prevailing market price at the time of particular transaction. The price offered to Huayi Glass by the Group will not be more favourable than that offered to other independent third party(ies). In principle, the payment shall be made in advance before delivery of super-thin float glass products.

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## LETTER FROM THE BOARD

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The table below summarises the existing cap amounts for the three years ending 31 December 2011 for the Huayi Glass Product Sale Framework Agreement:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the year ending 31 December 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing cap amounts	28,410 ( <i>Note 1</i> )	80,020 ( <i>Note 2</i> )	180,000 ( <i>Note 3</i> )

*Notes:*

- (1) Based on the cap amounts as set out in the super-thin float glass sale and purchase agreement dated 24 April 2009 entered into between Longhai Glass as supplier and Huayi Glass as purchaser (the "Huayi Glass Supply Agreement").
- (2) Based on the revised cap amounts as set out in the supplemental agreement to the Huayi Glass Supply Agreement dated 10 June 2010 entered into between Longhai Glass and Huayi Glass.
- (3) Based on the revised cap amounts as set out in the new supply framework agreement dated 13 May 2011 entered into between the Company as supplier and Huayi Glass as purchaser.

The table below summarises the actual transaction amounts recorded for the two years ended 31 December 2010 and the six months ended 30 June 2011:

	<b>For the year ended 31 December 2009</b>	<b>For the year ended 31 December 2010</b>	<b>For the six months ended 30 June 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Actual transaction amounts	32,645	73,106	53,664

The Company estimates that the proposed New Caps under the Huayi Glass Product Sale Framework Agreement for the three years ending 31 December 2014 are RMB181,511,000, RMB199,180,000 and RMB213,291,000 respectively. The proposed New Caps are determined based on the management's internal projection on the estimated value of super-thin float glass to be sold to Huayi Glass by the Group after taking into account (i) the estimated demand of Huayi Glass on the super-thin float glass, and (ii) the anticipated increase in the selling price of the super-thin float glass in the PRC with reference to the prevailing market price, and (iii) the expected increase in the production cost and overhead in the future.

Each of the Non-exempt CCT Agreements shall take effect upon obtaining the Independent Shareholders' approval at the EGM and shall have a term of 3 years from 1 January 2012.

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## LETTER FROM THE BOARD

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### C. CONTINUING CONNECTED TRANSACTION EXEMPTED FROM REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS UNDER THE HONG KONG LISTING RULES

Set out below is a summary of the principal terms of the CNBMG Financial Services Framework Agreement, which is exempted from reporting, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules:

#### THE CNBMG FINANCIAL SERVICES FRAMEWORK AGREEMENT

Date: 18 October 2011

Parties: (1) CNBMG; and

(2) The Company

Term: 1 January 2012 to 31 December 2014

#### *Brief summary of the CNBMG Financial Services Framework Agreement:*

Pursuant to the CNBMG Financial Services Framework Agreement, CNBMG Group agreed to provide certain financial services to the Group including but not limited to the following:

- (1) entrusted loan(s) via financial institution(s) (to be designated by CNBMG Group and the Group and being the independent third parties to the Group); and
- (2) financial guarantee(s) in respect of bank loans of the Group.

The financial services fees or loan interest rate will be determined with reference to:

- a. the prevailing market fee or rate for providing the same or similar services; or
- b. the relevant loan basic interest rates set by PBOC and the permitted range of floating interest rates for financial institutions set by PBOC at the time of providing the loan.

The applicable fee or rate offered to the Group by CNBMG Group shall not be less favourable than that offered to other independent third party(ies) on the same or similar services. In principle, the financial services fee shall be settled at the time of provision of such financial services.



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## LETTER FROM THE BOARD

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There will be no security over the assets of the Company pursuant to the CNBMG Financial Services Framework Agreement.

The CNBMG Financial Services Framework Agreement and the New Caps shall take effect upon obtaining the Independent Shareholders' approval at the EGM and shall have a term of 3 years commencing from 1 January 2012.

The Company estimated that the proposed New Caps under the CNBMG Financial Services Framework Agreement for the three years ending 31 December 2014 will be RMB20,000,000, RMB20,000,000 and RMB20,000,000 respectively. The proposed New Caps are determined based on the expected financial services fees to be paid after taking into account (i) the business development of the Company, (ii) the financial status of the Group and (iii) the prevailing market fee or rate of such financial services.

### **BACKGROUND AND REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS**

The Company is principally engaged in the production and sale of float sheet glass and is one of the largest manufacturers and distributors of float glass in the PRC. The Group previously entered into the Old CCT Agreements with members of CLFG Group and Huayi Glass, all of which will expire on 31 December 2011.

