

Golden Elephant Glass Technology, Inc.
Form 10-Q
July 20, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended: September 30, 2010

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 000-21071

GOLDEN ELEPHANT GLASS TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

88-0309578

(I.R.S. Employer Identification No.)

**123 Chuangye Road, Haizhou District, Fuxin City, Liaoning
People's Republic of China, 123000**

(Address of principal executive offices, Zip Code)

(86) 418-399-5066

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a larger accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of July 15, 2011, there were 28,623,996 shares of common stock, par value \$0.01 per share issued and outstanding.

GOLDEN ELEPHANT GLASS TECHNOLOGY, INC.

QUARTERLY REPORT ON FORM 10-Q

INDEX

	Page
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements	1
Condensed Consolidated Balance Sheets as of September 30, 2010 (Unaudited) and December 31, 2009	2
Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income for the Three and Nine Months Ended September 30, 2010 and 2009 (Unaudited)	3
Condensed Consolidated Statements of Cash Flows for the Nine months Ended September 30, 2010 and 2009 (Unaudited)	4
Notes to Consolidated Financial Statements as of September 30, 2010 (Unaudited)	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3. Quantitative and Qualitative Disclosures About Market Risk.	19
Item 4. Controls and Procedures	19
PART II OTHER INFORMATION	
Item 1. Legal Proceedings.	20
Item 1A. Risk Factors.	20
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.	20
Item 3. Defaults Upon Senior Securities.	20
Item 4. (Removed & Reserved).	20
Item 5. Other Information.	20
Item 6. Exhibits	20

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as anticipate, believe, estimate, intend, could, should, would, may, might, will, expect, anticipate, predict, project, forecast, potential, continue negatives thereof or similar. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future and are not guarantees. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements.

We cannot predict all of the risks and uncertainties. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements are found at various places throughout this Quarterly Report on Form 10-Q and include information concerning possible or assumed future results of our operations, including statements about potential acquisition or merger targets; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future acquisitions, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the Quarterly Report on Form 10-Q. All subsequent written and oral forward-looking statements concerning other matters addressed in this Quarterly Report on Form 10-Q and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Quarterly Report on Form 10-Q.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

CERTAIN TERMS USED IN THIS QUARTERLY REPORT ON FORM 10-Q

When this report uses the words we, us, our, and the Company, they refer to Golden Elephant Glass Technology, and its consolidated subsidiaries.

Except as otherwise indicated by the context, all references in this report to

Dollar Come are to Dollar Come Investments Limited, a British Virgin Island company

Fuxin Hengrui are to Fuxin Hengrui Technology Co. Ltd., a PRC company;

Fuxin Xianheng are to Fuxin Xianheng Float Glass Co. Ltd., a PRC company;

Securities Act are to the Securities Act of 1933, as amended;

Exchange Act are to the Securities Exchange Act of 1934, as amended;

RMB are to Renminbi, the legal currency of China;

U.S. dollar, \$ and US\$ are to the legal currency of the United States; and

China, Chinese and PRC are to the People's Republic of China.

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements**

Golden Elephant Glass Technology, Inc.
Condensed Consolidated Balance Sheets
As of September 30, 2010 and December 31, 2009
(Stated in US Dollars)

	<i>September 30, 2010 (Unaudited)</i>	<i>December 31, 2009 (Audited)</i>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,681	\$ 7,358
Restricted cash	-	-
Trade receivables, net	3,392,138	3,883,810
Other receivables, net	1,791,408	1,886,300
Prepayments	2,147,629	2,795,202
Inventories	1,604,285	1,572,028
Amount due from a related party	-	-
Deferred taxes	-	-
Total current assets	8,942,142	10,144,698
Non-current assets		
Property, plant and equipment, net	23,279,019	23,046,810
Land use right	3,223,489	2,855,361
Deferred taxes	-	-
TOTAL ASSETS	\$ 35,444,649	\$ 36,046,869

See the accompanying notes to condensed consolidated financial statement

Golden Elephant Glass Technology, Inc.
Condensed Consolidated Balance Sheets (Cont d)
As of September 30, 2010 and December 31, 2009
(Stated in US Dollars)

	<i>September 30, 2010 (Unaudited)</i>	<i>December 31, 2009 (Audited)</i>
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Current liabilities		
Trade payables	\$ 10,514,224	\$ 10,307,198
Bills payable	733,987	719,228
Other payables and accrued expenses	2,865,090	3,136,502
Sales receipt in advance	578,880	314,423
Interest payable	3,508,534	2,032,329
Tax payable	2,547,464	2,496,391
Amount due to a director	106,500	104,358
Secured bank loans	13,027,249	12,765,307
Loan from related party - Lin Tan	485,157	631,657
TOTAL LIABILITIES	\$ 34,367,085	\$ 32,507,393
STOCKHOLDERS EQUITY		
Preferred stock: par value \$0.01 per share Authorized 10,000,000 shares, none issued and outstanding		
Common stock: par value \$0.01 per share, Authorized 150,000,000 shares; issued and outstanding 28,623,996 shares in 2009 and 2008	286,240	286,240
Additional paid-in capital	12,001,927	12,001,927
Statutory reserves	714,013	714,013
Accumulated other comprehensive income	2,149,760	2,099,065
Accumulated deficit	(14,074,376)	(11,561,769)
TOTAL STOCKHOLDERS EQUITY	1,077,564	3,539,476
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 35,444,649	\$ 36,046,869
See the accompanying notes to condensed consolidated financial statements		

Golden Elephant Glass Technology, Inc.
Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income
For the three and nine months ended September 30, 2010 and 2009
(Unaudited)
(Stated in US Dollars)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Sales revenues	\$ -	\$ -	\$ -	\$ 2,268,197
Cost of sales	-	-	-	(3,306,125)
Gross loss	-	-	-	(1,037,928)
Other operating income				
Bad debts recovered	3,126,877	-	3,126,877	-
Decrease in provision for bad debts	-	-	-	-
Total other operating income	3,126,877	-	3,126,877	-
Operating expenses				
Administrative expenses	594,819	935,467	2,224,317	4,053,275
Selling expenses	-	-	-	-
Total operating expenses	594,819	935,467	2,224,317	4,053,275
Loss from operations	2,532,058	(935,467)	902,560	(5,091,203)
Interest income	-	-	-	11,752
Other income	-	1,095	-	1,444
Other expense	(1,994,489)	-	(1,994,489)	-
Government grants	-	118	-	73,959
Finance costs	(500,073)	(586,625)	(1,420,678)	(1,473,310)
Loss before income taxes	37,496	(1,520,879)	(2,512,607)	(6,477,358)
Income taxes	-	(378,058)	-	(314,498)
Net income	37,496	(1,898,937)	(2,512,607)	(6,791,856)
Other comprehensive income				
Foreign currency translation adjustments	29,842	105	50,695	(16,911)
Comprehensive loss	\$ 67,338	\$ (1,898,832)	\$ (2,461,912)	\$ (6,808,767)
Loss per share:				
basic and diluted	\$ (0.00)	\$ (0.07)	\$ (0.09)	\$ (0.24)
Weighted average number of shares outstanding				
:				
basic and diluted	28,623,996	28,623,996	28,623,996	28,623,996

