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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 or 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 and the accompanying form of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

**(I) MAJOR TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF
37% EQUITY INTERESTS IN CLFG FINANCE COMPANY
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

寶
橋
BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

A notice of the first extraordinary general meeting 2009 (the “EGM”) of the Company to be held at 9:00 a.m. on 30 March 2009 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 pages 32 to 34 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, 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, Hong Kong Registrars Limited at Rooms 1901-5, Hopewell Centre, 183 Queen's Road East, Hong Kong or to the Company at No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM or for any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

11 February 2009

CONTENTS

	<i>Page</i>
Definitions	ii
 Letter from the Board	
Introduction	1
The Contract	2
Reasons for the Disposal	5
Information of CLFG Finance Company	6
Information of the Company, CLFG, Zhenglong Coal and Yongcheng Coal	7
Financial Effects of the Disposal on the Group	7
Financial and Trading Prospects of the Group	8
Listing Rules Implication	9
EGM	9
Recommendation	9
Additional Information	10
 Letter from the Independent Board Committee	 11
 Letter from Bridge Partners	 13
 Appendix I — Financial information of the Group	 25
 Appendix II — General Information	 27
 Notice of EGM	 32

DEFINITIONS

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

“Board”	the board of directors of the Company;
“Bridge Partners”	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Contract and the Disposal;
“CLFG”	China Luoyang Float Glass (Group) Company Limited (中國洛陽浮法玻璃集團有限責任公司), a limited liability company incorporated in the PRC and the controlling shareholder of the Company holding a 35.8% equity interest in the Company;
“CLFG Finance Company”	中國洛陽浮法玻璃集團財務有限責任公司 (CLFG Finance Company Limited*), a limited liability company incorporated in the PRC and a subsidiary of CLFG;
“Company”	Luoyang Glass Company Limited (洛陽玻璃股份有限公司), 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);
“Completion”	the completion of the Contract which will take place on the Completion Date;
“Completion Date”	the registration date of the change of shareholders of CLFG Finance Company at the relevant industrial and commercial department of the PRC;
“Contract”	a share transfer contract entered into between the Sellers and the Purchasers whereby the Company has agreed to sell the Selling Interest, being a 37% equity interest in CLFG Finance Company, to Zhenglong Coal and CLFG has agreed to sell the remaining 63% equity interest in CLFG Finance Company to Yongcheng Coal respectively;

DEFINITIONS

“Directors”	the directors of the Company, including the independent non-executive directors;
“Disposal”	the disposal of the Selling Interest by the Company to Zhenglong Coal pursuant to the Contract;
“EGM”	the first extraordinary general meeting 2009 of the Company to be convened and held at 9:00 a.m. on 30 March 2009 at the conference room of the Company on 1st Floor, No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC for the purpose of considering, and if thought fit, approving the Contract and the Disposal;
“Group”	The Company and its subsidiaries;
“Henan Yatai”	河南亞太資產評估有限公司 (Henan Yatai Asset Appraisal Company Limited*), an independent professional valuer;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors namely Mr. Zhang Zhanying, Mr. Guo Aimin, Mr. Xi Shengyang and Mr. Ge Tieming, to advise the Independent Shareholders as to the terms of the Contract and the Disposal;
“Independent Shareholders”	Shareholders other than CLFG and its associates in terms of the Listing Rules;
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected with the Company and its subsidiaries and its connected persons (as defined in the Listing Rules);
“Latest Practicable Date”	6 February 2009, being the latest practicable date before the printing of this circular for ascertaining certain information;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PBOC”	People’s Bank of China;
“percentage ratio”	has the meaning ascribed to this term under the Listing Rules, as application to a transaction;
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan;
“Purchasers”	Zhenglong Coal and Yongcheng Coal;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sellers”	the Company and CLFG;
“Selling Interest”	a 37% equity interest held by the Company in the issued share capital of CLFG Finance Company;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	share(s) of RMB1.00 each of the Company;
“Shareholder(s)”	registered holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning given to it in the Listing Rules;
“Supervisors”	the supervisors of the Company;
“Yongcheng Coal”	永城煤電控股集團有限公司 (Yongcheng Coal and Electricity Holdings Group Company Limited*), a limited liability company incorporated in the PRC; and
“Zhenglong Coal”	河南省正龍煤業有限公司 (Henan Province Zhenglong Coal Company Limited*), a limited liability company incorporated in the PRC.

* *For identification purpose only*

LETTER FROM THE BOARD



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. Gao Tianbao (*Chairman*)
Mr. Xie Jun
Mr. Cao Mingchun
Mr. Song Jianming
Ms. Song Fei

Registered office:

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

Non-executive Director:

Mr. Shen Anqin

Independent Non-executive Directors:

Mr. Zhang Zhanying
Mr. Guo Aimin
Mr. Xi Shengyang
Mr. Ge Tieming

11 February 2009

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF
37% EQUITY INTERESTS IN CLFG FINANCE COMPANY**

INTRODUCTION

Reference is made to the major transaction and connected transaction announcement of the Company dated 22 January 2009.

LETTER FROM THE BOARD

On 22 January 2009, the Company and CLFG entered into the Contract with Zhenglong Coal and Yongcheng Coal, which were both Independent Third Parties to the Company and CLFG, pursuant to which the Company agreed to sell and Zhenglong Coal agreed to purchase a 37% equity interest in CLFG Finance Company for a consideration in cash of RMB140,111,937.64 (or approximately HK\$159,027,049.22). Under the Contract, CLFG also agreed to sell and Yongcheng Coal agreed to purchase the remaining 63% equity interests in CLFG Finance Company at a consideration in cash of RMB238,568,974.91 (or approximately HK\$270,775,786.52).

The purpose of this Circular is to provide Shareholders, amongst other things, (i) further information on the Disposal; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Bridge Partners to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM for the purpose of approving the Contract and the Disposal.

Set out below is a summary of the principal terms of the Contract.

THE CONTRACT

(1) Date

22 January 2009

(2) Parties

Sellers: The Company and CLFG, being the controlling shareholder of the Company holding a 35.8% equity interest in the Company as at the date of this circular

Purchasers: Zhenglong Coal and Yongcheng Coal. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchasers and their respective ultimate beneficial owners are Independent Third Parties to the Company and CLFG

(3) Details of the transaction

The Sellers and the Purchasers entered into the Contract on 22 January 2009 pursuant to which the Company will conditionally sell its entire Selling Interest to Zhenglong Coal and CLFG will conditionally sell the remaining 63% equity interests in CLFG Finance Company to Yongcheng Coal. The respective sale of the Selling Interest and a 63% equity interest in CLFG Finance Company by the Company and CLFG will take place simultaneously, and neither can complete without the completion of the other.