According to 《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》(the Twelfth Five-Year National Economic and Social Development Planning Summary of the PRC) announced by the PRC government in 2011, the PRC government will put great effort in realising the construction targets of affordable housings which target to provide 36 million units in the coming 5 years. The Directors consider that such housing policy will benefit the glass industry and expect that the glass demand will increase accordingly. In view of the increasing living standard and the promotion of energy saving, the Company will grasp opportunities for developing low-emissivity glass, solar glass and electronic glass. The Company intends to establish and commence operation of four glass production lines in the coming 3 years.

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## LETTER FROM THE BOARD

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In light of the above production expansion plan in the coming years and in order to renew the Old CCT Agreements so as to secure continuous provision of goods and services to and from the Group, on 18 October 2011, the Group entered into a new set of agreements with CLFG and Huayi Glass for the purchase of raw materials, equipments and products for the Group as well as for provision of water and electricity and supply of raw materials and glass products to CLFG Group and Huayi Glass.

In addition, in light of the need for the implementation of the Group's above development projects in the coming years, the Company entered into two technical services agreements with CLFG and CNBMG respectively, pursuant to which CLFG Group and CNBMG Group will provide various technical services to the Group. For the development of new production lines, the Group also entered into the CNBMG Engineering Materials Sale Framework Agreement with CNBMG, pursuant to which CNBMG Group will supply equipments for glass production and fire-resistant materials to the Group.

The Company also entered into the Equity Custodian Agreement with CLFG, pursuant to which CLFG has entrusted the Company to manage the Longxin Equity. By managing the Longxin Equity, the Company can centralise the management of Longxin Glass for the procurement of raw materials, production and distribution, etc.. To avoid direct competition with the Group arising from selling the same type of glass products, Longxin Glass will produce products with types and specifications different from the Group's products. The Directors consider that the above arrangement can create product differentiation between the Group and Longxin Glass and orders would be allocated efficiently between the Group and Longxin Glass based on the different types and specifications of the float flat glass. As such, the Directors consider that the management of the Longxin Equity can indirectly help to solve competition between the Company and Longxin Glass in the glass industry. Furthermore, in view of the future business development of the Group, the Company entered into the CNBMG Financial Services Framework Agreement with CNBMG, pursuant to which CNBMG Group agreed to provide entrusted loan(s) via financial institution(s) and financial guarantee(s) in respect of the Group's bank loans.

The Directors consider that the entering into of the New CCT Agreements is on normal commercial terms and in the ordinary and usual course of business of the Group and the terms of each of the New CCT Agreements and their respective New Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### INFORMATION AND RELATIONSHIP OF THE PARTIES TO THE CONTINUING CONNECTED TRANSACTION AGREEMENTS

The Group is principally engaged in the production and sale of float sheet glass and ultra-thin electronic glass.

CLFG, the immediate controlling shareholder of the Company, is principally engaged in the production and sale of float glass, imports, exports and the domestic sale of processing technology of glass, design and subcontracting of engineering works, labour export and other businesses.

CNBMG is the ultimate controlling shareholder of CLFG (which holds 159,018,242 Shares, representing approximately 31.80% of the total issued share capital of the Company) and the Company. The principal businesses of CNBMG include research and development, wholesale and retail of building materials (including steel products and timber, but only limited to procurement and supply for the direct enterprises units under its system), its auxiliary raw materials and production technologies and equipment, supply of small cars under the plan of its system; contraction of design and construction of new-model building material houses, factories and decoration and renovation works.

Huayi Glass is an associate of CNBMG and 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.

### HONG KONG LISTING RULES AND SHANGHAI LISTING RULES IMPLICATIONS

As mentioned above, CLFG is the immediate controlling shareholder of the Company and CNBMG is the ultimate controlling shareholder of CLFG and the Company. Thus, CLFG, CNBMG and their associates are regarded as connected persons of the Company. Accordingly, the transactions contemplated under the New CCT Agreements constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

As the applicable percentage ratios for each of the Non-exempt CCT Agreements exceed 5%, each of the Non-exempt Continuing Connected Transactions is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules. In addition, since the applicable percentage ratios for each of the Other CCT Agreements exceed 0.1% but less than 5%, the transaction contemplated under each of the Other CCT Agreements is subject to the reporting, annual review and announcement requirements only, but exempt from the independent shareholders' approval requirement under the Hong Kong Listing Rules.

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## LETTER FROM THE BOARD

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The transaction contemplated under the CNBMG Financial Services Framework Agreement constitutes financial assistance provided for the benefit of the Company on normal commercial terms and is therefore exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Hong Kong Listing Rules.