See the accompanying notes to condensed consolidated financial statements

Golden Elephant Glass Technology, Inc.
Condensed Consolidated Statements of Cash Flows
For the nine months ended September 30, 2010 and 2009
(Unaudited)
(Stated in US Dollars)

	<i>Nine months ended</i>	
	<i>September 30,</i>	
	<i>(Unaudited)</i>	
	<i>2010</i>	<i>2009</i>
Cash flows from operating activities		
Net (loss) income	\$ (2,512,607)	\$ (6,791,856)
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities:		
Depreciation	2,172,290	2,293,245
Amortization of land use right	63,195	124,757
Deferred taxes	-	314,948
Provision (recovery) for doubtful accounts	(3,126,878)	1,892,401
Provision for obsolete inventories	-	35,689
Loss from disposal of fixed assets	1,760,287	
Changes in operating assets and liabilities :		
Trade receivables	3,692,500	(9,498)
Other receivables	(75,676)	280,692
Prepayments and other current assets	643,861	268,412
Inventories		2,564,576
Trade payables	207,026	(1,348,676)
Bills payable		(746,295)
Other payables and accrued expenses	366,557	1,731,239
Sales receipt in advance	264,457	(132,965)
Income tax payable	-	(341)
Amount due to a director	-	65,630
Net cash flows provided by (used in) operating activities	3,455,013	541,958
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(443,100)	(1,612)
Proceeds for disposal of property, plant and equipment	2,658,600	-
Payments to construction in progress	(5,908,000)	(1,362,146)
Decrease in restricted cash	-	733,500
Net cash flows (used in) provided by investing activities	(3,692,500)	(630,258)
See the accompanying notes to condensed consolidated financial statements		

Golden Elephant Glass Technology, Inc.
Condensed Consolidated Statements of Cash Flows (Continued)
For the nine months ended September 30, 2010 and 2009
(Unaudited)
(Stated in US Dollars)

	<i>Nine months ended</i>	
	<i>September 30,</i>	
	<i>(Unaudited)</i>	
	<i>2010</i>	<i>2009</i>
Cash flows from financing activities		
Loan from a related party	-	1,066,534
Amount due to Tianyuan	-	(1,073,543)
Proceeds from unsecured loan	-	-
Repayment of bank loans	-	(17,463)
Repayment of unsecured short-term loan	-	-
Net cash flows provided by financing activities	-	(24,472)
Effect of foreign currency translation on cash and cash equivalents	236,810	(17,179)
Net decrease in cash and cash equivalents	(677)	(129,951)
Cash and cash equivalents - beginning of period	7,358	141,419
Cash and cash equivalents - end of period	6,681	11,468
Supplemental disclosures for cash flow information:		
Cash paid for :		
Interest	-	-
Income taxes	-	-
Non-cash investing and financing activities		
Consideration of disposal of a subsidiary offset by other payable		
Partial of unsecured loan offset by advances to related parties		
Amount due from a related party settled by offsetting the loan from related party	146,500	1,108,343
See the accompanying notes to consolidated financial statements		

1. Organization and Nature of Business

Golden Elephant Glass Technology, Inc. (the Company) (formerly Nevstar Corporation), was incorporated in the State of Nevada on December 2, 1993.

The Company is engaged in the manufacture and distribution of float glasses in the People's Republic of China (the PRC). The Company's product offerings include float glass, ultra-clear glass, colored float glass and high grade glass processed products, and are marketed primarily under the "Golden Elephant" brand name.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the SEC) including the instructions to Form 10-Q and Regulation S-X. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted from these statements pursuant to such rules and regulation and, accordingly, they do not include all the information and notes necessary for comprehensive consolidated financial statements and should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2009, included in our Annual Report on Form 10-K for the year ended December 31, 2009.

In the opinion of the management of the Company, all adjustments, which are of a normal recurring nature, necessary for a fair statement of the results for the three-month periods have been made. Results for the interim period presented are not necessarily indicative of the results that might be expected for the entire fiscal year.

3. Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business.

The Company has a history of operating losses, and had accumulated deficits of \$ 14,074,376 through September 30, 2010. This raises substantial doubt about the Company's ability to continue as a going concern.

Management plans to address these matters through implementing new business plans. The Company is also seeking additional private sources of equity or debt financing. However, there is no assurance these activities will be successful. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

4. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation. The results of subsidiary acquired or disposed of during the years are included in the consolidated statements of operations and comprehensive (loss) income from the effective date of acquisition or up to the date of disposal.

4. Summary of significant accounting policies (Cont d)

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes, provision for warranty and the estimation on useful lives of property, plant and equipment. Actual results could differ from those estimates. Critical accounting estimates used in preparation of the financial statements include management's judgments about its valuation of the allowance for bad debt.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and other receivables. As of September 30, 2010 and December 31, 2009, substantially all of the Company's cash and cash equivalents and restricted cash were held by major financial institutions located in the PRC, which management believes are of high credit quality. With respect to other receivables and trade receivables, the Company extends credit based on an evaluation of the customer's financial condition. The Company generally does not require collateral for trade receivables and other receivables and maintains an allowance for doubtful accounts of trade receivables and other receivables. The Company conducts periodic reviews of its customers' financial condition and customer payment practices to minimize collection risk on accounts receivable.

Cash and cash equivalents

Cash and cash equivalents include all cash, deposits in banks and other highly liquid investments with initial maturities of three months or less to be cash equivalents. As of September 30, 2010 and December 31, 2009, almost all the cash and cash equivalents were denominated in Renminbi (RMB) and were placed with banks in the PRC. They are not freely convertible into foreign currencies and the remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government. The remaining insignificant balance of cash and cash equivalents were denominated in US dollars.

Allowance for doubtful accounts

The Company establishes an allowance for doubtful accounts based on management's assessment of the collectability of trade receivables and other receivables. A considerable amount of judgment is required in assessing the amount of the allowance; the Company considers the historical level of credit losses and applies percentages to aged receivable categories. The Company makes judgment about the creditworthiness of each customer based on ongoing credit evaluations, and monitors current economic trends that might impact the level of credit losses in the future. If the financial condition of the customers were to deteriorate, resulting in their inability to make payments, a larger allowance may be required.

Bad debts are written off when identified. The Company extends unsecured credit to customers ranging from three to six months in the normal course of business. The Company does not accrue interest on trade receivables.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined on a weighted average basis and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a saleable condition. In assessing the ultimate realization of inventories,

4. Summary of significant accounting policies (Cont d)

Inventories (Cont d)

management makes judgment as to future demand requirements compared to current or committed inventory levels. The reserve requirements generally increase as the projected demand requirements, decrease due to market conditions, product life cycle changes. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand. In addition, the Company estimates net realizable value based on intended use, current market value and inventory aging analyses. The Company writes down the inventories for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions.

Historically, the actual net realizable value is close to the management estimation.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation is provided on straight-line basis over their estimated useful lives. The principal depreciation rates are as follows: -

	Annual rate	Residual value
Buildings	3.8%	5%
Machinery and tools	9.5%	5%
Motor vehicles	11.875%	5%
Office equipment	19%	5%
Leasehold improvements	12.5%	Nil

Construction in progress mainly represents expenditures in respect of the Company's warehouses and factories under construction. All direct costs relating to the acquisition or construction of the Company's warehouses and factories are capitalized as construction in progress. No depreciation is provided in respect of construction in progress.