LETTER FROM THE BOARD

(4) Consideration

The consideration in respect of the Selling Interest is RMB140,111,937.64 (or approximately HK\$159,027,049.22). The consideration will be satisfied in cash and will first be used to settle the debt owed to CLFG Finance Company by the Company.

The consideration in respect of the Selling Interest was determined by the Company and Zhenglong Coal after arm's length negotiations with reference to 37%, being the attributable portion of equity interest in CLFG Finance Company to be disposed of by the Company, of the appraised net asset value of CLFG Finance Company of RMB328,680,912.55 (i.e. RMB121,611,938) as at 31 October 2008. The appraisal was conducted by Henan Yatai, an independent professional valuer in the PRC on the basis of the asset based valuation approach. The consideration represents a 15.2% premium of RMB18,500,000 over the appraised value of the Selling Interest as at 31 October 2008. The Board would like to clarify that the premium in percentage term over the appraised value of the Selling Interest is 15.2% instead of 13.2% as stated in the announcement of the Company dated 22 January 2009.

According to the management accounts of CLFG Finance Company and a confirmation of CLFG Finance Company dated 22 January 2009, the debt owed to CLFG Finance Company by the Company as of 9 January 2009 was RMB80,900,000. CLFG Finance Company also confirmed in the abovementioned confirmation that the amount of such debt will not increase during the period from 9 January 2009 to Completion Date.

In view of the substantial gain which is expected to be recorded by the Company upon Completion, the Board (including the independent non-executive Directors) considers that the consideration in respect of the Selling Interest is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(5) Other Principal Terms

During the period from 1 November 2008 to Completion Date, the Sellers will continue to assume the profits generated or losses incurred by CLFG Finance Company in proportion to their respective equity interests in CLFG Finance Company. Accordingly, any unaudited net profits or losses of CLFG Finance Company during the period from 1 November 2008 to Completion Date, and calculated pro-rata to the Sellers' respective equity interest in CLFG Finance Company will be returned by CLFG Finance Company to the Sellers in case of net profits, or settled by the Sellers in case of net losses recorded by CLFG Finance Company. Based on its management accounts, CLFG Finance Company recorded unaudited net profits of RMB2,589,318.31 during the period from 1 November 2008 to 9 January 2009.

LETTER FROM THE BOARD

(6) Conditions Precedent

Completion of the Contract shall be conditional upon the following:

- (i) the Company obtaining the requisite approval from the Independent Shareholders at the EGM in accordance with the Listing Rules;
- (ii) each of the Sellers and Purchasers passing resolutions at their respective board meeting and/or shareholders' meeting in accordance with their respective Articles of Association;
- (iii) by Completion Date, CLFG Finance Company disposing of all its assets, repaying all its debts and releasing all its charges and guarantees. CLFG has confirmed to the Company that save for the debt of RMB80,900,000 owed by the Company to CLFG Finance Company as of 9 January 2009 which shall be directly repaid by the Company, CLFG will be responsible for disposing of all assets and repaying all debts of CLFG Finance Company; and
- (iv) the Purchasers obtaining all relevant and necessary approvals from the China Banking Regulatory Commission for the Purchasers to become the shareholders of a regulated non-bank finance company.

According to the consultation of the Company made with the China Banking Regulatory Commission and the Company's PRC legal adviser, non-bank finance companies in the PRC are required at the time of its change of control not to own any assets except for cash or have any liabilities in any form, hence the condition stated in paragraph (iii) above.

(7) Payment terms

Consideration shall be paid by Zhenglong Coal to the Company in the following terms:

- (i) Payment of RMB18,500,000 shall be made to the Company by Zhenglong Coal after execution of the Contract and before the Completion Date. Such payment shall be refunded to Zhenglong Coal if the Contract cannot be completed; and
- (ii) payment of RMB121,611,937.64 shall be paid by Zhenglong Coal within three working days after Completion Date to an account jointly managed by the Sellers and the Purchasers, and part of such amount shall first be used to settle the debt of RMB80,900,000 owed by the Company to CLFG Finance Company as of 9 January 2009. It is expected that the Company will receive cash equivalent of approximately RMB40,711,937.64 as part of the consideration of the Disposal after the disposal of all assets and repaying all debts of CLFG Finance Company by CLFG prior to the Completion Date.

LETTER FROM THE BOARD

(8) Completion

Completion shall take place on the Completion Date after fulfillment of all conditions precedent set out above. The Sellers shall provide the Purchasers with all the accounts, contracts, records of transactions, detailed list of assets and all other documents relating to the operation of CLFG Finance Company within five working days after Completion Date.

The respective sale of the Selling Interest and a 63% equity interest in CLFG Finance Company by the Company and CLFG will take place simultaneously, and neither can complete without the completion of the other.

REASONS FOR THE DISPOSAL

The Company is principally engaged in the production and sale of float flat glass and reprocessed automobile glass. CLFG Finance Company is principally engaged in the provision of financial services including deposits taking services, entrusted loan services, loan services, guarantees services and settlement services to the Company and CLFG.

Prior to the Disposal, CLFG Finance Company is treated as a connected person of the Company in terms of the Listing Rules. Accordingly, the financial services provided by CLFG Finance Company to the Company constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the announcement, reporting and independent shareholders' approval requirements under the Listing Rules. The Disposal enables the Company to streamline its corporate structure by reducing the number of its continuing connected transactions in terms of the Listing Rules. After the Disposal, the Company will use the financial services provided by commercial banks.

Further, the Directors consider the Disposal to present a good opportunity for the Company to realise the Selling Interest at a reasonable price and enable the Company to focus on its core business.

Upon Completion, based on both Generally Accepted Accounting Standards in the PRC and International Financial Reporting Standards, the Company is expected to realise a gain of approximately RMB18,887,232.02, which is the difference between the total consideration of RMB140,111,937.64 and the net book value of the Selling Interest of RMB121,224,705.62 as at 9 January 2009. The Directors intend to apply the net sale proceeds of approximately RMB59,211,937.64 as general working capital of the Company.

The terms of the Contract have been determined after arm's length negotiations and are normal commercial terms. The Board (including the independent non-executive Directors) considers that the Disposal is on normal commercial terms and is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION OF CLFG FINANCE COMPANY

CLFG Finance Company is a company incorporated in the PRC with limited liability and is owned as to 63% and 37% by CLFG and the Company respectively. It is a non-bank finance company approved and regulated by the PBOC and the China Banking Regulatory Commission and is principally engaged in the provision of financial services to the Company and CLFG. The capital contribution amount of CLFG Finance Company is RMB300,000,000.

The net asset value of CLFG Finance Company as at 31 October 2008 and as appraised by Henan Yatai was RMB328,680,912.55.