However, pursuant to the Shanghai Listing Rules, all the New CCT Agreements should be aggregated and are subject to the Independent Shareholders' approval at the EGM.

### **EGM**

The EGM will be held at 9:00 a.m. on 28 December 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 each of the New CCT Agreements and their respective New Caps. CLFG, CNBMG, Huayi Glass and their respective associates will abstain from voting in the resolutions in respect of each of the New CCT Agreements and their respective New Caps at the EGM. At the EGM, voting of the Shareholders will be conducted by way of poll.

Mr. Zhao Yuanxiang, Mr. Zhang Chengong and Mr. Guo Yimin, the non-executive Directors of the Company, have abstained from voting to approve the New CCT Agreements and their respective New Caps in the Board meeting due to the fact that they are senior management of CLFG or its controlling shareholder and are therefore not regarded as independent to make any recommendation to the Board. Save as mentioned above, none of the Directors has material interest in the New CCT Agreements and hence no other Director has abstained from voting on such Board resolutions.

A notice of the EGM is set out on page 49 to 52 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.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors are of the view that the New CCT Agreements have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of each of the New CCT Agreements and their respective New Caps are fair and reasonable and in the interests of the Shareholders and the Company as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions with respect to each of the New CCT Agreements and their respective New Caps to be proposed at the EGM.

The Independent Board Committee, having taken into account the advice of Goldin Financial, is of the opinion that the entering into of the Non-exempt CCT Agreements are in the ordinary and usual course of business of the Group and on normal commercial terms, and the Non-exempt CCT Agreements and their respective New Caps 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 Non-exempt CCT Agreements and their respective New Caps.

Your attention is drawn to the letter from the Independent Board Committee as set out on page 30 to 31 of this circular which contains its recommendation to the Independent Shareholders in relation to the Non-exempt CCT Agreements and their respective New Caps. Your attention is also drawn to the letter of advice from Goldin Financial as set out on page 32 to 45 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt CCT Agreements and their respective New Caps. You are advised to read the said letters from the Independent Board Committee and Goldin Financial before deciding how to vote at the EGM.

### 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)

8 November 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 8 November 2011 issued by Luoyang Glass Company Limited (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 each of the Non-exempt CCT Agreements and their respective New Caps and to advise the Independent Shareholders as to whether, in our opinion, the entering into of each of the Non-exempt CCT Agreements and their respective New Caps 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 each of the Non-exempt CCT Agreements and their respective New Caps.

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 each of the Non-exempt CCT Agreements and their respective New Caps; and (iii) additional information as set out in the appendix to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of each of the Non-exempt CCT Agreements and their respective New Caps, and having taken into account the opinion of Goldin Financial and, in particular, the factors, reasons and recommendations as set out in the “Letter from Goldin Financial” on page 32 to 45 of the Circular, we consider that the entering into of each of the Non-exempt CCT Agreements is in the ordinary and usual course of business of the Group and on normal commercial terms, and each of the Non-exempt CCT Agreements and their respective New Caps 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 each of the Non-exempt CCT Agreements and their respective New Caps.

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 Non-exempt CCT Agreements, which has been prepared for the purpose of inclusion in this circular.*



高銀融資有限公司  
GOLDIN FINANCIAL LIMITED

**Goldin Financial Limited**

23/F

Two International Finance Centre

8 Finance Street

Central

Hong Kong

8 November 2011

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

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Raw Materials Sale Framework Agreement, the CLFG Product Sale Framework Agreement and the Huayi Glass Product Sale Framework Agreement, details of which are contained in the Announcement and in the letter from the board (the “Letter from the Board”) of the circular of the Company dated 8 November 2011 (the “Circular”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 18 October 2011, the Group entered into the New CCT Agreements for the purpose of (i) renewing the Old CCT Agreements (all of which will expire on 31 December 2011) so as to ensure continuous provision of goods and services to and from the Group; and (ii) coping with the operation needs and business development of the Group in light of its production expansion plan in the coming years and the development of new production lines, of which the Raw Materials Sale Framework Agreement, the CLFG Product Sale Framework Agreement and the Huayi Glass Product Sale Framework Agreement constitute non-exempt continuing connected transactions.



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## LETTER FROM GOLDIN FINANCIAL

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The Raw Materials Sale Framework Agreement was entered between the Company and CLFG, pursuant to which the Group has agreed to provide certain raw materials including but not limited to alkali, fuel oil, coal, silicon powder, dolomite powder, potassium feldspar powder, limestone powder and shattered glass (the “Raw Materials”) to the CLFG Group. The CLFG Product Sale Framework Agreement was entered between the Company and CLFG, pursuant to which the CLFG Group has agreed to supply float glass products to the Group. The Huayi Glass Product Sale Framework Agreement was entered between the Company and Huayi Glass, pursuant to which the Group has agreed to supply super-thin float glass products to Huayi Glass.