Maintenance or repairs are charged to expense as incurred. Significant improvements and renewals that extend the useful life of the asset are capitalized. Upon sale or disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to income.

Land use right

Land use right is stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the terms of the lease of 50 years obtained from the relevant PRC land authority.

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Pursuant to the provisions of SFAS No. 142 Goodwill and Other Intangible Assets , goodwill is not amortized and is subjected to an annual impairment test which occurs in the fourth quarter of each fiscal year.

Goodwill will be written down only when and if impairment is identified and measured, based on future events and conditions.

4. Summary of significant accounting policies (Cont d)

Impairment of long-lived assets

Long-lived assets are tested for impairment in accordance with SFAS No. 144 and Accounting Principles Board (APB) Opinion 18, Equity Method of Accounting for Investments in Common Stock, respectively. The Company periodically evaluates potential impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company recognizes impairment of long-lived assets and investment in an affiliate in the event that the net book values of such assets exceed the future undiscounted cash flows attributable to such assets.

The Company's long-lived assets include property, plant and equipment, construction in progress, goodwill and land use right. These assets were reviewed for impairment whenever events or circumstances indicate that their carrying values may not be recoverable.

The following are examples of such events or changes in circumstances:

- An adverse change in the business climate or market price of a long-lived assets;
- An adverse change in the extent or manner in which a long-lived assets is used or in its physical condition; or
- Current operating losses for long-lived assets or projected or forecasted losses that demonstrate that the losses will be continuing.

Revenue recognition

Revenue from sales of the Company's products is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the sales price is fixed or determinable and collection is reasonably assured.

Advertising and research and development expenses

Advertising, research and development expenses are charged to expense as incurred.

Research and development expenses consist primarily of remuneration for research and development staff and material costs for research and development.

Stock-based compensation

The Company adopted the provisions of SFAS No. 123R, which requires the use of the fair value method of accounting for share-based compensation. Under the fair value based method, compensation cost related to employee stock options or similar equity instruments which are equity-classified awards, is measured at the grant date based on the value of the award and is recognized over the requisite service period, which is usually the vesting period. SFAS 123R also requires measurement of cost of a liability-classified award based on its current fair value.

Government grant

Government grant income represents the cash receipt from the relevant government authorities for technical development. Such government grant is unconditional, non-refundable and without any restrictions on usage at the time of grant to and receipt by the Company. Government grant is recognized as income at the time when the approval documents are obtained from the relevant government authorities and when they are received.

4. Summary of significant accounting policies (Cont d)

Income taxes

The Company uses the asset and liability method of accounting for income taxes pursuant to SFAS No. 109 Accounting for Income Taxes . Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and loss carry forwards and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Value Added Tax

All China-based enterprises are subject to a value added tax (VAT) imposed by the PRC government on their domestic product sales. The output VAT is charged to customers who purchase goods from the Company and the input VAT is paid when the Company purchases goods from its vendors. The input VAT can be offset against the output VAT. The VAT payable represents the input VAT less than the output VAT. The debit balance represents a credit against future collection of output VAT.

Comprehensive income

The Company has adopted SFAS No. 130, Reporting Comprehensive Income , which establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Components of comprehensive income include net income and less foreign currency translation adjustments.

Foreign currency translation

The functional currency of the Company is RMB and RMB is not freely convertible into foreign currencies. The Company maintains its financial statements in the functional currency. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet date. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchanges rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

For financial reporting purposes, the financial statements of the Company which are prepared using the functional currency have been translated into United States dollars. Assets and liabilities are translated at the exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders' equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders' equity. The exchange rates in effect at September 30, 2010 and December 31, 2009 were RMB1 for \$0.1492 and \$0.1462 respectively. There is no significant fluctuation in exchange rate for the conversion of RMB to US dollars after the balance sheet date.

Fair value of financial instruments

The accounting standards regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires fair value disclosures of those financial instruments. This accounting standard defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosures requirements for fair value measures. Current assets and current liabilities qualified as financial instruments and management believes their carrying amounts are a reasonable estimate of fair value because of

4. Summary of significant accounting policies (Cont d)

Fair value of financial instruments (Cont d)

the short period of time between the origination of such instruments and their expected realization and if applicable, their current interest rate is equivalent to interest rates currently available.

As of September 30, 2010, the carrying amounts of the Company's financial instruments, including cash and cash equivalents, trade and other receivables, trade, bills and other payables, short-term bank loans and loan from Lin Tan approximate their fair values due to the short-term maturity.

Basic and diluted earnings (loss) per share

The Company reports basic earnings (loss) per share in accordance with SFAS No. 128, Earnings Per Share . Basic earnings (loss) per share is computed using the weighted average number of shares outstanding during the periods presented. The weighted average number of shares of the Company represents the common stock outstanding during the reporting periods.

Diluted earnings (loss) per share is computed using the weighted average number of common shares outstanding during the periods plus the effect of dilutive securities outstanding during the periods.

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

Recently issued accounting pronouncements

Adoption of FASB Accounting Standards Codification

In June 2009, the FASB issued SFAS No. 168, " The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 ". This standard is now included in ASC Topic 105 and established only two levels of GAAP, authoritative and non-authoritative. The FASB Accounting Standards Codification (the "Codification") became the source of authoritative, non-governmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification became non-authoritative. This standard is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. Effective August 1, 2009, we adopted the new guidelines and numbering system prescribed by the Codification when referring to GAAP. The adoption had no impact on our consolidated financial condition, results of operations or cash flows.

Adoption of FASB ASC 805

Effective January 1, 2009, the Company adopted FASB ASC 805, Business Combinations. FASB ASC 805 changed accounting for acquisitions that close beginning in 2009. FASB ASC 805 extends its applicability to all transactions and other events in which one entity obtains control over one or more other businesses. It broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations. FASB ASC 805 expands on required disclosures to improve the statement users abilities to evaluate the nature and financial effects of business combinations. The adoption of FASB ASC 805 did not have a material impact on the Company's financial statements.

4. Summary of significant accounting policies (Cont d)

Recently issued accounting pronouncements (Cont d)

Adoption of FASB ASC 805-20

Effective January 1, 2009, the Company adopted FASB ASC 805-20, Non controlling Interests in Consolidated Financial Statements. FASB ASC 805-20 requires that a non controlling interest in a subsidiary be reported as equity and the amount of consolidated net income specifically attributable to the non controlling interest be identified in the consolidated financial statements. It also calls for consistency in the manner of reporting changes in the parent's ownership interest and requires fair value measurement of any non controlling equity investment retained in a deconsolidation. FASB ASC 805-20 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. The adoption FASB ASC 805-20 did not have material impact on the Company's financial statements.

Adoption of FASB ASC 815

Effective January 1, 2009, the Company adopted FASB ASC 815, Disclosures about Derivative Instruments and Hedging Activities. FASB ASC 815 requires enhanced disclosures about (i) how and why the Company uses derivative instruments, (ii) how the Company accounts for derivative instruments and related hedged items, and (iii) how derivative instruments and related hedged items affect the Company's financial results. The adoption FASB ASC 815 did not have any impact on the Company's financial statements.