The net book value and net profits before and after taxation and extraordinary items of CLFG Finance Company prepared on the basis of Generally Accepted Accounting Standards in the PRC for each of the two years ended 31 December 2007 and the ten months period ended 31 October 2008 are set out as follows:

	For the year ended 31 December 2006 (audited) (RMB'000)	For the year ended 31 December 2007 (audited) (RMB'000)	For the ten months period ended 31 October 2008 (audited) (RMB'000)
Net book value	310,691	320,007	322,615
Profit before taxation and extraordinary items	4,858	13,866	15,882
Profit after taxation and extraordinary items	732	8,593	11,369
Net book value attributable to the Selling Interest	114,955	118,403	119,368
Profit before taxation and extraordinary items attributable to the Selling Interest	1,797	5,130	5,876
Profit after taxation and extraordinary items attributable to the Selling Interest	271	3,448	4,207

Note: The figures referred to above have been extracted from audited accounts of CLFG Finance Company prepared in accordance with Generally Accepted Accounting Standards in the PRC.

LETTER FROM THE BOARD

INFORMATION OF THE COMPANY, CLFG, ZHENGLONG COAL AND YONGCHENG COAL

The Company is the place of origin for one of three great float glass production methods — “Luoyang Float Glass”. It is one of the largest manufacturers and distributors of float glass in glass industry in the PRC. The Company is principally engaged in the production and sale of float flat glass and reprocessed automobile glass.

CLFG, the Company’s controlling shareholder, is principally engaged in the production of glass, related raw materials and equipment, import, export and domestic sales of glass, processing technology, design and sub-contracting of engineering works, labour export, provision of industrial production material (excluding those under control of the State), technological services, consultation services and goods transportation. CLFG holds a 35.8% interest in the Company and as such, is a connected person of the Company.

Zhenglong Coal is principally engaged in manufacture of mechanical equipments (excluding those under control of the state); sale of building materials, electronic products and communication equipments (excluding wireless equipments); agriculture, animal husbandry and fishery; and coal mining. Yongcheng Coal is principally engaged in investment and management in coal, chemicals and mining industries; transportation by self-constructed railways; power generation, transmission and transformation; manufacture and sale of mechanical equipments; processing and selling of industrial greases and garments; sale of building materials, electronic products, communication equipments (excluding wireless equipments), and petrochemicals (excluding hazardous chemicals, flammable and combustible products, and refined oil products); agriculture, animal husbandry and fishery; livestock; warehousing (excluding inflammable materials); technical service; advisory service; import and export of self-produced products and related technology. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Zhenglong Coal and Yongcheng Coal and their respective ultimate beneficial owners are Independent Third Parties to the Company and CLFG.

FINANCIAL EFFECTS OF THE DISPOSAL ON THE GROUP

Earnings

Upon Completion, based on both Generally Accepted Accounting Standards in the PRC and International Financial Reporting Standards, the Company is expected to realise a gain of approximately RMB18,887,232.02 being the difference between the total consideration of RMB140,111,937.64 and the net book value of the Selling Interest of RMB121,224,705.62 as at 9 January 2009. Any further impact on the earnings of the Group will depend upon the use of the proceeds of the Disposal that is presently earmarked to be used as general working capital and for the Group’s future development.

LETTER FROM THE BOARD

Assets

The consolidated net asset value of the Group will be increased by RMB18,887,232.02, being the gain on the Disposal. The Group will no longer have any interest in CLFG Finance Company upon Completion.

Liquidity

As mentioned above, the Company will receive RMB18,500,000 in cash after execution of the Contract and before Completion Date, and RMB40,711,937.64 in cash after the disposal of all assets and repaying all debts of CLFG Finance Company by CLFG prior to Completion Date.

Gearing

The Group's gearing calculated as total borrowings divided by total equity will decrease to 3.7 times from 4.4 times upon Completion.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Directors expect the PRC glass industry to be facing a difficult operating environment under the impact of various adverse factors such as global economic slowdown leading to an overall slowdown in domestic growth in the PRC, the continued appreciation of RMB against the US dollar as well as significant fluctuations in prices of raw materials and fuel products. The macro-economic control on the real estate industry in the PRC and the expected weakening of the domestic automobile industry will further affect the demand for glass products in the near term.

A number of the Group's production lines are due for upgrade and prior to the upgrade, the Group faces difficulties in meeting product volume and quality needs of customers. It is expected that the Group will improve its production efficiency as a number of its old production lines has ceased operations. The Directors plan to strengthen management supervision and marketing efforts with a view to optimising product mix and improving profitability.

LETTER FROM THE BOARD

LISTING RULES IMPLICATION

The Disposal contemplated under the Contract constitutes a connected transaction of the Company under Rule 14A.13(1)(b)(i) of the Listing Rules. Accordingly, the Disposal will be subject to the announcement, reporting and amongst other things, the Independent Shareholders' approval requirements under the Listing Rules.

In addition, as the relevant percentage ratios are more than 25% but less than 75%, the Disposal contemplated under the Contract also constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules.

EGM

The EGM 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 PRC at 9:00 a.m. on 30 March 2009 for the purpose of seeking Independent Shareholders' approval on the Contract and the Disposal. CLFG and its associates will abstain from voting in respect of the resolutions relating to the Contract and the Disposal. The votes to be taken at the EGM will be taken by poll. A notice of the EGM is set out on pages 32 to 34 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, 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, Hong Kong Registrars Limited at Rooms 1901-5, Hopewell Centre, 183 Queen's Road East, Hong Kong or to the Company at No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM or for any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Contract and the Disposal are normal commercial terms and are fair and reasonable so far as the Shareholders are concerned, and the Disposal is in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the Contract and the Disposal.

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 11 to 12 of this circular and the letter of advice from Bridge Partners to the Independent Board Committee and the Independent Shareholders set out on pages 13 to 24 of this circular in connection with the Contract and the Disposal and the principal factors and reasons considered by them in arriving at their advice.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice from Bridge Partners who considers that the terms of the Contract and the Disposal are fair and reasonable and in the interest of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the Contract and the Disposal.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix II to this Circular.

Yours faithfully,
For and on behalf of the Board
Luoyang Glass Company Limited
Gao Tianbao
Chairman

Note: In this circular, certain amounts expressed in RMB have been translated into HK\$ at RMB1 = HK\$1.135 for illustrative purposes only. No representation is made that any amount in HK\$ or RMB could have been or can be converted at the above rates or at any other rates.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

11 February 2009

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF
37% EQUITY INTERESTS IN CLFG FINANCE COMPANY**

We refer to the circular dated 11 February 2009 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Contract and the Disposal are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Bridge Partners has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Contract and the Disposal.

We wish to draw your attention to the “Letter from the Board” set out on pages 1 to 10 of the Circular which contains, inter alia, information of the Contract, as well as the “Letter from Bridge Partners” set out on pages 13 to 24 of the Circular which contains its advice in respect of the terms of the Contract and the Disposal.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Bridge Partners, we consider that the terms of the Contract and the Disposal are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Contract and the Disposal.