As Huayi Glass is an associate of CNBMG (the ultimate controlling shareholder of CLFG, which holds 159,018,242 Shares of the Company, and the Company), by virtue of their interests in the Company, CLFG, CNBMG and Huayi Glass and their respective associates are regarded as connected persons of the Company. Accordingly, the entering into of the Non-exempt CCT Agreements constitutes continuing connected transactions 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 Non-exempt CCT Agreements. Since the proposed annual caps under the Non-exempt CCT Agreements are more than 5% of applicable percentage ratios, the transactions contemplated under the Non-exempt CCT Agreements constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules. Accordingly, the Company will seek approval from the Independent Shareholders for each of the Non-exempt CCT Agreements and their respective annual caps by way of poll at the EGM.

CLFG, CNBMG, Huayi Glass and their respective associates will abstain from voting in the resolutions in respect of each of the Non-exempt CCT Agreements and their respective annual caps at the EGM.

### **THE INDEPENDENT BOARD COMMITTEE**

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 Non-exempt CCT Agreements.

We, Goldin Financial, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt CCT Agreements and to make a recommendation as to, among others, whether the terms of the Non-exempt CCT Agreements are fair and reasonable so far as the Independent Shareholders are concerned and as to voting in respect of the relevant resolutions at the EGM. Our appointment has been approved by the Independent Board Committee.

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## LETTER FROM GOLDIN FINANCIAL

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### **BASIS OF OUR ADVICE**

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the Non-exempt CCT Agreements and the relevant Old CCT Agreements. 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 Non-exempt CCT Agreements, 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.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in 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 Circular, the omission of which would make any statement in 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 entering into, the Non-exempt CCT Agreements to justify reliance on the accuracy of the information contained in 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 Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Non-exempt CCT Agreements, 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 giving our recommendation on the Non-exempt CCT Agreements to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

### **Background to and reasons for entering into the Non-exempt CCT Agreements**

The Group is principally engaged in the production and sale of float sheet glass and ultra-thin electronic glass.

CLFG is principally engaged in the production and sales of float glass, imports, exports and the domestic sale of processing technology of glass, design and subcontracting of engineering works, labour export and other businesses.

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.

In performing its ordinary course of business, 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 purchase and supply agreements including, among others, the Old CCT Agreements. On 24 April 2009, (i) the Company entered into a supply agreement with Longxin Glass, pursuant to which the Company agreed to supply the Raw Materials to Longxin Glass with the annual caps of RMB722.86 million, RMB797.10 million and RMB927.37 million for each of the three years ending 31 December 2009, 2010 and 2011, respectively; (ii) the Company entered into a supply agreement with Longxin Glass, pursuant to which Longxin Glass agreed to supply float glass products to the Company with the annual caps of RMB274.03 million, RMB301.43 million and RMB331.70 million for each of the three years ending 31 December 2009, 2010 and 2011, respectively; and (iii) the Company entered into a supply agreement (as supplemented by the supplemental agreement and the new supply framework agreement dated 10 June 2010 and 13 May 2011 respectively) with Huayi Glass, pursuant to which the Company agreed to supply super-thin float glass products to Huayi Glass with the annual caps of RMB28.41 million, RMB80.02 million and RMB180 million for each of the three years ending 31 December 2009, 2010 and 2011, respectively (the “Old Non-exempt CCT Agreements”).

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## LETTER FROM GOLDIN FINANCIAL

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As advised by the Directors, instead of entering into agreements for each continuing connected transaction by the relevant Company's subsidiaries with each member of the CLFG Group for the supply of the Raw Materials/purchase of the float glass products, the Company and CLFG entered into the Raw Materials Sale Framework Agreement and the CLFG Product Sale Framework Agreement to set out the framework within which the key terms and conditions and the general pricing principles of the continuing connected transaction of the respective products between the Company's subsidiaries and the CLFG Group (including Longxin Glass) are determined. We were given to understand that the Raw Materials and the super-thin float glass are components of the products of the CLFG Group and Huayi Glass respectively, and the purchase of float glass products and supply of super-thin float glass products have been conducted historically by the Group. Therefore, we are of the view that the transactions contemplated under the Non-exempt CCT Agreements have been conducted in the ordinary and usual course of business of each of the Group, CLFG Group and Huayi Glass, and the entering into of the Non-exempt CCT Agreements is an extension in substance of the Old Non-exempt CCT Agreements.