Adoption of FASB ASC 350-30

Effective January 1, 2009, the Company adopted FASB ASC 350-30, Determination of the Useful Life of Intangible Assets. FASB ASC 350-30 amended the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The adoption of FASB ASC 350-30 did not have material impact on the Company's financial statements.

Adoption of FASB ASC 860

In June 2009, the FASB issued ASC 860, which eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor's interest in transferred financial assets. FASB ASC 860 will be effective for transfers of financial assets in years beginning after November 15, 2009 and in interim periods within those years with earlier adoption prohibited. The adoption of ASC 860 is not expected to have a material impact on our consolidated financial position or results of operations.

Adoption of FASB ASU 2009-05

In August 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-05, "Measuring Liabilities at Fair Value," which amends the guidance in ASC 820, Fair Value Measurements and Disclosures, to provide guidance on fair value measurement of liabilities. If a quoted price in an active market is not available for an identical liability, ASU 2009-05 requires companies to compute fair value by using quoted prices for an identical liability when traded as an asset, quoted prices for similar liabilities when traded as an asset or another valuation technique that is consistent with the guidance in ASC 820. ASU 2009-05 will be effective for interim and annual periods beginning after its issuance and did not have a material impact on our consolidated financial position or results of operations.

5. Income taxes

United States

The Company is incorporated in the United States of America and is subject to United States of America tax law. No provisions for income taxes have been made as the Company has no taxable income for the reporting periods. The applicable income tax rates for the Company for the reporting periods are 34%. The Company has not provided deferred taxed on undistributed earnings of its non-U.S. subsidiaries as of September 30, 2010, as it is the Company's current policy to reinvest these earnings in non-U.S. operations.

BVI

Dollar Come was incorporated in the BVI and, under the current laws of the BVI, is not subject to income taxes.

PRC

Before the implementation of the new enterprise income tax (EIT) law (as discussed below), Foreign Invested Enterprises (FIE) established in the PRC are generally granted certain benefits or holiday by the relevant tax authority. On March 16, 2007, the National People's Congress of China passed the new Corporate Income Tax Law (EIT Law), and on November 28, 2007, the State Council of China passed the Implementing Rules for the EIT Law (Implementing Rules) which took effect on January 1, 2008. The EIT Law and Implementing Rules impose a unified EIT of 25% on all domestic-invested enterprises and FIEs, unless they qualify under certain limited exceptions. Therefore, nearly all FIEs are subject to the new tax rate alongside other domestic businesses rather than benefiting from the old tax laws applicable to FIEs, and its associated preferential tax treatments, beginning January 1, 2008.

Despite these changes, the EIT Law gives the FIEs established before March 16, 2007 (Old FIEs), such as our subsidiary Fuxin Hengrui and Xianheng, a five-year grandfather period during which they can continue to enjoy their existing preferential tax treatments. During this five-year grandfather period, the Old FIEs which enjoyed tax rates lower than 25% under the original EIT Law shall gradually increase their EIT rate by 2% per year until the tax rate reaches 25%. In addition, the Old FIEs that are eligible for the two-year exemption and three-year half reduction or five-year exemption and five-year half-reduction under the original EIT Law, are allowed to remain to enjoy their preference until these holidays expire.

As approved by the relevant PRC tax authority, Fuxin Hengrui and Xianheng was entitled to a two-year exemption from EIT followed by a 50% tax exemption for the next three years, commencing from the first cumulative profit-making year in the fiscal financial year. The tax holiday of Fuxin Hengrui commenced in 2004. Accordingly, Fuxin Hengrui is entitled to a 50% reduction on EIT tax rate of 12.5% for 2008 and will be subject to an EIT rate of 25% from 2009. Xianheng's tax holiday commenced in 2008, therefore, Xianheng is exempted from EIT in 2008 and 2009 and will be subject to a reduced EIT rate of 12.5% from 2010 to 2012.

6. (Loss)/earnings per share

During the reporting periods, the basic and diluted earnings per share are the same.

The per share data reflects the recapitalization of stockholders' equity as if the reorganization occurred as of the beginning of the first period presented.

7. Inventories	<i>Sept. 30,</i> <i>2010</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2009</i> <i>(Audited)</i>
Raw materials	\$ 266,026	\$ 260,677
Finished goods	1,296,014	1,269,954
Consumables	42,245	41,397
Balance at end of year	\$ 1,604,285	\$ 1,572,028

As of September 30, 2010, finished goods with carrying value of \$ 1,296,014 were pledged to the banks for the bank loans granted to the Company.

8. Property, plant and equipment	<i>Sept. 30,</i> <i>2010</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2009</i> <i>(Audited)</i>
Costs :		
Buildings	\$ 14,748,709	\$ 14,367,853
Plant and machinery	18,678,206	19,501,325
Office equipment	131,536	128,891
Leasehold improvements	3,940,615	3,861,381
Motor vehicles	369,988	362,550
Construction in progress	5,986,343	1,377,634
	39,914,782	39,599,634
Accumulated depreciation	(16,635,763)	(16,552,824)
Net	\$ 23,279,019	\$ 23,046,810

As of September 30, 2010, certain property, plant and equipment with aggregate net book value of \$ 10,242,110 were pledged to banks to secure general banking facilities.

9. Land use right	<i>Sept. 30,</i> <i>2010</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2009</i> <i>(Audited)</i>
Land use right	\$ 3,830,563	\$ 3,399,240
Accumulated amortization	(607,074)	(543,879)
Net	\$ 3,223,489	\$ 2,855,361

The Company obtained the right from the relevant PRC land authority for a period from November 20, 2002 to September 18, 2052 to use the lands on which the office premises, production facilities and warehouse of the Company are situated. The Company pledged this right to a bank as part of its borrowings from the bank.

10. Secured bank loans	Sept. 30, 2010 (Unaudited)	December 31, 2009 (Audited)
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Bank loans repayable within 1 year	\$	13,027,249	\$	12,765,307
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As of September 30, 2010, the Company's banking facilities were as follows:

Facilities granted	Granted	Amount utilized	Unused
Secured bank loans	\$ 13,027,249	\$ 13,027,249	\$ -

The above banking facilities are secured by the following:

- (i) Finished goods with carrying value of \$ 1,296,013;
- (ii) Property, plant and equipment with carrying value of \$ 10,242,110;
- (iii) Land use right with carrying value of \$2,861,918;
- (iv) Guarantee executed by Lin Tan and third parties.

11. Amount due to a director

The amount represents other payable due to Mr. Lihui Song. The amount is interest-free, unsecured and repayable on demand.

Sept. 30, 2010 (Unaudited)	December 31, 2009 (Audited)
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Total amount due to a director	\$	106,500	\$	104,358
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12. Related Party Transactions

On May 6, 2008, Dollar Come entered into a loan agreement with Ms. Tan to borrow \$5,000,000 at the annual interest rate of 8% for working capital. The loan was unsecured and due no later than May 5, 2010. Under a July 30, 2008 agreement, \$3,260,000 of this loan was paid down with payment made to Fuxin Zhonglin Industry Limited and W.T. Construction Inc., both wholly owned by Ms. Tan. An amount of \$1,108,343 was offset by advances to related party during 2009. An additional \$146,500 of this loan was offset during 1st quarter of 2010. The balance of this debt at September 30, 2010 is \$485,157.