Yours faithfully,

For and on behalf of

Independent Board Committee

Luoyang Glass Company Limited

Zhang Zhanying#

Guo Aimin#

Xi Shengyang#

Ge Tieming#

Independent Non-executive Directors

LETTER FROM BRIDGE PARTNERS

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Bridge Partners relating to the Disposal dated 11 February 2009 prepared for the purpose of incorporation in this circular:



BRIDGE PARTNERS CAPITAL LIMITED

Unit 605, 6/F, Grand Millennium Plaza
181 Queen's Road Central
Central, Hong Kong

11 February 2009

*To the independent board committee and
the independent shareholders of Luoyang Glass Company Limited*

Dear Sirs,

MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 37% EQUITY INTERESTS IN CLFG FINANCE COMPANY

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 11 February 2009 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

The Board announced that after trading hours of the Stock Exchange on 22 January 2009, the Company and CLFG entered into the Contract with Zhenglong Coal and Yongcheng Coal, which are both Independent Third Parties to the Company and CLFG, pursuant to which the Company agreed to sell and Zhenglong Coal agreed to purchase a 37% equity interest in CLFG Finance Company for a cash consideration of RMB140,111,937.64 (or approximately HK\$159,027,049.22). Pursuant to the Contract, CLFG also agreed to sell and Yongcheng Coal agreed to purchase the remaining 63% equity interest in CLFG Finance Company for a cash consideration of RMB238,568,974.91 (or approximately HK\$270,775,786.52).

LETTER FROM BRIDGE PARTNERS

As at the date of the Contract, CLFG is the controlling shareholder of the Company holding a 35.8% equity interest in the Company. The Disposal contemplated under the Contract constitutes a connected transaction for the Company under Rule 14A.13(1)(b)(i) of the Listing Rules. Accordingly, the Disposal will be subject to, amongst other things, the approval of the Independent Shareholders by way of poll at the EGM. In addition, since the applicable percentage ratios in respect of the Disposal are more than 25% but less than 75%, the Disposal contemplated under the Contract also constitutes a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules. CLFG, being the controlling shareholder of the Company and hence a connected person of the Company, and its associates (as defined under the Listing Rules) will abstain from voting at the EGM in respect of the resolutions relating to the Disposal.

The Independent Board Committee, comprising Mr. Zhang Zhanying, Mr. Guo Aimin, Mr. Xi Shengyang and Mr. Ge Tieming (all being independent non-executive Directors), has been established to advise the Independent Shareholders on the terms of the Contract and the transaction contemplated under the Contract are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole and to advise how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Contract and the Disposal and to give a recommendation to the Independent Shareholders in relation to the voting of the relevant resolutions at the EGM. We, Bridge Partners, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Contract are on normal commercial terms and the Disposal is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, in compliance with Rule 13.39(6)(b) of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our opinion and recommendation, we have relied on the information supplied, the opinion and representations expressed by the Directors and the management of the Company. We have reviewed, amongst others, the Contract, the published information of the Company such as the annual reports and interim reports of the Company, the audited financial statements of CLFG Finance Company for the two financial years ended 31 December 2007, the audited financial statements of CLFG Finance Company for the ten months period ended 31 October 2008, the latest unaudited financial statements of CLFG Finance Company as of 9 January 2009 and the appraisal report (the “**Appraisal Report**”) conducted by Henan Yatai as at 31 October 2008. In order to have a better understanding on the Appraisal Report, we have taken various steps for our due diligence purpose, including but not limited to, (1) conducted telephone interviews with Henan Yatai on 2 February 2009 to understand the methodology, basis and assumptions on the valuation of CLFG Finance Company; (2) requested for and obtained the supporting documents in relation to the valuation of CLFG Finance Company and (3) reviewed their scope of works, expertise, experiences and independency of Henan Yatai. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation which are in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM BRIDGE PARTNERS

We have assumed that the information and representations contained or referred to in the Circular and the information and representations that have been provided by the Company and/or the Directors and/or the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete at the time they were made and continue to be true up to and including the date of the EGM.

We consider that we have been provided with sufficient information to form a reasonable basis of our opinion. We have no reason to suspect that any material fact or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Having made all reasonable enquiries, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and further confirmed that, to their best knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We have not, however, carried out any independent verification on the information provided by the Company and/or the Directors and/or the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, CLFG Finance Company, CLFG, Zhenglong Coal, Yongcheng Coal and their respective associates and subsidiaries, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Contract and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. We have no obligation to update this letter after the date of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, we have taken the following principal factors and reasons into consideration:

A. Background of the Company, CLFG, CLFG Finance Company, Zhenglong Coal and Yongcheng Coal

Information of the Company, CLFG and CLFG Finance Company

The Company is principally engaged in the production and sale of float flat glass. The scope of business includes the manufacturing of glass and relevant sophisticated processing goods, machineries, electric appliances, accessories and component parts, and the provision of technical consultancy services.

LETTER FROM BRIDGE PARTNERS

CLFG (being the controlling shareholder of the Company) is principally engaged in the production of glass, related raw materials and equipment, import, export and domestic sales of glass, processing technology, design and sub-contracting of engineering works, labour export, provision of industrial production material (excluding those under control of the PRC state), technological services, consultation services and goods transportation.

CLFG Finance Company is a company incorporated in the PRC with limited liability and is owned as to 63% and 37% by CLFG and the Company respectively as at the Latest Practicable Date. It is a non-bank finance company approved and regulated by the PBOC and the China Banking Regulatory Commission and is principally engaged in the provision of financial services including deposits taking services, entrusted loan services, loan services, guarantees services and settlement services to the Company and CLFG. The registered capital of CLFG Finance Company is RMB300,000,000 (or approximately HK\$340,500,000).

Set out below is a summary of the audited financial information of CLFG Finance Company for the ten months period ended 31 October 2008 and the two years ended 31 December 2007 (based on the generally accepted accounting standards in the PRC (“**PRC GAAP**”)):

	For the year ended 31 December 2006 <i>(RMB'000)</i>	For the year ended 31 December 2007 <i>(RMB'000)</i>	For the ten months period ended 31 October 2008 <i>(RMB'000)</i>
Revenue	22,698	21,621	19,805
Net book value	310,691	320,007	322,615
Profit after taxation and extraordinary items	732	8,593	11,369
Net book value attributable to the Selling Interest	114,955	118,403	119,368
Profit after taxation and extraordinary items attributable to the Selling Interest	271	3,448	4,207

As shown in the above table, the audited profit after taxation and extraordinary items has increased since 2006. As informed by the management of the Company, such increase was due to (i) the reversal of the bad debt provisions in 2007; (ii) the improvement of the profit margin; (iii) the consecutively upward adjustment on the interest rate by the People's Bank of China and (iv) the reduction of the PRC corporate tax rate.

