
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Luoyang Glass Company Limited, you should at once hand this circular 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)

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE DISPOSAL OF THE COMPANY'S
IDLE PRODUCTION LINE**

A letter from the board of directors of Luoyang Glass Company Limited is set out on pages 1 to 6 of this circular.

25 January 2008

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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;
“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;
“CNBMG”	China National Building Material Group Corporation, a wholly State-owned enterprise incorporated in the PRC and the ultimate controller 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 of which are listed on the Main Board of the Stock Exchange (stock code: 1108);
“Contract”	a legally binding asset sale and purchase contract entered into between the Company and Ruyang Welfare Factory on 28 December 2007, pursuant to which the Company agreed to sell the Production Line to Ruyang Welfare Factory;
“Directors”	the directors of the Company, including the independent non-executive directors;
“Disposal”	the disposal of the Production Line by the Company to Ruyang Welfare Factory pursuant to the Contract;
“Group”	The Company and its subsidiaries;
“Henan Yatai”	Henan Yatai Assets Valuation Company Limited, a professional surveyor in the PRC and an Independent Third Party;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“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”	21 January 2008, being the latest practicable date before the printing of this circular for ascertaining certain information;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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 and Macau and Taiwan;
“Production Line”	one of the Company’s float glass production lines consisting of idle production and auxiliary equipment, which locates at the urban areas of Luoyang and has stopped production since February 2006;
“Ruyang Welfare Factory”	Ruyang Arts and Crafts Welfare Factory* (汝陽縣工藝美術福利廠), an enterprise incorporated in the PRC and an Independent Third Party;
“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; and
“Supervisors”	the supervisors of the Company.

* 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. Zhu Leibo (*Chairman*)

Mr. Zhu Liuxin

Mr. Gao Tianbao

Mr. Xie Jun

Mr. Cao Mingchun

Registered office:

No. 9 Tang Gong Zhong Lu

Xigong District

Luoyang Municipal

Henan Province

the People's Republic of China

Non-executive Directors:

Mr. Yang Weiping

Mr. Shen Anqin

Independent non-executive Directors:

Mr. Zhang Zhanying

Mr. Guo Aimin

Mr. Xi Shengyang

Mr. Ge Tieming

25 January 2008

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE DISPOSAL OF THE COMPANY'S
IDLE PRODUCTION LINE**

INTRODUCTION

Reference is made to the discloseable transaction announcement dated 8 January 2008 published by the Company on 9 January 2008 on the Company's website and the website of the Stock Exchange.

LETTER FROM THE BOARD

On 28 December 2007, the Company and Ruyang Welfare Factory, an Independent Third Party to the Company, entered into the Contract pursuant to which the Company agreed to sell and Ruyang Welfare Factory agreed to purchase the Production Line at a consideration of RMB35,000,000 (approximately HK\$37,100,000).

The purpose of this Circular is to provide Shareholders with further information relating to the Disposal which constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

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

THE CONTRACT

Date

28 December 2007

Parties

Seller: The Company

Purchaser: Ruyang Welfare Factory, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Ruyang Welfare Factory and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company (as defined in the Listing Rules)

Details of the transaction

The Company and Ruyang Welfare Factory entered into the Contract on 28 December 2007 pursuant to which the Company has agreed to sell the Production Line to Ruyang Welfare Factory.

Consideration

The consideration of the Production Line is RMB35,000,000 (approximately HK\$37,100,000), which is to be satisfied by Ruyang Welfare Factory in cash. Ruyang Welfare Factory shall transfer 30% of the consideration (i.e. RMB10,500,000) to the account designated by the Company within 10 days from the signing date of the Contract (i.e. on or before 7 January 2008), while the remaining 70% of the consideration (i.e. RMB24,500,000) shall be transferred to the account designated by the Company before 30 March 2008.

If Ruyang Welfare Factory fails to settle the first 30% of the consideration within 10 days from the signing date of the Contract, the Contract will be automatically terminated thereafter.

LETTER FROM THE BOARD

On 29 December 2007, Ruyang Welfare Factory paid to the Company RMB10,500,000, being 30% of the consideration of the Production Line.

The net book values of the Production Line as at 31 December 2006 and 31 August 2007 were RMB11,740,682.48 (audited) and RMB10,622,500 (unaudited), respectively. Henan Yatai, a professional surveyor in the PRC, has been appointed to assess the value of the Production Line. Henan Yatai has adopted depreciation price method (成新率價格法) (which is a well-recognised asset valuation method and the necessary valuation procedures such as physical inspection, market survey and estimation, etc. were implemented) in valuing the Production Line, which was valued at RMB34,945,300 as at 31 August 2007. The disparity between the unaudited net book value and the valuation amount of the Production Line by Henan Yatai was owing to the different valuation principle and method adopted by the respective parties in the calculation and valuation of the Production Line. The consideration was determined through arm's length negotiations between both parties with reference to the net book value and the valuation amount of Production Line by Henan Yatai and the current market value of similar assets in the market in the same area.

Based on the reasons above, the Board (including independent non-executive Directors) considers that the consideration and the terms of the Contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Delivery of the Production Line

After Ruyang Welfare Factory executes the Contract and settles the consideration in accordance with the Contract, the Company will start to examine and repair the Production Line to be disposed in order to ensure that the Production Line examined and repaired can be normally operated. The examination and repair costs are expected to be approximately RMB5,000,000 (which does not include the cold repair cost), which shall be borne by the Company. After examination and repair, both parties will deliver the Production Line at the Company's registered address.

Other terms of the Contract

i. The Company's Undertaking and Warranty

The Company has undertaken and warranted that it is a corporate legal person registered and subsisted according to the law and is entitled to execute and perform the Contract. The Production Line disposed has not been secured, pledged or owned by any third parties.