The Group has adopted a centralised approach in sourcing raw materials for the production of glass products on behalf of its subsidiaries in order to achieve economies of scale and leveraging on the stronger bargaining power with the suppliers. Considering that supplying the Raw Materials to the CLFG Group would assist the Group in achieving greater economies of scale thereby enabling the Group to purchase the Raw Materials at a lower price with stronger bargaining power, we are of the view that the Group would save costs for the production of glass and improve the profitability of the Group as a whole by entering into the Raw Materials Sale Framework Agreement.

The Group has also adopted a centralised approach in selling its products on behalf of its relevant subsidiaries for the benefits of achieving economies of scale and leveraging on the stronger bargaining power with the customers and saving selling costs for the Group. Considering that the purchase of float glass products from the CLFG Group would enhance the bargaining power of the Group with the customers as being a bigger supplier in term of supply capacity and minimise the competition with the CLFG Group for the sale of the float glass products, we are of the view that the entering into of the CLFG Product Sale Framework Agreement would improve the profitability of the Group and the CLFG Group as a whole.

Having considered the background and reasons as discussed above, we are of the view that the entering into of the Non-exempt CCT Agreements is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM GOLDIN FINANCIAL

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### Salient terms of the Non-exempt CCT Agreements

Pursuant to the Non-exempt CCT Agreements, the Group has agreed to supply the Raw Materials/super-thin float glass products to the CLFG Group and Huayi Glass respectively and the CLFG Group has agreed to supply the float glass products to the Group, at a price to be determined with reference to the prevailing market price at the time of transaction. The price offered to the CLFG Group and Huayi Glass by the Company will not be less than that offered to other independent third parties and the price offered to the Company by the CLFG Group will not be more than that offered to other independent third parties. The Directors confirmed to us that, save for the proposed annual caps, the terms and conditions of the Non-exempt CCT Agreements are substantially the same as those of the Old Non-exempt CCT Agreements.

In assessing the terms of the transactions under the Huayi Glass Product Sale Framework 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.

Considering that (i) the transactions contemplated under the Non-exempt CCT Agreements have been carried out by the Group in the ordinary and usual course of business; and (ii) the terms of the Non-exempt CCT Agreements are normal commercial terms, we are of the view that the terms of the Non-exempt CCT Agreements are fair and reasonable so far as the Company and the Independent Shareholders are concerned and that the entering into of the Non-exempt CCT Agreements is in the interests of the Company and the Shareholders as a whole.

### Historical transactions and proposed annual caps

#### *The Raw Materials Sale Framework Agreement*

The historical amounts and the proposed annual caps under the Raw Materials Sale Framework Agreement are set out as follows:

**Table 1**

<i>(RMB'000)</i>	Historical transaction amounts			Annual cap for the year ending 31 December 2011	Proposed annual caps for the year ending 31 December		
	For the year ended 31 December 2009	For the nine months ended 30 September 2010	For the nine months ended 30 September 2011		2012	2013	2014
	Aggregated sales to the CLFG Group <i>(Note)</i>	139,492	143,323	42,184	927,370	282,405	285,141

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## LETTER FROM GOLDIN FINANCIAL

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*Note:* Historical transaction amounts for the two years ended 31 December 2009 and 2010 and for the nine months ended 30 September 2011, and the existing annual cap for the year ending 31 December 2011, represent aggregated sales to Longxin Glass contemplated under a supply agreement dated 24 April 2009 entered between the Company as supplier and Longxin Glass as purchaser.

As illustrated in table 1 above, the aggregated sales of the Raw Materials to the CLFG Group in 2010 reported a mild growth as compared with 2009. However, we noted that such sales for the nine months ended 30 September 2011 represents approximately 29.43% and approximately 4.55% of that of the full year 2010 and the existing annual cap for 2011 respectively. As advised by the management of the Company, the relatively lower sales for the nine months ended 30 September 2011 were mainly due to (i) Longxin Glass has sourced the coal products, being one of the major components of the Raw Materials in terms of purchase value, by itself since March 2011; and (ii) one of the production lines of Longxin Glass has been suspended for cold repair and modification since September 2010. We also noted that the proposed annual caps for 2012, 2013, and 2014 represent an increase of approximately 569.46%, approximately 1% and approximately 5% compared with the aggregated sales for the nine months ended 30 September 2011, the proposed annual cap for 2012 and the proposed annual cap for 2013, respectively.

As advised by the management of the Group, the proposed annual caps are determined based on the management's internal projection on the estimated demand of the Raw Materials of each member of the CLFG Group and the anticipated increase in the price of the Raw Materials. We have reviewed the said projection prepared by the Company and have discussed with the management on the underlying basis.