LETTER FROM BRIDGE PARTNERS

Information of Yongcheng Coal and Zhenglong Coal

Zhenglong Coal is principally engaged in manufacture of mechanical equipments (excluding those under control of the state); sale of building materials, electronic products and communication equipments (excluding wireless equipments); agriculture, animal husbandry and fishery; and coal mining.

Yongcheng Coal is principally engaged in investment and management in coal, chemicals and mining industries; transportation by self-constructed railways; power generation, transmission and transformation; manufacture and sale of mechanical equipments; processing and selling of industrial greases and garments; sale of building materials, electronic products, communication equipments (excluding wireless equipments), and petrochemicals (excluding hazardous chemicals, flammable and combustible products, and refined oil products); agriculture, animal husbandry and fishery; livestock; warehousing (excluding inflammable materials); technical service; advisory service; import and export of self-produced products and related technology.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zhenglong Coal and Yongcheng Coal and their respective ultimate beneficial owners are Independent Third Parties to the Company and CLFG.

B. Reasons for and benefits of the Disposal

As stated in the section headed "Letter from the Board" in this Circular, prior to the Disposal and Completion, CLFG Finance Company is considered as a connected person of the Company and the financial services provided by CLFG Finance Company to the Company constitutes continuing connected transactions of the Company.

The Directors consider that the Disposal could provide the Group with a good opportunity to realize the Selling Interest at a reasonable price. Upon completion of the Disposal, based on both the PRC GAAP and the International Financial Reporting Standards (the "IFRS"), the Company is expected to realize a gain of approximately RMB18,887,232.02 (or approximately HK\$21,437,008.34), being the difference between the total consideration of RMB140,111,937.64 (or approximately HK\$159,027,049.22) and 37% of the net book value of the Selling Interest of RMB121,224,705.62 (or approximately HK\$137,590,040.88) as at 9 January 2009, being the attributable portion of equity interest in CLFG Finance Company to be disposed of by the Company. We understand from the Directors that the net sale proceeds of approximately RMB59,211,937.64 (or approximately HK\$67,205,549.22) will be used as general working capital of the Company. Having considered that the gain of the Disposal which is expected to be recorded by the Company on the completion of the Disposal and the cash proceeds from the Disposal will bring in cash flow to the Company, we are of the view that the Disposal is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM BRIDGE PARTNERS

As confirmed by the Directors, the Disposal could also help the Company to rationalize the structure of the Group so that it can focus its management time and resources on the production and sale business of float flat glass and reprocessed automobile glass. According to the “Report of the Board” in the interim report of the Company for the six months ended 30 June 2008 (the “**Interim Report**”), the Company expects that the glass industry will be further consolidated in the future and will grasp the opportunities and the platform built by its ultimate controlling shareholder so as to restructure and integrate the glass industry. We understand from the Company that after Completion, the Company will use the financial services provided by commercial banks and will try its best endeavor to negotiate better terms and rates with the banks in respect of the loan and guarantee services in the coming future. Taking into consideration that the substantial gain is expected to be recorded by the Company upon completion of the Disposal and the Disposal can enable the Company to focus on its core business in the future, we are of the view that the Disposal is in the interests of the Company.

C. Principal terms and conditions of the Contract

(a) *Assets to be disposed of*

Under the Contract, the Company will dispose its entire 37% equity interests in CLFG Finance Company to Zhenglong Coal for a cash consideration of RMB140,111,937.64 (or approximately HK\$159,027,049.22).

(b) *Basis of the consideration and valuation methodology*

Pursuant to the Contract, the Company agreed to sell and Zhenglong Coal agreed to purchase a 37% equity interest in CLFG Finance Company for a consideration in cash of RMB140,111,937.64 (or approximately HK\$159,027,049.22). As stated in the “Letter from the Board”, the consideration in respect of the Selling Interest was determined at arm’s length negotiations between the parties to the Contract with reference to 37% of the appraised net asset value of CLFG Finance Company as at 31 October 2008, being the attributable portion of equity interest in CLFG Finance Company to be disposed of by the Company (i.e. RMB121,611,937.64).

We were advised by Henan Yatai that there are three valuation approaches for determining the value of the assets namely, the income approach, market approach and cost approach. As noted from the Appraisal Report conducted by Henan Yatai (an independent professional valuer), since (i) the PRC fiscal policy, business and financial operations of the members of the Company may affect the stability of the income stream of CLFG Finance Company and (ii) there is no active market transaction related to the disposal of equity interests in non-bank financial institutions which are similar to CLFG Finance Company, Henan Yatai considered that asset-based method under the cost approach is the most appropriate approach in valuing the enterprise value of CLFG Finance Company as compared with using the market approach and income approach.

LETTER FROM BRIDGE PARTNERS

According to the Appraisal Report, the appraised total assets and total liabilities of CLFG Finance Company as at 31 October 2008 (the “**Appraisal Date**”) amounted to approximately RMB345,403,000 (or approximately HK\$392,032,405) and RMB16,722,000 (or approximately HK\$18,979,470) respectively. Accordingly, the appraised net asset value of CLFG Finance Company as at the Appraisal Date amounted to RMB328,680,900 (or approximately HK\$373,052,821.50), representing a premium of 1.88% over the net book value of CLFG Finance Company in the amount of approximately RMB322,615,000 (or approximately HK\$366,168,025). Based on the appraised value of the Selling Interest as the Appraisal Date, the consideration contained a 15.2% premium of RMB18,500,000 (or approximately HK\$20,997,500).

As mentioned above, Henan Yatai has adopted the asset-based method under the cost approach to appraise the enterprise value of CLFG Finance Company. Asset-based method is used in accordance with the legal regulations and requirements of the PRC and based on the premise that the value of a business can be determined by adding the value of all types of assets and subtracting the liabilities, leaving a net asset valuation. As set out in the Appraisal Report, we understand from Henan Yatai that different methods have been adopted in valuing various types of assets and liabilities:

- **Current Assets:** The major current assets of CLFG Finance Company contain cash, deposits, loans, advances and accounts receivable. Based on the Appraisal Report, Henan Yatai has valued the current assets of RMB332,633,800 (or approximately HK\$377,539,363) as at the Appraisal Date, which represents a premium of 1.87% over the book value of the current assets of RMB326,525,800 (or approximately HK\$370,606,783). Henan Yatai has used the adjusted appraised value as the basis of valuation to value cash, deposits with PRC Central Bank and deposits with financial institutions. On the other hand, Henan Yatai has valued loans and advances of CLFG Finance Company based on the loan recoverability by the customers, credit risk profile and risk types of the loans. As noted by Henan Yatai, the provision for bad debts of CLFG Finance Company is zero by making reference to the valuation requirements of the PRC governmental authorities. In respect of the accounts receivable, Henan Yatai has also appraised the value based on the aging, credit risk profile and recoverability.

