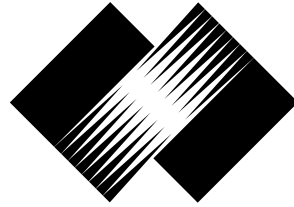


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance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



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)

**(1) PROPOSED CESSATION OF APPOINTMENT
OF INTERNATIONAL AUDITOR;
(2) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION;
AND
(3) DISCLOSEABLE AND CONNECTED TRANSACTION**

**PROPOSED CESSATION OF APPOINTMENT OF INTERNATIONAL
AUDITOR**

The Board proposes to cease to appoint PKF Certified Public Accountants as the international auditor of the Company, in light of the acceptance by the Stock Exchange of matters in relation to Mainland accounting and auditing standards and Mainland audit firms.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company proposes to, subject to the approval by the Shareholders at the EGM, amend the Articles of Association to (i) reflect the proposed change of accounting policy and (ii) meet the requirements on the dividend distribution policy under the “Notice regarding further implementation of the relevant matters of cash dividend distribution of listed companies” and “Decision regarding amendments to certain requirements on cash dividend distribution of listed companies” both published by CSRC and the “Notice regarding further implementation of the relevant matters of cash dividend distribution of listed companies” (Henan Supervisory Bureau Yu Zheng Jian Fa [2012] No. 214).

DISCLOSEABLE AND CONNECTED TRANSACTION

The Company is pleased to announce that on 28 August 2012, Longhao Glass, a wholly-owned subsidiary of the Company, entered into the Supply and Installation Agreement with CNBMG International, pursuant to which Longhao Glass agreed to purchase from and CNBMG International agreed to supply and install the equipment and materials for the Production Line Re-construction at a total consideration of RMB106,000,000 (equivalent to approximately HK\$130,380,000).

Longhao Glass is a wholly-owned subsidiary of the Company. CNBMG International is an indirectly non-wholly-owned subsidiary of CNBMG, the ultimate controlling shareholder of the Company and therefore is a connected person of the Company.

As the applicable percentage ratios are more than 5% but less than 25%, the transaction contemplated under the Supply and Installation Agreement constitutes (i) a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements only under Chapter 14 of the Listing Rules; and (ii) a connected transaction under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be held for the purposes of, among other things, seeking Independent Shareholders' approval on the Supply and Installation Agreement, and seeking Shareholders' approval on the Proposed Cessation of Appointment and the proposed amendments to the Articles of Association.

CLFG, CNBMG and their associates are required to abstain from voting in respect of the resolutions relating to the Supply and Installation Agreement. The votes to be taken at the EGM in relation to the proposed ordinary resolutions and special resolutions will be taken by poll.

GENERAL

A circular containing, among other things, (i) details of the Proposed Cessation of Appointment; (ii) details of the proposed amendments to the Articles of Association; (iii) details of the Supply and Installation Agreement; (iv) the letter of advice from the Independent Board Committee in respect of the Supply and Installation Agreement; (v) the letter of advice from the Independent Financial Adviser in respect of the Supply and Installation Agreement; and (vi) a notice of the EGM will be despatched to the Shareholders on or before 18 September 2012.

PROPOSED CESSATION OF APPOINTMENT OF INTERNATIONAL AUDITOR

The Board proposes to cease to appoint PKF Certified Public Accountants (“**PKF**”) as the international auditor of the Company, in light of the acceptance by the Stock Exchange of matters in relation to Mainland accounting and auditing standards and Mainland audit firms (the “**Proposed Cessation of Appointment**”).

According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” published by the Stock Exchange in December 2010, Mainland incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with PRC Accounting Standards for Business Enterprises (the “**PRC Accounting Standards**”), and Mainland audit firms approved by the Ministry of Finance of the PRC (the “**MOF**”) and the Securities Regulatory Commission of China (the “**CSRC**”) are allowed to audit these financial statements in accordance with the PRC Accounting Standards.