In formulating the said projection, we were given to understand that the management of the Group have taken into account factors such as (i) the existing production line of Longxin Glass would increase its production capacity from 2012 which would increase the demand for the Raw Materials; (ii) a production line after the cold repair and modification is expected to be relaunched for production by Longxin Glass from 2012 which would lead to a significant growth for the demand of the Raw Materials; and (iii) higher demand for the Raw Materials will be derived from greater demand for glass products benefited from the favourable national housing policy (details were discussed under the section headed "The CLFG Product Sale Framework Agreement" as below).

According to the International Monetary Fund, the inflation rate of the PRC as represented by the movement in consumer price calculated on annual averages, was 3.3% in 2010 and is projected to be 5.5% and 3.3% for 2011 and 2012 respectively. Based on the rising trend of inflation rate in the PRC, we consider that the projection on the increase in the price of the Raw Materials is fair and reasonable.

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## LETTER FROM GOLDIN FINANCIAL

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Although the aggregated sales of the Raw Materials to the CLFG Group for the nine months ended 30 September 2011 represents approximately 14.94% of the proposed annual cap for 2012, we noted that the transaction amount of the Raw Materials between the Group and the CLFG Group is expected to increase significantly given (i) the aforesaid development plans of Longxin Glass; (ii) other members of the CLFG Group (other than Longxin Glass) would purchase the Raw Materials from the Group from 2012; (iii) Longxin Glass would purchase the coal products from the Group again from 2012 and the aggregated value is expected to be approximately RMB150 million for the two production lines per annum; and (iv) the rising trend of inflation rate. We are of the view that the setting of the proposed annual for 2012 and the mild increase in the proposed annual caps for 2013 and 2014 after making reference to the aforesaid factors is fair and reasonable.

In light of the above, we are of the view that the proposed annual caps under the Raw Materials Sale Framework Agreement are 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 caps.

### *The CLFG Product Sale Framework Agreement*

The historical amounts and the proposed annual caps under the CLFG Product Sale Framework Agreement are set out as follows:

**Table 2**

<i>(RMB'000)</i>	Historical transaction amounts			Annual cap for the year ending 31 December 2011	Proposed annual caps for the year ending 31 December		
	For the year ended 31 December		For the nine months ended 30 September		2012	2013	2014
	2009	2010	2011				
Aggregated sales to the Group <i>(Note)</i>	58,935	116,182	108,944	331,699	343,507	348,055	352,510

*Note:* Historical transaction amounts for two years ended 31 December 2009 and 2010 and for the nine months ended 30 September 2011, and the existing annual cap for the year ending 31 December 2011, represent aggregated sales to the Group contemplated under a supply agreement dated 24 April 2009 entered between the Company as purchaser and Longxin Glass as supplier.

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## LETTER FROM GOLDIN FINANCIAL

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As shown in table 2 above, we noted that the aggregated sales of the float glass products to the Group for 2010 represents a growth rate of approximately 97.14% over 2009 and such sales for the nine months ended 30 September 2011 represents approximately 93.77% of that of the full year 2010. We also noted that the proposed annual caps for 2012, 2013, and 2014 represent an increase of approximately 3.56%, approximately 1% and approximately 1% compared with the existing annual cap for 2011, the proposed annual cap for 2012 and the proposed annual cap for 2013, respectively.

Referring to the Letter from the Board, the proposed annual caps are determined based on the management's internal projection on the estimated demand of float glass products of the Group and the anticipated increase in the selling price of the float glass products 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. In formulating the said projection, we understand from the management that they have taken into account factors such as (i) the existing production line of float glass products of Longxin Glass would increase its production capacity from 2012; (ii) a production line after the cold repair and modification is expected to be relaunched for production of float glass products by Longxin Glass from 2012; (iii) and other members of the CLFG Group (other than Longxin Glass) would supply the float glass products to the Group from 2012.

As advised by the Management of the Group, the float glass products are widely used in the construction of building and the manufacture of automobile and communication equipment, computers and other electronic equipments. In order to assess the commercial justification of the proposed annual caps under the CLFG Product Sale Framework Agreement, we have conducted researches from the public domains on the above said industries.

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 investment in real estate development in 2010 increased by approximately 33.2% to approximately RMB4,826.7 billion as compared to that of 2009. The growth rate of value added of the manufacture of automobile and communication equipment, computers and other electronic equipments in 2010 were approximately 24.8% and approximately 16.9% respectively. It is expected that the demand for the float glass products, being one of the components of the construction/manufacturing in the aforesaid industries, would increase as a result of the growth in such industries.