LETTER FROM BRIDGE PARTNERS

- **Fixed Assets:** According to the Appraisal Report, the market value of the fixed assets of CLFG Finance Company as at the Appraisal Date was RMB12,769,200 (or approximately HK\$14,493,042), which represented a discount of 0.33% to the book value of the fixed assets of RMB12,811,300 (or approximately HK\$14,540,826). Henan Yatai has adopted the cost method to value the office equipments (by making reference to the replacement costs of the office equipments and the comparable sales evidence available in the relevant market) and the motor vehicles (by making reference to the replacement costs of the motor vehicles, licenses fees and vehicle examination fees etc.). Henan Yatai has also adopted the market method to value the properties by making reference to comparable transactions available in the market and adjustments made to each comparable sale used for various differences between the comparables and the subject properties.

- **Liabilities:** According to the Appraisal Report, the market value of the total liabilities of CLFG Finance Company as at the Appraisal Date was RMB16,722,000 (or approximately HK\$18,979,470), which represented the same as its book value. Henan Yatai has reviewed the breakdown of every liability items provided by the Company by examining the confirmations, reviewing the contracts, sampling the account vouchers and performing analytical reviews. Subsequent to the review process of the liabilities, Henan Yatai has appraised the market value of total liabilities with reference to the adjustments on its book value.

As confirmed by Henan Yatai, there is no specific valuation requirement to appraise the assets of the non-bank financial institutions and it is normal and usual among professional business appraisers to apply the aforesaid basis of valuation and valuation methodology. In the course of our discussion with Henan Yatai, nothing material has come to our attention that would lead us to believe that the appraisal was not prepared on a reasonable basis nor reflected assumptions or parameters which have not been arrived at after due and careful consideration.

As part of our analysis, we have also researched for similar transactions or non-bank financial companies similar with CLFG Finance Company and considered other commonly adopted valuation methodologies (for example, price-to-earnings and price-to-book analysis) to evaluate the fairness and reasonableness of the consideration of the Disposal. Owing to the unique business nature of CLFG Finance Company, we are unable to identify any similar transactions in Hong Kong and the PRC related to the disposal of equity interests in non-bank financial institutions which are similar to the Disposal. In this regard, we considered that the asset-based approach is the most appropriate method to assess the enterprise value of CLFG Finance Company.

LETTER FROM BRIDGE PARTNERS

Given that (i) the Disposal is priced at a level by making reference to the appraised net asset value of the Selling Interest; (ii) the consideration in respect of the Selling Interest was determined at after arm's length negotiations between the parties to the Contract and (iii) the consideration contained a 15.2% premium of RMB18,500,000 (or approximately HK\$20,997,500) based on the appraised value of the Selling Interest as at 31 October 2008, we are of the view that the consideration payable under the Disposal is fair and reasonable and the terms of the Contract are on normal commercial terms.

(c) *Payment terms*

The consideration shall be paid by Zhenglong Coal to the Company as to (i) RMB18,500,000 (or approximately HK\$20,997,500) in cash after execution of the Contract and before the Completion Date and such payment shall be refunded to Zhenglong Coal should the Contract cannot be completed and (ii) RMB121,611,937.64 (or approximately HK\$138,029,549.22), being the balance of the consideration, shall be paid within 3 working days after the Completion Date and part of such payment shall first be used to settle the debt of RMB80,900,000 (or approximately HK\$91,821,500) owed by the Company to CLFG Finance Company as at 9 January 2009. Subsequent to the disposal of all assets and repaying all debts of CLFG Finance Company prior to the Completion Date, the Company will receive cash equivalent of approximately RMB40,711,937.64 (or approximately HK\$46,208,049.22).

According to the management account of CLFG Finance Company and a confirmation of CLFG Finance Company dated 22 January 2009, the debt owed to CLFG Finance Company by the Company as at 9 January 2009 was RMB80,900,000 (or approximately HK\$91,821,500). CLFG Finance Company also confirmed in the abovementioned confirmation that the amount of such debt will not increase during the period from 9 January 2009 to the Completion Date.

The completion of the Disposal shall take place on the Completion Date after fulfillment of all conditions precedent of the Contract. As stipulated under the Contract, it is one of the conditions precedent that the Company shall obtain the requisite approval from the Independent Shareholders to approve the Contract and the Disposal at the EGM. Should the Contract and the transactions contemplated thereunder have not been approved in the EGM, the Contract shall terminate automatically and the Company may need to spend additional time to look for new buyers to acquire its equity interest of CLFG Finance Company in the market again and the process may or may not succeed. In this respect, we consider that the payment terms are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM BRIDGE PARTNERS

(d) *Other major terms of the Contract*

As mentioned in the “Letter from the Board”, the Company (being one of the Sellers) will continue to assume the profits generated/losses incurred by CLFG Finance Company in proportion to its respective equity interests in CLFG Finance Company during the period from 1 November 2008 up to the Completion Date. Accordingly, based on the equity interests in CLFG Finance Company, the Company will assume the unaudited net profits generated/ net losses incurred by CLFG Finance Company during such period.

According to the consultation of the Company to the China Banking Regulatory Commission and the PRC legal advisor, non-bank finance companies in the PRC are required, at the time of its change of control, not to own any assets except for cash or have any liabilities in any form. Hence, the Completion is conditional on, among others, that by Completion Date, CLFG Finance Company shall dispose all assets and repay all debts and release all its charges and guarantees. CLFG has confirmed to the Company that save for the debt of RMB80,900,000 (or approximately HK\$91,821,500) owed by the Company to CLFG Finance Company as at 9 January 2009 which shall be directly repaid by the Company, CLFG will be responsible for disposing of all assets and repaying all debts of CLFG Finance Company.

Furthermore, we have reviewed other major terms of the Contract (including, but not limited to, “Representations, Warranties and Guarantees” by the Sellers and the Purchasers, “Establishment, Effectiveness, Amendments and Rescission of the Contract” and “Confidentiality”) and are not aware of any unusual terms.

The Independent Shareholders should note that the respective sale of 37% equity interests and 63% equity interests in CLFG Finance Company by the Company and CLFG will take place simultaneously, and neither can complete without the completion of the other.