The Company is aware that Daxin Certified Public Accountants (“**Daxin**”), the Company’s domestic auditor, is a Mainland audit firm approved by the MOF and the CSRC to provide auditing services in accordance with the PRC Accounting Standards to Mainland incorporated issuers.

In view of the aforesaid change of policy, in order to improve the efficiency of and to reduce the costs of disclosure and the audit expenses, the Board proposes to amend the accounting policy of the Company to prepare only one set of financial statement in accordance with the PRC Accounting Standards, effective from the date of the EGM. The Articles of Association will be amended accordingly to reflect the proposed change of accounting policy, as further discussed below.

In light of the aforesaid, the Board proposes to, subject to the approval by the Shareholders at the EGM in respect of the resolutions of (i) the Proposed Cessation of Appointment and (ii) the proposed amendments to Articles 203 and 204 of the Articles of Association, cease the appointment of PKF as its international auditor with effect from the date of the EGM, whilst Daxin will be the only auditor auditing the Company’s financial statement for the year ending 31 December 2012 in accordance with the PRC Accounting Standards and undertaking the role of international auditor in compliance with the Listing Rules.

PKF has confirmed that there were no matters regarding the Proposed Cessation of Appointment that need to be brought to the attention of the Shareholders. The Board and the audit committee of the Company confirmed that there were no disagreement between the Company and PKF regarding the Proposed Cessation of Appointment.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company proposes to, subject to the approval by the Shareholders of the Company at the EGM, amend the Articles of Association to (i) reflect the proposed change of accounting policy as discussed above and (ii) meet the requirements on the dividend distribution policy under the “Notice regarding further implementation of the relevant matters of cash dividend distribution of listed companies” and “Decision regarding amendments to certain requirements on cash dividend distribution of listed companies” both published by CSRC and the “Notice regarding further implementation of the relevant matters of cash dividend distribution of listed companies” (Henan Supervisory Bureau Yu Zheng Jian Fa [2012] No. 214). The proposed amendments are as follows:

Article 203

Original Article 203: The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the overseas place where the Company’s shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, explanations shall be made in the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

Amended Article 203: The financial statements of the Company shall be prepared in accordance with the PRC accounting standards and regulations.

Article 204

Original Article 204: The interim results or financial information published or disclosed by the Company must be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas place where the Company's shares are listed.

Amended Article 204: The interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations.

Article 210

Original Article 210: The profit distribution policy of the Company is:

- (1) Provide the reasonable returns of investment to the Shareholders under the precondition of guaranteeing the Company's normal operation and long-term development;
- (2) The Company distributes the dividend in the form of cash or shares. The distributed profits in cash accumulatively in recent three years are no less than 30% of the realized annual distributable profits in latest three (3) years. The profit distribution policy shall maintain consistency and stability.

Amended Article 210: The profit distribution policy of the Company is:

- (I) Basic principles of profit distribution
 1. The Company adopts a consistent and stable profit distribution policy with sufficient consideration of the return to investors as well as the long-term interests of the Company, the interests of Shareholders as a whole and the sustainable development of the Company.

2. The Company's profit distribution shall not exceed the range of the accumulated distributable profits nor harm the ability of sustainable operation of the Company.
3. The Company may distribute the dividend in the form of cash, shares, a combination of cash and shares and other forms as permitted under laws and regulations.

(II) Specific policy for profit distribution

1. The Company may distribute the dividend in the form of cash, shares, the combination of cash and shares or such other form permitted by the law and regulations on the condition that the Company makes a profit and after making full allocations to the statutory reserve fund and discretionary reserve fund in accordance with relevant regulations, the cash could support the Company's continuous operation and long-term development.
2. If the Company makes a profit for a year and the accumulated undistributed profit is positive, the Company may distribute the dividend in the form of cash, and the distributed profits in cash accumulated in the latest three years shall not be less than 30% of the realized annual distributable profits in latest three years. The actual proportion of cash dividends for a year shall be proposed by the Board based on the amount of profit recorded for the year and future fund use plan of the Company.