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## LETTER FROM GOLDIN FINANCIAL

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According to 《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》(the Twelfth Five-Year National Economic and Social Development Planning Summary of the PRC), the Chinese government will put great effort in realising the construction target of affordable housings, which are approximately 36 million units in the coming five years. It is expected that the demand for glass products, being the necessary components of the construction of housings, will increase as a result of such favourable national housing policy. Therefore, we are of the view that there will be substantial growth potential for the Group's glass products in the coming five years, which in turn may increase the transactions for the float glass products with the CLFG Group to meet the demand.

Despite the aggregated sales of the float glass products to the Group represents approximately 32.84% of the existing annual cap for 2011, it is expected that the transaction amounts of the float glass products would grow significantly given the development plans of Longxin Glass and the CLFG Group and the favourable national housing policy, we consider that the setting of the proposed annual for 2012 and the mild increase in the proposed annual caps for 2013 and 2014, after making reference to the aforesaid factors is fair and reasonable.

In view of the fact that the Group will be benefited from the purchase of float glass products from the CLFG Group and then reselling such glass products to customers, and the proposed annual caps for 2012, 2013 and 2014 may 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 transactions under the CLFG Product Sale Framework Agreement.

In light of the above, we are of the view that the proposed annual caps under the CLFG Product Sale Framework Agreement are 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 caps.

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## LETTER FROM GOLDIN FINANCIAL

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### *The Huayi Glass Product Sale Framework Agreement*

The historical amounts and the proposed annual caps under the Huayi Glass Product Sale Framework Agreement are set out as follows:

**Table 3**

<i>(RMB'000)</i>	Historical transaction amounts			Annual cap	Proposed annual caps for the year ending 31		
	For the year ended	For the nine	For the nine	for the year	December		
	31 December	months ended	months ended	ending 31	December		
	2009	30 September	30 September	December	2012	2013	2014
		2011	2011	2011			
				<i>(Note)</i>			
Aggregated sales to Huayi Glass	32,645	73,106	87,410	180,000	181,511	199,180	213,291

*Note:* Based on the revised cap amount as set out in the new supply framework agreement dated 13 May 2011 entered into between the Company as supplier and Huayi Glass as purchaser

As illustrated in table 3 above, we noted that the aggregated sales of the super-thin float glass products to the Huayi Glass showed a growth trend with such sales for 2010 representing a growth rate of approximately 123.94% over 2009 and such sales for the nine months ended 30 September 2011 representing approximately 119.57% of that of the full year 2010. We also noted that the proposed annual caps for 2012, 2013, and 2014 represent an increase of approximately 1%, approximately 10% and approximately 7% compared with the existing annual cap for 2011, the proposed annual cap for 2012 and the proposed annual cap for 2013, respectively.

With reference to the Letter from the Board, the proposed annual caps are determined based on the management's internal projection on the estimated amount of super-thin float glass products to be sold to Huayi Glass by the Group after taking into account (i) the estimated demand of Huayi Glass on the super-thin float glass products; (ii) the anticipated increase in the selling price of the super-thin float glass products in the PRC with reference to the prevailing market price; and (iii) the expected increase in the production cost and overhead in the future. We have reviewed the said projection prepared by the Company and have discussed with the management on the underlying basis. In formulating the said projection, we understand from the management that they have taken into account factors such as (i) the business expansion of Huayi Glass in the downstream market which leads to increase in sales volume; and (ii) the steady improvement in the quality of the Group's A-grade super-thin float glass products which induce Huayi Glass to shift some of their purchases from overseas suppliers to the Group.

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## LETTER FROM GOLDIN FINANCIAL

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As advised by the management of the Company, the super-thin float glass products can be widely utilised 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 the proposed annual caps under the Huayi Glass Product Sale Framework 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 Glass’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.

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” is 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..

It is expected that the aforesaid policy 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 policy. It is expected that the derived demand for the Group’s glass products would be benefited from the increasing demand for the LCD TVs.

Although the Company has only utilised approximately 48.56% of the existing annual cap for 2011, considering that the growth trend on the aggregated sales of the super-thin float glass products to Huayi Glass and the favourable national policy, we are of the view that setting of the proposed annual cap for 2012 and the increase of the proposed annual caps for 2013 and 2014 by approximately 10% and approximately 7% are fair and reasonable.

In view of the fact that the Group will be benefited from the sales of the super-thin float glass products as the proposed annual caps for 2012, 2013 and 2014 may 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 transactions under the Huayi Glass Product Sale Framework Agreement.

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## LETTER FROM GOLDIN FINANCIAL

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In light of the above, we are of the view that the proposed annual caps under the Huayi Glass Product Sale Framework Agreement are 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 caps.

Shareholders should note that as the proposed annual caps under the Non-exempt CCT Agreements are 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 2014, 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 proposed annual caps under the Non-exempt CCT Agreements.