Having taken into account that CLFG Finance Company recorded (i) the audited net profits of CLFG Finance Company for the two consecutive financial years ended 31 December 2007 and (ii) the unaudited net profits of RMB2,589,318.31 (or approximately HK\$2,938,876.28) during the period from 1 November 2008 to 9 January 2009, we are of the view that the terms of the Contract are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM BRIDGE PARTNERS

D. Financial effects of the Disposal

(i) *Net asset value*

According to the Interim Report, the Group had unaudited net assets of approximately RMB107.13 million (or approximately HK\$121.59 million) as at 30 June 2008 (based on the IFRS). As confirmed by the Company, the consolidated net asset value of the Group would be increased as a result of the completion of the Disposal due to the gain of approximately RMB18.9 million (or approximately HK\$21.44 million) from the Disposal, being the difference between the total consideration and the net book value of the Selling Interest as at 9 January 2009 (based on both the PRC GAAP and the IFRS). Save as above, the Directors confirm that the Disposal will not have any material impact on the assets and liabilities of the Group. We are of the view that the Disposal may provide a good opportunity for the Company to rationalize the structure of the Group so as to redirect its resources to the core business operations and to strengthen the income base of the Group.

(ii) *Gearing*

According to the Interim Report, the total loan amounts due from the Group as at 30 June 2008 were RMB873,063,190 (or approximately HK\$990,926,721) and all loans bear interest rates based on China's statutory current assets loan interest rate and the floating rates. The gearing ratio (calculated by dividing total loans by total equity attributable to equity shareholders of the Company) was 814.99% as at 30 June 2008. According to the audited balance sheet of CLFG Finance Company as at 31 October 2008, the total outstanding liabilities were approximately RMB16.72 million (or approximately HK\$18.98 million). It is expected that the gearing level of the Group will be improved as the debt of RMB80,900,000 owed by the Company to CLFG Finance Company will be repaid by the Company on the Completion Date.

(iii) *Earnings*

The audited net profits after taxation and extraordinary items attributable to the Selling Interest were approximately RMB3,448,000 (or approximately HK\$3,913,480) for the year ended 31 December 2007 and approximately RMB271,000 (or approximately HK\$307,585) for the year ended 31 December 2006.

LETTER FROM BRIDGE PARTNERS

As mentioned the sub-section headed “(i) Net asset value” above, the Company is expected to realise a gain of approximately RMB18.9 million (or approximately HK\$21.44 million) upon Completion. Shareholders should note that CLFG Finance Company will cease to be the associated company of the Company, any future profit or loss will no longer be accounted by the Company in the future. In light of the fact that the operating results of the Group have been almost entirely generated from the production and sales of float sheet glass and the income generated from CLFG Finance Company represented an immaterial amount of the Group’s total income, we are of the view that the Disposal will not have a material impact on the earnings of the Group.

(iv) *Liquidity and Working capital*

As mentioned in the “Letter from the Board”, the consideration of the Disposal will be paid in cash and the proceeds from the Disposal will be used for general working capital. It is expected that the liquidity position will be enhanced by the net sale proceeds from the Disposal of approximately RMB59,211,937.64 (or approximately HK\$67,205,549.22) and the working capital position of the Group would be improved of approximately RMB40,711,937.64 (or approximately HK\$46,208,049.22) after the disposal of all assets and repaying all debts of CLFG Finance Company by CLFG prior to the Completion Date. As the liquidity and cash flow position of the Company will be improved after the Disposal, we are of the view that the Disposal is in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Contract are on normal commercial terms and the Disposal is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the upcoming EGM to approve the Contract and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Bridge Partners Capital Limited
Monica Lin
Managing Director

INDEBTEDNESS STATEMENT**Borrowings**

At the close of business on 31st December, 2008, being the latest practicable date for the purpose of this indebtednesses statement prior to the printing of this circular, the Group had outstanding borrowings as follows:

- (a) Other loan amounting to approximately RMB181,900,000 was repayable within one year, comprising RMB81,900,000 with interest charged at the annual rate ranging from 5.04% to 9.3376%, RMB50,000,000 with interest charged at the annual floating rate equivalent to the primary loan annual interest rate announced by the People's Bank of China and RMB50,000,000 with interest charged at the annual floating rate of 17% over the People's Bank of China's annual interest rate on primary loan.
- (b) Secured guaranteed bank loans amounting to approximately RMB713,767,000, comprising short-term bank loans of approximately RMB708,510,000 and long-term bank loans of approximately RMB5,257,000, with interest charged at the annual rate ranging from 2.5% to 10.8%. These bank loans are secured by the following:
- certain property, plant and equipment with net carrying value of approximately RMB39,348,000;
 - guaranteed by a de facto controller of the Group;
 - guaranteed by a shareholder of the Group;
 - guaranteed by an associate of the Group;
 - guaranteed by third parties independent of the Group;
 - certain bank deposits of the Group of RMB20,000,000; and
 - equity interest held in an associate of RMB111,000,000.
- (c) Unsecured short-term bank loan amounting to RMB4,000,000, interest is charged at the rate of 10.8% per annum.

Capital commitments

As at 31st December, 2008, the Group had no significant capital commitments.

Pledge of assets

As at 31st December, 2008, certain assets of the Group were pledged to secure bank facilities granted to the Group, as follows:

- (a) legal charges over certain of the Group's plant and machineries with an aggregate net book value of RMB39,348,000;
- (b) pledge of certain bank deposits of the Group of RMB201,636,000; and
- (c) pledge of equity interest in an associate of RMB111,000,000.

Operating lease commitments

As at 31st December, 2008, the Group had no operating commitments.

Contingent liabilities

As at 31st December, 2008, the Group had undue bank acceptance bills amounting to approximately RMB130,737,000 which were discounted to banks.

Disclaimers

Save as aforesaid or otherwise disclosed in this circular, and apart from intra-group liabilities, and normal trade payables in the ordinary course of business, none of the companies in the Group had any outstanding debt securities, liabilities under acceptances, acceptance credits, finance lease or hire purchase commitments, mortgages, charges, loan capital and overdraft or other similar indebtedness, as at the close of business on 31st December, 2008.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 31st December, 2008.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Renminbi at the rates of exchange prevailing at the close of business on 31st December, 2008.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Group, including the proceeds from the Disposal and anticipated disposal of the Group's non-core assets, and the Group's present available internal resources, the Group will have sufficient working capital for its requirements in next twelve months from the date of this circular.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executive 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 is 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 executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; 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, none of the Directors or the controlling shareholders of the Company and their respective associates has any interest in a business, apart from the business of the Company, 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 of the Listing Rules.

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executives of the Company or their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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 2007, the date to which the latest published audited financial statement of the Group was 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 position in the shares of the Company

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of total issued share capital of the Company (%)
CLFG	Beneficial owner	179,018,242	35.80
China National Building Material Group Corporation ("CNBMG") (Note 1)	Interest in controlled corporation	179,018,242	35.80

Note:

- These 179,018,242 Shares are registered and owned by CLFG. The major shareholder of CLFG is CNBMG which owns 70% of the registered capital in CLFG. CNBMG is therefore deemed to be interested in 179,018,242 Shares held by CLFG under the SFO.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

4. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion or advice contained in this circular:

Name	Qualification
Bridge Partners	a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PKF Certified Public Accountants (“ PKF ”)	Certified public accountants

As at the Latest Practicable Date, each of Bridge Partners and PKF is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Bridge Partners and PKF has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and letter in the form and context in which they appear.