(III) Procedures for considering the profit distribution policy of the Company

1. The Board of the Company shall make dividend proposal and a preliminary scheme regarding the profit distribution plan in accordance with the requirements of the Articles of Association and with reference to the Company's profit and capital demands, in respect of which independent directors shall issue independent opinions. Such preliminary distribution scheme shall be considered by the Board before being submitted to the general meeting for consideration.
2. When the detailed cash dividend plan is considered by the general meeting, the Company shall actively communicate and exchange ideas with Shareholders, especially minority Shareholders by various means, take into full account the opinions and requests of minority shareholders and address their concerns in time. Other than on-site general meetings, the Company may also provide Shareholders with internet voting platform.
3. The supervisory committee shall monitor the implementation by the Board of the Company's dividend policies and profit distribution plan as well as the decision-making procedures.

(IV) Implementation of the Company's profit distribution plan

After the resolution in respect of profit distribution plan is approved at the Shareholders' general meeting, the Board shall complete the dividend (or share) distribution within 2 months after the holding of the general meeting.

(V) Changes in the Company's profit distribution policy

The Company may adjust its profit distribution policy in case of war, natural disasters and other force majeure, or changes in the Company's external operational environment resulting in significant impact on its production and operation, or relatively significant changes in the Company's operational position.

The Board shall conduct specific discussion over adjustment to the Company's profit distribution policy, demonstrate in detail the reasons for such adjustment and form a written demonstration report for an independent opinion to be issued by the independent Directors, which shall be then submitted to the general meeting for approval by way of special resolution. In considering amendments to the profit distribution policy, the Company shall make internet voting accessible to Shareholders.

The English version of the above articles is an unofficial translation of its Chinese version. In case of any discrepancy between the two versions, the Chinese version shall prevail.

DISCLOSEABLE AND CONNECTED TRANSACTION

The Company is pleased to announce that on 28 August 2012, Longhao Glass, a wholly-owned subsidiary of the Company, entered into the Supply and Installation Agreement with CNBMG International, pursuant to which Longhao Glass agreed to purchase from and CNBMG International agreed to supply and install the equipment and materials for the Production Line Re-construction at a total consideration of RMB106,000,000 (equivalent to approximately HK\$130,380,000).

Production Line Re-construction involves the re-construction of a 400t/d float glass production line of Longhao Glass, which has ceased production since 15 May 2012. Longhao Glass planned to re-construct such production line into a 650t/d production line to produce quality float sheet glass.

The Agreement

Date

28 August 2012

Parties

Vendor: CNBMG International, the indirectly non-wholly-owned subsidiary of CNBMG, the ultimate controlling shareholder of the Company

Purchaser: Longhao Glass, the wholly-owned subsidiary of the Company

Consideration

The total consideration is RMB106,000,000, which comprises the cost of equipment and materials of RMB91,200,000 and the installation costs of RMB14,800,000, and is subject to adjustment in light of factors such as change of the agreed supply of materials and equipment and the scope of installation services, change of supply of materials and equipment and the content of installation services, change of approvals in the course of performance of the Supply and Installation Agreement, the advance or delay of the work schedule of the Supply and Installation Agreement, etc.

The total consideration under the Supply and Installation Agreement was determined after arm's length negotiation between Longhao Glass and CNBMG International with reference to the prevailing market price. The Directors (excluding the independent non-executive Directors who will express their independent opinions on the Supply and Installation Agreement after taking into account the advice from the Independent Financial Adviser) consider that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Longhao Glass intends to satisfy the above consideration partly by cash from its internal resource and partly by bank loans.

Obligations of the CNBMG International

Pursuant to the Supply and Installation Agreement, CNBMG International agreed to provide supply, installation and assembly services for the Production Line Re-construction, which include but not limited to the following:-

- (i) Supply of sufficient, qualified and suitable materials and equipment required for the Production Line Re-construction;
- (ii) Installation and testing of such materials and equipment, including the melting furnace, annealing furnace, specified equipment, ordinary equipment, non-standard equipment and cables;
- (iii) Performance of heating-up process of the melting furnace and assistance in the trial-production;
- (iv) Organization, quality management, progress management and safety management of the construction work within the scope of material supply for the Production Line Re-construction ; and
- (v) Provision of maintenance services and relevant technical services in respect of the completed construction work.