The Company accrued interest payable related to amounts due to Ms. Tan totaling \$29,109 and \$37,902 for the nine months ended September 30, 2010 and 2009, respectively.

13. Defined contribution plan

Pursuant to the relevant PRC regulations, the Company is required to make contributions at a rate of 24.4% of average salaries of latest fiscal year ended of Liaoning Province Fuxin City to a defined contribution retirement scheme organized by a state-sponsored social insurance plan in respect of the retirement benefits for the Company's employees in the PRC. The only obligation of the Company with respect to retirement scheme is to make the required contributions under the plan. No forfeited contribution is available to reduce the contribution payable in the future years. The defined contribution plan contributions were charged to the consolidated statement of operations. The Company contributed \$16,995 and \$23,754 for the nine months ended September 30, 2010 and 2009, respectively.

14. Commitments and contingenciesa. Capital commitment

As of September 30, 2010, the Company had no capital commitments in respect of the acquisition of property, plant and equipment which contracted for but not provided in the financial statements.

b. Environmental

The Company's operations are subject to the laws and regulations in the PRC relating to the generation, storage, handling, transportation and discharge of certain materials, substances and waste into the environment, and various other health and safety matters. Governmental authorities have the power to enforce compliance with their regulations, and violators may be subject to fines, injunctions or both. The Company must devote substantial financial resources to ensure compliance, and the management believes that it is in substantial compliance with all the applicable laws and regulations.

The Company has not incurred any significant expenditure for environmental remediation, is currently not involved in any environmental remediation and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position, operating results or cash flows of the Company.

15. Segment information

The nature of the Company's products, production processes, type of customers and distribution methods are substantially similar. The Company is considered as a single reportable segment under FAS 131, Disclosures about Segments of an Enterprise and Related Information .

All of the Company's long-lived assets are located in the PRC during the reporting periods. Geographic information about the revenues, which are classified based on the customers, is set out as follows:-

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
PRC	\$ -	\$ -	\$ -	\$ 2,267,268
Others	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ 2,267,268

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

Our Company

We are a China-based float glass manufacturer. Our product offerings include float glass, ultra-clear glass (also called crystal glass), colored float glass and high grade, glass processed products such as mirrors, glass artwork, tempered glass, insulated glass, laminated glass, lacquered glass and other similar products. Our products are manufactured in our production facility in Fuxin City, Liaoning Province, China and sold to end users in China, Asia, Europe, South America and South Africa.

We design, develop, manufacture and market our products for use in a variety of end products, including automobiles, commercial and residential buildings, construction materials, furniture and display cases, lighting fixtures and decorative glass artwork, bath fixtures and electrical household appliances, such as refrigerators and microwave ovens. We sell our products to automakers and auto parts suppliers, building contractors and building material suppliers and manufacturers of retail goods, both directly and through a broad distributor network.

Our glass and glass products are manufactured in a broad range of colors and specifications which are usually measured by thickness and width and range between 2-23 millimeters in thickness and 3-300 millimeters in width. Our glass products are marketed primarily under the Golden Elephant brand name. Our total annual production capacity of our glass products is currently 4.95 million weight cases and we maintain two production lines which have an aggregate daily melting capacity of over 800 tons, in which 300 tons production line was rented from Fuxin Guangya Flat Glass co. Ltd. which is in bankruptcy.

We strive to be a low cost provider of high quality products. Our glass products have been given a GB 11615-199 certification by the Chinese National Quality Standards for glass products and passed the annual inspections conducted by Chinese National Glass Inspection Committee since 2004. We transport our products by train, sea and expressway.

Production Process

Our core product lines can be categorized as float glass products, consisting primarily of flat glass and specialty float glass products which are produced using the float glass methodology. The float methodology is currently used to manufacture virtually all of the flat glass in the world.

This manufacturing process produces a flat sheet of glass and consists of the following six essential steps:

1. **Batch Mixing.** The raw materials (silica sand, soda ash and dolomite/limestone) are weighed, mixed, and placed into a high temperature furnace where they are melted at temperatures in excess of 1500 degrees Celsius into molten glass.
2. **Float Bath.** The molten glass compound is then directed to a pool of liquid tin on which the molten glass floats while hardening. The glass, which is viscous, and the tin, which is fluid, does not mix and the contact surface between these two materials is perfectly flat.
3. **Coating.** Specialized metal oxide coatings may be applied to the glass surface while the glass is still hot to improve its performance or enhance its appearance.
4. **Annealing.** Whether or not the molten glass is coated, the molten glass is slowly cooled or annealed as it passes into an annealing chamber called a lehr. Here it is cooled at a controlled temperature until it is

essentially at room temperature.

5. ***Inspection.*** The glass is inspected to ensure that it meets desired specifications and quality requirements.
6. ***Cutting and Shipping.*** The float glass is cut into large standard sheets or cut to size depending on the intended use and then prepared for shipping.

Our Products

A description of the uses and benefits of our products:

1. **Heavy Float Glass.** Our heavy float glass products are customized to our customers' desired performance specifications and designed to control energy usage, provide thermal insulation, act as a noise barrier, and afford safety and security. Heavy float glass products are used in a wide variety of products including windows, doors, skylights, shelving, tabletops, and automotive applications.
2. **Ultra-Clear Glass and Colored Float Glass.** Our ultra-clear float glass products are produced to have a higher percentage of light transmittance of up to 91.87% (as compared to 80-85% in our heavy float glass products) which results in glass products with enhanced clarity and greater translucence. This product line is designed to offer functional benefits in addition to aesthetic benefits, such as color shaping, patterns and texture. Ultra-Clear Glass is used to produce high end products such as luxury chandeliers and artificial crystal crafts.
3. **Specialty Glass Processed Products.** Using a variation on the standard float glass production technique, we manufacture and sell specialty float glass products which include mirrors, tempered glass, insulated glass, laminated glass, lacquered glass, etc.

Manufacturing Facilities

Our primary manufacturing facility is located in Fuxin City in Liaoning Province, China. Our goal has been to construct manufacturing facilities which operate at peak efficiency while maintaining high workplace safety and environmental compliance standards.

We own one production line which became operational in August 2003 and has a daily melting capacity of 500 tons. We lease another production line from the liquidation committee of Fuxin Guangya Flat Glass Co. Ltd. with a term ending on the earlier of (i) ten years starting from August 25, 2004; or (ii) the closing date of the liquidation process for Fuxin Guangya Flat Glass Co. Ltd. We upgraded this production line and it went into operation in September 2005. The production line has a daily melting capacity of 300 tons and up to 1.65 million weight cases production capacity of ultra-clear and colored float glass annually. Our production lines are designed to operate continuously, 365 days per year, throughout a 6 to 10 years initial operating life. Float lines are normally capable of several campaigns after the initial operating life following major repair and upgrade programs.

Full utilization of our production lines means operating on 3 eight-hour shifts per day over a 7-day work week and overtime production may result in utilization rates exceeding 100%. Our average utilization rate during 2007 and 2008 has been 100% and 94%, respectively.