### **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 proposed annual caps under the Non-exempt CCT Agreements. The proposed annual caps under the Non-exempt CCT Agreements are more than 5% of applicable percentage ratios, the transactions contemplated under the Non-exempt CCT Agreements constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules. The transactions contemplated under the Non-exempt CCT Agreements are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. If the proposed annual caps under the Non-exempt CCT Agreements are expected to be exceeded, the Company will ensure re-compliance with Rule 14A.36 of the Listing Rules. The transactions contemplated under the Non-exempt CCT Agreements will continue to be subject to the annual review requirements set out in Chapter 14A of the Listing Rules.

### **ANNUAL REVIEW OF THE TRANSACTIONS**

The proposed annual caps under the Non-exempt CCT Agreements 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 transactions contemplated under the Non-exempt CCT Agreements are conducted in accordance with their terms and that the proposed annual cap under the Non-exempt CCT Agreements 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 transactions contemplated under the Non-exempt CCT Agreements 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 and the reasons for, entering into the Non-exempt CCT Agreements;
- ii) the basis of determining the proposed annual caps under the Non-exempt CCT Agreements; and
- iii) the commercial justification for the transactions contemplated under the Non-exempt CCT Agreements.

Taking into consideration of the above mentioned principal factors and reasons, we consider that the Non-exempt CCT Agreements are 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 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 resolutions to be proposed at the EGM to approve the Non-exempt CCT Agreements.

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

\* *the Chinese name has been translated into English in this letter for reference only.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong 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 Hong Kong 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:*

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

*Notes:*

- 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 under the SFO licensed to carry on type 6 (advising on corporate finance) regulated activity

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 each of the New CCT Agreements 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 THIRD EXTRAORDINARY GENERAL MEETING 2011**

**NOTICE IS HEREBY** given that the Third 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 28 December 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 8 November 2011 (the “**Circular**”).*

1. To approve and confirm the Product Sale Framework 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, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;
2. To approve and confirm the Composite Services Agreement (a copy of which has been produced to the EGM marked “2” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;
3. To approve and confirm the Equity Custodian Agreement (a copy of which has been produced to the EGM marked “3” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

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## NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING 2011

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4. To approve and confirm the Water and Electricity Framework Agreement (a copy of which has been produced to the EGM marked “4” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;
5. To approve and confirm the CLFG Composite Services Agreement (a copy of which has been produced to the EGM marked “5” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;
6. To approve and confirm the CLFG Raw Materials Sale Framework Agreement (a copy of which has been produced to the EGM marked “6” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;
7. To approve and confirm the CLFG Engineering Technical Services Framework Agreement (a copy of which has been produced to the EGM marked “7” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;
8. To approve and confirm the CNBMG Engineering Technical Services Framework Agreement (a copy of which has been produced to the EGM marked “8” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;
9. To approve and confirm the CNBMG Engineering Materials Sale Framework Agreement (a copy of which has been produced to the EGM marked “9” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;
10. To approve and confirm the Raw Materials Sale Framework Agreement (a copy of which has been produced to the EGM marked “10” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;
11. To approve and confirm the CLFG Product Sale Framework Agreement (a copy of which has been produced to the EGM marked “11” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

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## NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING 2011

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12. To approve and confirm the Huayi Glass Product Sale Framework Agreement (a copy of which has been produced to the EGM marked “12” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;
13. To approve and confirm the CNBMG Financial Services Framework Agreement (a copy of which has been produced to the EGM marked “13” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof; and
14. To approve, ratify and confirm any one of the Directors for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorize signing, executing, perfecting and delivering all such documents and deeds, to do or authorize 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 Product Sale Framework Agreement, Composite Services Agreement, Equity Custodian Agreement, Water and Electricity Framework Agreement, CLFG Composite Services Agreement, CLFG Raw Materials Sale Framework Agreement, CLFG Engineering Technical Services Framework Agreement, CNBMG Engineering Technical Services Framework Agreement, CNBMG Engineering Materials Sale Framework Agreement, Raw Materials Sale Framework Agreement, CLFG Product Sale Framework Agreement, Huayi Glass Product Sale Framework Agreement, CNBMG Financial Services Framework Agreement (together the “**New CCT Agreements**”) and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the New CCT Agreements that may in their discretion consider to be desirable and in the interest of the Company and all the Directors’ acts as aforesaid.

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

Luoyang, the PRC  
8 November 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.*

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## NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING 2011

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*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 25 November 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 7 December 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 7 December 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 25 November 2011, are entitled to attend and vote at the EGM. The register of members of the Company's H shares will be closed from 26 November 2011 to 28 December 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 25 November 2011.
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 7 December 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 travelling 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.