Obligations of Longhao Glass

Pursuant to the Supply and Installation Agreement, Longhao Glass agreed to provide supporting services for the Production Line Re-construction, which include but not limited to the following:-

- (i) Provision of basic amenities including land, supply of water and electricity, etc.;
- (ii) Assisting CNBMG International in handling all approval procedures in relation to the implementation of the project;
- (iii) Performing all the construction of civil works and utilities works, modification of the existing electricity supply system of the plant and all other construction works that beyond the scope of supply and installation to be provided by CNBMG International in accordance with the design drawings by CNBMG International;

- (iv) Demolition of existing equipment, maintenance, storage of existing equipment to be modified;
- (v) Supply of raw materials, fuel, shattered glass, tin, tools and equipment for production, sulphur dioxide and its containers required by the Production Line Re-construction; and
- (vi) Contained storage space for materials and equipment.

Payment terms

The consideration shall be settled by Longhao Glass to CNBMG International in the following manner:

- (i) 15% of the total consideration being RMB15,900,000 shall be paid within 10 Business Days from the date of consideration and approval of the Supply and Installation Agreement at the EGM;
- (ii) 10% of the total consideration being RMB10,600,000 shall be paid before the commencement of heating-up stage;
- (iii) 10% of the total consideration being RMB10,600,000 shall be paid before the delivery of equipment and materials;
- (iv) 10% of the total consideration being RMB10,600,000 shall be paid after the delivery of equipment and materials;
- (v) 15% of the total consideration being RMB15,900,000 shall be paid within 5 Business Days from the date when the equipment and furnace installation staff entered the site;
- (vi) 15% of the total consideration being RMB15,900,000 shall be paid after the completion of installation of cooling system;
- (vii) 5% of the total consideration being RMB5,300,000 shall be paid within 2 months after commencement of glass-forming stage;
- (viii) 5% of the total consideration being RMB5,300,000 shall be paid within 4 months after commencement of glass-forming stage;

- (ix) 5% of the total consideration being RMB5,300,000 shall be paid within 6 months after commencement of glass-forming stage;
- (x) 5% of the total consideration being RMB5,300,000 shall be paid within 8 months after commencement of glass-forming stage; and
- (xi) the balance of the 5% of the total consideration being RMB5,300,000 shall be paid within 12 months after commencement of glass-forming stage.

Confidentiality

The overall know-how involved in the Production Line Re-construction including the installation of materials and equipment shall be jointly owned by Longhao Glass and CNBMG International. Either party shall not disclose, transfer or re-sell the said know-how and products to other third party without the consent from the other party.

Reasons for entering into the Supply and Installation Agreement

CNBMG International is the largest design and contractor of glass production line in the PRC, with strong technology expertise, high-level profession and rich experience in execution. At present, more than 80% of the glass production line in the PRC are designed and contracted by CNBMG International. In this connection, the main services of supply and installation to be provided by CNBMG International would guarantee the quality of design and construction of the project, and best meet the technology upgrade and quality requirement of the Production Line Re-construction, so as to enhance the competitiveness of the Company in future.

The terms of the Supply and Installation Agreement were determined after arm's length negotiations between the parties thereto. The Directors (other than the independent non-executive Directors of the Company who will express their opinions after reviewing the advice of the Independent Financial Adviser) are of the view that the Supply and Installation Agreement was entered into in the ordinary course of business and on normal commercial terms and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information of Longhao Glass and CNBMG International

Longhao Glass is principally engaged in the manufacturing and sales of 3 mm to 15 mm size of float sheet glass.

CNBMG International is an indirectly non wholly-owned subsidiary of CNBMG, the ultimate controlling shareholder of CLFG (which holds 159,018,242 shares of the Company) and the Company. The principal businesses of CNBMG International include: mainly engage in the construction design and consultancy services in the PRC and overseas; investment planning and consultancy; development, transfer consultancy and service of new technology of building materials in the PRC and overseas; contracting of construction; surveying, consultancy, design and supervision of construction; development, manufacture and sale of new building materials; and import and export business.