The letter and recommendation given by Bridge Partners and PKF are given as of the date of this circular for incorporation herein.

Each of Bridge Partners and PKF has, or has had, no direct or indirect interest 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 of by, or leased to, any member of the Group since 31 December 2007, the date to which the latest published audited financial statement of the Group was made up.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors entered or proposed to enter into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

6. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, the date to which the latest published audited accounts of the company were made up.

7. MATERIAL CONTRACTS

Save as disclosed below, no material contracts (not being contracts entered into in the ordinary course of business carried out by the Group) have been entered into by any member of the Group within the two years preceding the Latest Practicable Date:

- (a) the Contract;
- (b) the acquisition contract entered into between the Company and 洛陽市土地儲備整理中心 (Luoyang Land Reserves Coordination Centre*) on 24 October 2008, pursuant to which the Company agreed to sell to Luoyang Land Reserves Coordination Centre the land use rights of a piece of land of the Company of approximately 218,658.30 sq. meters and certain buildings and ancillary structures erected on that piece of land at a total consideration of RMB250,000,000;
- (c) an asset sale and purchase contract entered into between the Company and 汝陽縣工藝美術福利廠 (Ruyang Arts and Crafts Welfare Factory*) on 28 December 2007, pursuant to which the Company agreed to sell a production line to Ruyang Arts and Crafts Welfare Factory at a consideration of RMB35,000,000;
- (d) the share transfer agreement entered into between the Company and CLFG on 22 October 2007 in respect of the acquisition of a 50% equity interest in 洛玻集團洛陽龍新玻璃有限公司 (CLFG Luoyang Longxin Glass Company Limited*) by the Company from CLFG at a consideration of RMB35,000,000; and
- (e) the share transfer agreement entered into between the Company and CLFG on 22 October 2007 in respect of the transfer of a 100% equity interest in 洛陽洛玻倉儲物流有限公司 (Luoyang CLFG Storage and Logistics Company Limited*) from the Company to CLFG at a consideration of RMB70,363,714.

8. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Ip Pui-Sum, who is currently a fellow member of the Association of Chartered Certified Accountants (United Kingdom), an associate of the Hong Kong Institute of Certified Public Accountants, the Society of Chinese Accountants & Auditors, the Chartered Institute of Management Accountants, the Institute of Chartered Secretaries and Administrators and the ordinary member of Hong Kong Institute of Chartered Secretaries.

* For identification purpose only

- (b) The registered and principal office of the Company is situated at No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC.
- (c) The share registrar and transfer office of the H Shares of the Company is Hong Kong Registrars Limited at Rooms 1901-5, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents 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 hereof:

- (a) the annual reports of the Company for the two years ended 31 December 2006 and 31 December 2007 and the interim report of the Company for the period ended 30 June 2008;
- (b) the memorandum and articles of association of the Company;
- (c) each of the material contracts, as referred to in the paragraph headed "Material Contracts" in this appendix;
- (d) a copy of this circular;
- (e) a copy of (i) the circular of the Company dated 25 January 2008 in respect of a discloseable transaction in relation to the disposal of the Company's idle production line and (ii) the circular of the Company dated 3 November 2008 in respect of a major transaction in relation to the disposal of the Company's land use rights and buildings and ancillary structures;
- (f) the working capital comfort letter as provided by PKF Certified Public Accountants to the Board pursuant to the requirements of the Listing Rules;
- (g) the letter from the Independent Board Committee as set out on pages 11 to 12 of this circular;
- (h) the letter from Bridge Partners as set out on pages 13 to 24 of this circular; and
- (i) the written consent of PKF Certified Public Accountants and Bridge Partners as referred to in paragraph headed "Experts and Consents" of this appendix.

NOTICE OF EGM



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 FIRST EXTRAORDINARY GENERAL MEETING 2009

NOTICE IS HEREBY given that the First Extraordinary General Meeting 2009 (the "EGM") of 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 30 March 2009 for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

"THAT:

1. the Contract (as defined in the circular of the Company dated 11 February 2009, copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purpose of identification), and the terms and conditions thereof and the transaction contemplated thereunder and the implementation thereof be and are hereby approved and confirmed; and
2. any one of the directors be authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds, to do or authorise doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the Contract and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Contract they may in their discretion consider to be desirable and in the interests of the Company and all the directors' acts as aforesaid be hereby approved, ratified and confirmed."

By order of the Board

Gao Tianbao

Chairman

Luoyang, the PRC

11 February 2009

NOTICE OF EGM

As at the date of this notice, the Board comprises five executive Directors: Mr. Gao Tianbao, Mr. Xie Jun, Mr. Cao Mingchun, Mr. Song Jianming and Ms. Song Fei, one non-executive Director: Mr. Shen Anqin, and four independent non-executive Directors: Mr. Zhang Zhanying, Mr. Guo Aimin, Mr. Xi Shengyang and Mr. Ge Tieming.

Notes:

1. Holders of the Company's A Shares who registered in the Shanghai Securities Central Clearing and Registration Corporation, and whose names appear on the register of members maintained by Shanghai Central Securities Registration and Clearing Company at the close of trading at 3:00 p.m. on 27 February 2009, 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 p.m. and 2:00 p.m. to 5:30 p.m. on 9 March 2009 at the Secretarial Office of the Board of Directors, 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 9 March 2009.
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 27 February 2009, are entitled to attend and vote at the EGM. The Register of Members of the Company's H Shares will be closed from 2 March 2009 to 30 March 2009 (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 27 February 2009.
3. Any shareholder entitled to attend and vote at 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 of the Shareholder needs not be a Shareholder.
4. The principal may appoint a proxy in written form (i.e. through the enclosed proxy form). 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 authority 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 the Rooms 1901-5, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time appointed for holding of 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 EGM to the registered address of the Company on or before 9 March 2009 personally or by mail or fax.

NOTICE OF EGM

6. Shareholders or their proxies shall produce their proofs of identity when attending the EGM. A proxy of shareholder who is appointed to attend the EGM shall produce the proxy form at the same time.
7. The EGM is expected to last for one day. Shareholders or their proxies attending the EGM should be responsible for their own traveling and accommodation expenses.
8. The Company's registered address is as follows:

No. 9 Tang Gong Zhong Lu,
Xigong District,
Luoyang Municipal,
Henan Province,
The People's Republic of China
Postal Code: 471009
Tel: (86379) 6390 8588
Fax: (86379) 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.