LETTER FROM THE BOARD

ii. *Ruyang Welfare Factory's Undertaking and Warranty*

Ruyang Welfare Factory has undertaken and warranted that it is a corporate legal person registered and subsisted according to the law and is entitled to execute and perform the Contract, and warranted to pay the consideration pursuant to the Contract.

iii. *Liability for Breach of Contract*

In the event that either party violates the obligation specified in the Contract, the defaulting party shall bear the liability for the breach. Where loss is caused to the non-defaulting party, the defaulting party shall compensate the loss caused.

In case Ruyang Welfare Factory fails to pay the consideration according to the Contract on time, a 0.05% overdue payment penalty will be charged per day. If Ruyang Welfare Factory still fails to pay the consideration despite demanded by the Company, the Company will be entitled to terminate the Contract.

iv. *Remedy for Disputes*

All disputes arising in connection with or in relation to the Contract including its existence, validity or termination shall be settled through timely negotiations between parties to the Contract. Where the disputes cannot be settled through negotiations between the parties, it shall be referred to the Luoyang Arbitration Commission for final arbitration in accordance with the existing valid arbitration rules. In case of any amendments made to the arbitration rules after execution of the Contract, the arbitration shall be conducted according to the latest amended version of the rules which have been passed and are effective.

v. *Amendments of the Contract*

All amendments to the Contract shall be made in written form and shall come into effect upon the signing and sealing by parties to the Contract.

The Company will comply with the Listing Rules to make further disclosures as and when any material amendments are made to the Contract.

vi. *Effectiveness of the Contract*

The Contract shall become effective upon the signing and sealing by the representatives authorized by parties to the Contract.

There is no condition precedent in the Contract.

LETTER FROM THE BOARD

REASONS FOR THE DISPOSAL

The Company is principally engaged in the production and sale of float flat glass and reprocessed automobile glass. The Production Line to be sold is obsolete and not used by the Company currently. The Production Line is one of the float glass production lines of the Company which has stopped production since February 2006 due to expiry of operation and requirement of cold repair (cold repair is a procedure, in which the float glass production line stops production periodically for the renovation and redevelopment of equipments and materials and thereafter resumes production). Since the Production Line is located at the urban areas of Luoyang City, according to the policy of Luoyang government, the Production Line shall not restart production after its cold repair at the original place. The Production Line therefore has been idle since February 2006 and the Company has intended to sell the same.

Upon completion of the Disposal, the Company is expected to realise a gain of approximately RMB24,377,500, which is the difference between the consideration of RMB35,000,000 and the unaudited net book value of the Production Line of RMB10,622,500 as at 31 August 2007. The Company intends to record such gain from the Disposal of approximately RMB24,377,500 in the accounts of the Group for the year ended 31 December 2007. The examination and repair costs of approximately RMB5,000,000 (which does not include the cold repair cost in which such cold repair cost shall be borne by Ruyang Welfare Factory) to be borne by the Company will be recorded in the accounts of the Group for the year ended 31 December 2008. A net profit of approximately RMB19,377,500 is expected to be realized from the Disposal. The sale proceeds will be used as general working capital of the Company. The terms of the Contract are arrived at after arm's length negotiations which are on normal commercial terms. The Directors, including the independent non-executive Directors, consider that the Disposal is in ordinary course of business and on normal commercial terms and is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Effect on the earnings

As the Production Line has been idle since February 2006 and has not carried out any operations, there will be no impact on the earnings of the Group upon completion of the Disposal except a gain on Disposal of approximately RMB24,377,500 to be recognised by the Group.

Effect on assets and liabilities

The expected recognition of the gain on Disposal of approximately RMB24,377,500 would have positive effects on the total asset and the net asset values of the Group. The Group's cash and cash equivalent balances will also increase.

LETTER FROM THE BOARD

INFORMATION OF THE PRODUCTION LINE

The Production Line is 100% owned by the Company and is one of the Company's float glass production lines consisting of idle production and auxiliary equipment, which locates at the urban areas of Luoyang and has stopped production since February 2006.

INFORMATION OF THE COMPANY AND RUYANG WELFARE FACTORY

The Company is principally engaged in the production and sale of float flat glass and reprocessed automobile glass.

Ruyang Welfare Factory is principally engaged in the production and sale of handicrafts. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Ruyang Welfare Factory and its ultimate beneficial owner (an individual) are third parties independent of the Company and the connected persons of the Company (as defined in the Listing Rules).

LISTING RULES IMPLICATION

As the relevant percentage ratio of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules. It is subject to the reporting and announcement requirements, but is exempt from the Shareholders' approval requirement.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Luoyang Glass Company Limited
Zhu Leibo
Chairman

Note: In this circular, certain amounts expressed in RMB have been translated into HK\$ at RMB1 = HK\$1.06 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.

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, the interests and short positions of the Directors or chief executive of the Company in the 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 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 were as follows:

Long position in the shares of the Company

Name	Capacity	Nature of interest	Number of A Shares held	Interest in Underlying Shares (share options)
Director				
Mr. Zhu Leibo	Beneficial owner	Personal	2,840	Nil
Mr. Zhu Liuxin	Beneficial owner	Personal	2,414	Nil

Save as disclosed above, 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 2006, 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
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. 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.

5. MISCELLANEOUS

- (a) The company secretary and qualified accountant of the Company is Mr. Wong Yiu Hung, who is currently a member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.
- (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 People's Republic of China.
- (c) The share registrar and transfer office of the H Shares of the Company is HKSCC Registrars Limited at Rooms 1901-5, Hopewell Centre, 183 Queen's Road East, Hong Kong.