Suspension of Production

During the recent global economic crisis, many of our customers operating in some of the hardest hit sectors, such as the automotive, construction, and home furnishing industries, were negatively impacted by the economic downturn and our performance has consequently suffered. From November 2008, we suspended operations of our float glass manufacturing operations to perform maintenance and system upgrades that would eventually be needed. We opted to suspend operations and initiate the maintenance program at a time when pricing and demand for our products was low in order to minimize the adverse effect of suspending operations. Until the amelioration of the economic crisis, particularly in the industry segments in which our targeted customers operate, we expect to continue to experience significant challenges. In response to these challenges, we will continue to implement what we believe to be prudent, cost-saving measures in a judicious and timely fashion. We intend to continue to take appropriate steps to minimize the adverse effects of the global economic crisis on our operations and financial performance.

Recent Development

In April 2011, we completed our maintenance program and system upgrade, and subsequently have been leasing our upgraded self-owned manufacturing line to a third party in exchange for an annual rent of RMB 6 million, approximately \$923,000.

Results of Operations

The following table sets forth key components of our results of operations for the periods indicated, in dollars:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
Sales revenues	\$ -	\$ -	\$ -	\$ 2,268,197
Cost of sales	-	-	-	(3,306,125)
Gross loss	-	-	-	(1,037,928)
Other operating income				
Bad debts recovered	3,126,877	-	3,126,877	-
Decrease in provision for bad debts	-	-	-	-
Total other operating income	3,126,877	-	3,126,877	-
Operating expenses				
Administrative expenses	594,819	935,467	2,224,317	4,053,275
Selling expenses	-	-	-	-
Total operating expenses	594,819	935,467	2,224,317	4,053,275
Loss from operations	2,532,058	(935,467)	902,560	(5,091,203)
Interest income	-	-	-	11,752
Other income	-	1,095	-	1,444
Other expense	(1,994,489)	-	(1,994,489)	-
Government grants	-	118	-	73,959
Finance costs	(500,073)	(586,625)	(1,420,678)	(1,473,310)
Loss before income taxes	37,496	(1,520,879)	(2,512,607)	(6,477,358)
Income taxes	-	(378,058)	-	(314,498)
Net income	37,496	(1,898,937)	(2,512,607)	(6,791,856)
Other comprehensive income				
Foreign currency translation adjustments	29,842	105	50,695	(16,911)
Comprehensive loss	\$ 67,338	\$ (1,898,832)	\$ (2,461,912)	\$ (6,808,767)
Loss per share:				
basic and diluted	\$ (0.00)	\$ (0.07)	\$ (0.09)	\$ (0.24)
Weighted average number of shares outstanding basic and diluted	28,623,996	28,623,996	28,623,996	28,623,996

See the accompanying notes to condensed consolidated financial statements

Sales Revenue: Our sales revenue is generated from sales of our float glass products and ultra-white glass products from the inventory.

For the three months ended September 30, 2009 and the three months ended September 30, 2010, we did not generate any sales revenue, because we have suspended our operations since November 2008 as a result of the global economic recession and since then have commenced only equipment maintenance and system upgrades.

During the nine months ended September 30, 2010, we did not generate any sales revenue, as compared to approximately \$2.27 million revenue we generated during the nine months ended September 30, 2009. The decrease in sales revenue is due suspension of operations since November 2008.

Cost of Sales. Our cost of sales is primarily comprised of the costs of our raw materials, labor, and overhead.

For the three months ended September 30, 2009 and the three months ended September 30, 2010, we did not generate any cost of sales due to the suspension of our operations from November 2008.

During the nine months ended September 30, 2010, we did not incur any cost of sales, as compared to approximately \$3.31 million cost of sales that we incurred during the nine months ended September 30, 2009. The decrease in cost of sales is due to the suspension of operations since November 2008.

Administrative Expenses. Administrative expenses consist of costs associated with staff and support personnel who manage our business activities and professional fees paid to third parties.

For the three months ended September 30, 2009 and the three months ended September 30, 2010, our administrative expenses decreased from approximately \$0.94 million to approximately \$0.59 million, representing a decrease of approximately \$0.35 million or approximately 37.23% . The substantial decrease of our administrative expenses was primarily attributable to the suspension of our operations since November 2008.

For the nine months ended September 30, 2009 and the nine months ended September 2010, our administrative expenses decreased from approximately \$4.05 million to approximately \$2.22 million, representing a decrease of approximately \$1.83 million or approximately 45.19% . The substantial decrease of our administrative expenses was primarily attributable to the suspension of our operations since November 2008.

Net Income.

For the three months ended September 30, 2010, we had a net income of \$0.037, compared to a net loss of \$1.90 for the same period ended September 30, 2009. The decrease in our net loss was a result of the recovery of bad debt for an amount of approximately \$3.13 million and the decrease of our administrative expenses due to the suspension of our operations since November 2008.

For the nine months ended September 30, 2009 and the nine months ended September 30, 2010, our net loss decreased by \$4.28 million or approximately 63.03%, to approximately \$2.51 million during the nine months ended September 30, 2010 from approximately \$6.79 million during the nine months ended September 30, 2009. The decrease in our net loss was a result of the recovery of bad debt for an amount of approximately \$3.13 million and the decrease of our administrative expenses due to the suspension of our operations since November 2008.

Liquidity and Capital Resources

As of September 30, 2010, we had cash and cash equivalents of \$6,681. We incurred a net loss of \$2,512,607 for nine months ended September 30, 2010 and had accumulated deficits of \$14,074,376 as of September 30, 2010. In addition, we have been implementing a maintenance program for the float glass production lines since November 2008. During the maintenance period, all operations of the production lines and all manufacturing of the glass products are suspended. These matters raise substantial doubt about our ability to continue as a going concern.

With the improvement of economic environment and glass market, the management intends to implement its business plan of restoring the production lines and resuming its business operations, primarily relying on obtaining capital from collecting trade receivables and other receivables. However, there is no assurance that these activities will be successful.

The following table sets forth a summary of our cash flows for the periods indicated, in dollars:

	<i>Nine months ended</i> <i>September 30,</i> <i>(Unaudited)</i>	
	<i>2010</i>	<i>2009</i>
Net cash flows provided by operating activities	3,455,013	541,958
Net cash flows used in investing activities	(3,692,500)	(630,258)
Net cash flows used in financing activities	-	(24,472)
Effect of foreign currency translation on cash and cash equivalents	236,810	(17,179)
Net decrease in cash and cash equivalents	(677)	(129,951)
Cash and cash equivalents - beginning of period	7,358	141,419
Cash and cash equivalents - end of period	6,681	11,468

See the accompanying notes to consolidated financial statements

Operating Activities:

Net cash provided in operating activities was \$3,455,013 for the nine month period ended September 30, 2010, as compared to net cash provided by operating activities of \$541,958 for the same period in 2009, representing an increase of \$2,913,055, which was due to an increase in trade receivables.

Investing Activities:

Our main uses of cash for investing activities are payments to the acquisition of property, plant, and equipment and construction in progress. Net cash used in investing activities in the nine months ended September 30, 2010 was \$3,692,500, as compared to \$630,258 of net cash used for investing activities for the same period in 2009, representing an increase of \$3,062,242. The significant increase of net cash used in investing activities was due to payments for property, plant, and equipment acquisitions and current construction projects.