Listing rules implications

Longhao Glass is a wholly-owned subsidiary of the Company. CNBMG International is an indirectly non wholly-owned subsidiary of CNBMG, the ultimate controlling shareholder of the Company, and therefore is a connected person of the Company.

As the applicable percentage ratios are more than 5% but less than 25%, the transaction contemplated under the Supply and Installation Agreement constitutes (i) a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements only under Chapter 14 of the Listing Rules; and (ii) a connected transaction under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhao Yuanxiang, Mr. Zhang Chengong and Mr. Guo Yimin, the non-executive Directors of the Company, have abstained from voting in respect of the Supply and Installation Agreement in the Board meeting due to the fact that they are senior management of CLFG or CNBMG and are therefore not regarded as independent to make any recommendation to the Board.

EGM

The EGM of the Company will be held for the purposes of, among other things, seeking Independent Shareholders' approval on the Supply and Installation Agreement, and seeking Shareholders' approval on the Proposed Cessation of Appointment and the proposed amendments to the Articles of Association.

CLFG, CNBMG and their associates are required to abstain from voting in respect of the resolutions relating to the Supply and Installation Agreement. The votes to be taken at the EGM in relation to the proposed ordinary resolutions and special resolutions will be taken by poll.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors (namely Mr. Zhang Zhanying, Mr. Guo Aimin, Mr. Huang Ping and Mr. Dong Jiachun) will be established to provide recommendation to the Independent Shareholders in respect of the Supply and Installation Agreement. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Proposed Cessation of Appointment; (ii) details of the proposed amendments to the Articles of Association; (iii) details of the Supply and Installation Agreement; (iv) the letter of advice from the Independent Board Committee in respect of the Supply and Installation Agreement; (v) the letter of advice from the Independent Financial Adviser in respect of the Supply and Installation Agreement; and (vi) a notice of the EGM will be despatched to the Shareholders on or before 18 September 2012.

DEFINITIONS

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

“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in the PRC are generally open for general banking business
“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 company incorporated in the PRC with limited liability and the controlling shareholder of the Company holding 31.80% equity interest in the Company
“CNBMG”	China National Building Material Group Corporation, a wholly state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company
“CNBMG International”	China National Building Material International Engineering Group Company Limited* (中國建材國際工程集團有限公司), a company incorporated in the PRC within limited liability and an indirectly non-wholly subsidiary of CNBMG, the ultimate controlling shareholder of the Company
“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 and A shares of which are listed on the main board of the Stock Exchange (stock code: 1108) and the Shanghai Stock Exchange respectively

“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors
“EGM”	the extraordinary general meeting of the Company to be convened, among other things, for the purposes of considering and approving the Proposed Cessation of Appointment, proposed amendments to the Articles of Association and the Supply and Installation Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising of all the independent non-executive Directors
“Independent Financial Adviser”	Goldin Financial Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) 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 Supply and Installation Agreement
“Independent Shareholders”	Shareholders other than CLFG, CNBMG and their associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Longhao Glass”	CLFG Luoyang Longhao Glass Company Limited* (洛玻集團洛陽龍昊玻璃有限公司), a company with limited liability incorporated in the PRC, and a wholly-owned subsidiary of the Company
“mm”	millimeter
“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Production Line Re-construction”	The re-construction project of a float glass production line of Longhao Glass to produce 650t/d quality float glass
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply and Installation Agreement”	the agreement dated 28 August 2012 entered into between Longhao Glass and CNBMG International in respect of the Production Line Re-construction
“t/d”	tonnes per day
“%”	per cent.

For the purpose of this announcement, the following exchange rate is used:-

RMB1.00 = HK\$1.23

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

Luoyang, the PRC

28 August 2012

As at the date of this announcement, the Board comprises three executive Directors: Mr. Song Jianming, Mr. Ni Zhisen and Ms. Song Fei; 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

** For identification purposes only*