Financing Activities:

As of September 30, 2010, the amount, maturity date and term of each of our bank loans are as follows:

(All amounts, other than percentages, in millions of U.S. dollars)

Banks	Amounts	Maturity Date	Duration
China CITIC Bank, Shenyang Branch	2.64	November 26, 2008	1 year
China Construction Bank, Fuxin Branch	2.95	March 24, 2009	1 year
Shanghai Pudong Development Bank, Shenyang Branch	4.35	May 28, 2009	1 year
China Construction Bank, Fuxin Branch	0.88	April 29, 2009	6 months
China Construction Bank, Fuxin Branch	2.05	May 22, 2009	6 months
TOTAL	12.87		

On May 6, 2008, the Company's subsidiary Dollar Come entered into a loan agreement with Ms. Lin Tan, our Chief Executive Officer, President, and Chairman, to borrow \$5 million at the annual interest rate of 8%. The agreement has a two-year term and the loan proceeds were to be used as working capital. The loan was unsecured and is due May, 5, 2010. On July 30, 2008, \$3,260,000 of this loan was paid with payment made to Fuxin Zhonglin Industry Limited and W.T. Construction Inc.; both wholly owned by Ms. Tan. An amount of \$1,108,343 was offset by advances to Ms. Tan during 2009. An additional \$146,500 of this loan was offset by advances to Ms. Tan during the first quarter of 2010. As of September 30, 2010, we owed Ms. Tan approximately \$485,157 for the principal amount in default.

As of September 30, 2010, we have not repaid any of our past due bank loans because of capital shortage in the first three quarters of 2010. In the current tight credit market, we cannot give assurances that we can refinance these loans on favorable terms to us, if at all. Our current available working capital may not be adequate to sustain our operations at our current levels through at least the next twelve months. There is substantial doubt about our ability to continue as a going concern. The fact that we have received this going concern opinion from our independent auditors may make it more difficult for us to raise capital on favorable terms. Any failure by us to raise additional funds on terms favorable to us, or at all, could limit our ability to expand our business operations and could harm our overall business prospects.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital expenditures or capital resources that is material to an investor in our securities.

Obligations under Material Contract

Below is a summary of our current obligations under material contracts.

In connection with the entry into the Securities Purchase Agreement, on July 24, 2008, the Company entered into a make good escrow agreement (the " Make Good Escrow Agreement ") with Win-Win Global Investments, Inc. (the "Pledgor "), the investors listed in the Securities Purchase Agreement, Roth Capital Partners, LLC (" Roth ") and STC, pursuant to which the Pledgor agreed to certain "make good" provisions in the event that the Company does not meet certain income thresholds for fiscal years 2008 and/or 2009 discussed in the Securities Purchase Agreement. Pursuant to the Make Good Escrow Agreement, the Pledgor established an escrow account and delivered to STC certificates evidencing 1,669,398 shares of the Company s common stock held by the Pledgor (the " Make Good Shares ") along with blank stock powers, to be held for the benefit of the investors. The Pledgor agreed that if the after tax net income (the " ATNI ") for the Company s 2008 fiscal year is less than \$10,000,000 or the ATNI for the Company s 2009 fiscal year is less than \$14,000,000 (after the exclusion of certain items from the calculation), then, in each case, the Pledgor will transfer to the investors, on a pro rata basis, 50% of the Make Good Shares within 10 business days after the Company s annual report on Form 10-K is filed for the respective fiscal year. In such event, the Pledgor s obligation to transfer the Make Good Shares continues to apply to each of the investors, even if an investor has transferred or sold all or any portion of its securities, and each of the investors shall have the right to assign its rights to receive a pro rata portion of the Make Good Shares in conjunction with negotiated sales or transfers of any of its securities. If the ATNI for the Company s 2008 fiscal year is no less than \$10,000,000 (after the exclusion of certain items from the calculation), 50% of the Make Good Shares will be released to the Pledgor. If the ATNI for the Company s 2009 fiscal year is no less than \$14,000,000 (after the exclusion of certain items from the calculation), then the remaining 50% of the Make Good Shares will be released to the Pledgor. The parties also agreed that for purposes of determining the ATNI under the Securities Purchase Agreement, the release of the Make Good Shares to the Investors or the Pledgor as a result of the operation of the Make Good Agreement shall not be deemed to be an expense, charge, or other deduction from revenues even though GAAP may require contrary treatment. The Make Good Escrow Agreement will terminate upon the distribution of all the Make Good Shares. As we did not meet the ATNI for 2008, 834,699 shares will be released to the investors on a pro rata basis.

Seasonality

Our Company's business is seasonal, with the highest proportion of sales and operating income being generated in the second and third quarters of each year, with lesser sales and operating income being generated in the first and fourth quarters of each year. Our working capital requirements fluctuate during the period, increasing substantially during the first and fourth quarters as a result of lower demand for glass products due to the curtailments of construction works in winter season.

Critical Accounting Policies

Revenue recognition

Revenue from sales of the Company's products is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the sales price is fixed or determinable and collection is reasonably assured.

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes, provision for warranty and the estimation on useful lives of property, plant and equipment. Actual results could differ from those estimates. Critical accounting estimates used in preparation of the financial statements include management's judgments about its valuation of the allowance for bad debt.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and other receivables. As of June 30, 2010 and December 31, 2009, substantially all of the Company's cash and cash equivalents and restricted cash were held by major financial institutions located in the PRC, which management believes are of high credit quality. With respect to other receivables and trade receivables, the Company extends credit based on an evaluation of the customer's financial condition. The Company generally does not require collateral for trade receivables and other receivables and maintains an allowance for doubtful accounts of trade receivables and other receivables. The Company conducts periodic reviews of its customers' financial condition and customer payment practices to minimize collection risk on accounts receivable.

Details of customers for 10% or more of the Company's trade receivables are:

	<u>As of</u> <u>September</u> <u>30,</u> 2010 (Unaudited)
Company A	\$ 1,649,929
Company B	610,313
Company C	559,878
Company D	479,610
Totals	\$ 3,299,730

Allowance for doubtful accounts

The Company establishes an allowance for doubtful accounts based on management's assessment of the collectability of trade receivables and other receivables. A considerable amount of judgment is required in assessing the amount of the allowance; the Company considers the historical level of credit losses and applies percentages to aged receivable categories. The Company makes judgment about the creditworthiness of each customer based on ongoing credit evaluations, and monitors current economic trends that might impact the level of credit losses in the future. If the financial condition of the customers were to deteriorate, resulting in their inability to make payments, a larger allowance may be required.

Based on the above assessment, during the reporting years, management establishes a general provisioning policy to make the allowance equivalent to 10% of gross amount of trade receivables and other receivables due over 6-12 months, 25% gross amount of trade receivables and other receivables due over 1-2 years and 50% of gross amount of trade receivables and other receivables due over 2-3 years and 100% of gross amount of trade receivables and other receivables due over 3 years. Additional specific provision is made against trade receivables aged less than 6 months to the extent which they are considered to be doubtful.

Bad debts are written off when identified. The Company extends unsecured credit to customers ranging from three to six months in the normal course of business. The Company does not accrue interest on trade receivables.

Historically, losses from uncollectible accounts have not significantly deviated from the general allowance estimated by management and no significant additional bad debts have been written off directly to the profit and loss. This general provisioning policy has not changed in the past since establishment and management considers that the aforementioned general provisioning policy is adequate and not too excessive and does not expect to change this established policy in the near future.

Recently issued accounting pronouncements

Adoption of FASB Accounting Standards Codification

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162". This standard is now included in ASC Topic 105 and established only two levels of GAAP, authoritative and non-authoritative. The FASB Accounting Standards Codification (the "Codification") became the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification became non-authoritative. This standard is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. Effective August 1, 2009, we adopted the new guidelines and numbering system prescribed by the Codification when referring to GAAP. The adoption had no impact on our consolidated financial condition,

results of operations or cash flows.

Adoption of FASB ASC 805

Effective January 1, 2009, the Company adopted FASB ASC 805, Business Combinations. FASB ASC 805 changed accounting for acquisitions that close beginning in 2009. FASB ASC 805 extends its applicability to all transactions and other events in which one entity obtains control over one or more other businesses. It broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations. FASB ASC 805 expands on required disclosures to improve the statement users' abilities to evaluate the nature and financial effects of business combinations. The adoption of FASB ASC 805 did not have a material impact on the Company's financial statements.

Adoption of FASB ASC 805-20

Effective January 1, 2009, the Company adopted FASB ASC 805-20, Non controlling Interests in Consolidated Financial Statements. FASB ASC 805-20 requires that a non controlling interest in a subsidiary be reported as equity and the amount of consolidated net income specifically attributable to the non controlling interest be identified in the consolidated financial statements. It also calls for consistency in the manner of reporting changes in the parent's ownership interest and requires fair value measurement of any non controlling equity investment retained in a deconsolidation. FASB ASC 805-20 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. The adoption FASB ASC 805-20 did not have material impact on the Company's financial statements.

Adoption of FASB ASC 815

Effective January 1, 2009, the Company adopted FASB ASC 815, Disclosures about Derivative Instruments and Hedging Activities. FASB ASC 815 requires enhanced disclosures about (i) how and why the Company uses derivative instruments, (ii) how the Company accounts for derivative instruments and related hedged items, and (iii) how derivative instruments and related hedged items affect the Company's financial results. The adoption FASB ASC 815 did not have any impact on the Company's financial statements.

Adoption of FASB ASC 350-30

Effective January 1, 2009, the Company adopted FASB ASC 350-30, Determination of the Useful Life of Intangible Assets. FASB ASC 350-30 amended the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The adoption of FASB ASC 350-30 did not have material impact on the Company's financial statements.

Adoption of FASB ASC 860

In June 2009, the FASB issued ASC 860, which eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor's interest in transferred financial assets. FASB ASC 860 will be effective for transfers of financial assets in years beginning after November 15, 2009 and in interim periods within those years with earlier adoption prohibited. The adoption of ASC 860 is not expected to have a material impact on our consolidated financial position or results of operations.

Adoption of FASB ASU 2009-05

In August 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-05, "Measuring Liabilities at Fair Value," which amends the guidance in ASC 820, Fair Value Measurements and Disclosures, to provide guidance on fair value measurement of liabilities. If a quoted price in an active market is not available for an identical liability, ASU 2009-05 requires companies to compute fair value by using quoted prices for an identical liability when traded as an asset, quoted prices for similar liabilities when traded as an asset or another valuation technique that is consistent with the guidance in ASC 820. ASU 2009-05 will be effective for interim and annual periods beginning after its issuance and did not have a material impact on our consolidated financial position or results of operations.

Adoption of FASB ASU 2009-13

In October 2009, the FASB issued ASU No. 2009-13, Multiple-Deliverable Revenue Arrangements (ASU 2009-13). This update removes the criterion that entities must use objective and reliable evidence of fair value in separately accounting for deliverables and provides entities with a hierarchy of evidence that must be considered when allocating arrangement consideration. The new guidance also requires entities to allocate arrangement consideration to the separate units of accounting based on the deliverables' relative selling price. The provisions will be effective for revenue arrangements entered into or materially modified in our year 2011 and must be applied prospectively. We are currently evaluating the impact of the provisions of ASU 2009-13.

Item 3. Quantitative and Qualitative disclosures About Market Risk.

Smaller reporting companies are not required to provide the information required by this item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information that would be required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures.

As required by Rule 13a-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer, Ms. Lin Tan, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2010. Based on our assessment, Ms. Lin Tan determined that, as of September 30, 2010, and as of the date that the evaluation was completed, our disclosure controls and procedures were ineffective to satisfy the objectives for which they are intended. Our conclusion is based primarily on the occurrence of a significant number of out-of-period adjustments, which we believe primarily stems from the fact that we had limited accounting and financial staff with the requisite qualifications. We are in the process of considering changes in our internal control over financial reporting in order to address the aforementioned deficiencies.

Changes in Internal Controls over Financial Reporting

During the quarter ended September 30, 2010, there were no changes in our internal control over financial reporting identified in connection with the evaluation performed during the fiscal year covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors

Smaller reporting companies are not required to provide the information required by this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

As of July 2011, the default amount, maturity date, term and total arrearage of each of our past due bank loans are as follows:

(All amounts, other than percentages, in millions of U.S. dollars)

<u>Banks</u>	<u>Principal Amounts (\$)¹</u>	<u>Maturity Date</u>	<u>Duration</u>	<u>Total Arrearage (Principal & Interest) (\$)</u>
China CITIC Bank, Shenyang Branch	2.75	November 26, 2008	1 year	3.66
China Construction Bank, Fuxin Branch	3.07	March 24, 2009	1 year	4.22
Shanghai Pudong Development Bank, Shenyang Branch	4.53	May 28, 2009	1 year	6.39
China Construction Bank, Fuxin Branch	0.92	April 29, 2009	6 months	1.22
China Construction Bank, Fuxin Branch	2.14	May 22, 2009	6 months	2.76
<u>TOTAL</u>	<u>\$ 13.41</u>	<u>-</u>		<u>\$ 18.25</u>

¹ The increase of the principal amount since June 30, 2010 reflects a change of RMB to USD exchange rate.

On May 6, 2008, the Company's subsidiary Dollar Come entered into a loan agreement with Ms. Lin Tan to borrow US\$5 million at the annual interest rate of 8%. The agreement has a two-year term and the loan proceeds were used for working capital. The loan was unsecured and due no later than May 5, 2010. Under a July 30, 2008 agreement, \$3,260,000 of this loan was paid with payment made to Fuxin Zhonglin Industry Limited and W.T. Construction Inc., both wholly owned by Ms. Tan. An amount of \$1,108,343 was offset by advances to related party during 2009. An additional \$146,500 of this loan was offset during the first quarter of 2010. As of July 2011, we owe Mr. Tan US \$485,157 for the principal amount in default and US \$111,986 for interest incurred thereof.

As of July 2011, we are in default of bank loans in total principal amount of US\$13.41 million. Consequently, we have incurred arrearage in a total amount of US\$18.25 million as of July 2011.

Item 4. (Removed & Reserved.)**Item 5. Other Information**

None.

Item 6. Exhibits

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-K.

Exhibit SEC Ref. Title of Document

No. No.

1	31.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
2.	32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*

* The Exhibits attached to this Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**GOLDEN ELEPHANT GLASS
TECHNOLOGY, INC.**

Date: July 15, 2011

/s/ Lin Tan _____

Lin Tan

President, Chief Executive Officer and Chief Financial
Officer

(Duly Authorized Officer, Principal Executive Officer and
Principal Financial and Chief Accounting Officer)
