

Golden Elephant Glass Technology, Inc.  
Form 10-Q  
August 14, 2009

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended: June 30, 2009

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

Commission File Number: 000-21071

**GOLDEN ELEPHANT GLASS TECHNOLOGY, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

**88-0309578**

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(State or other jurisdiction of  
incorporation or organization)

(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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Q 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 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  Smaller reporting company Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Q

The number of shares outstanding of each of the issuer's classes of common equity, as of August 14, 2009 is as follows:

Class of Securities	Shares Outstanding
Common Stock, \$0.01 par value	28,623,996

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**PART I**  
**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

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# **Golden Elephant Glass Technology, Inc.**

Condensed Consolidated Financial Statements

For the three and six months ended  
June 30, 2009 and 2008  
(Stated in US dollars)

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**Golden Elephant Glass Technology, Inc.**  
**Condensed Consolidated Financial Statements**  
**Three and six months ended June 30, 2009 and 2008**

Index to Condensed Consolidated Financial Statements

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**Golden Elephant Glass Technology, Inc.**  
**Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income**  
**For the three and six months ended June 30, 2009 and 2008**  
**(Unaudited)**  
**(Stated in US Dollars)**

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<i>(unaudited)</i>		<i>(unaudited)</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Sales revenues	\$ -	\$ 15,348,524	\$ 2,268,197	\$ 27,174,234
Cost of sales	-	11,339,956	3,306,125	20,969,016
Gross (loss) profit	-	4,008,568	(1,037,928)	6,205,218
Other operating income				
Bad debts recovered	-	2,302	-	157,794
Decrease in provision for bad debts	-	57,076	-	453,211
Gain on disposal of a subsidiary	-	508,981	-	508,981
Total other operating income	-	568,359	-	1,119,986
Operating expenses				
Administrative expenses	2,756,308	849,951	3,117,808	1,259,954
Selling expenses	-	79,507	-	101,853
Total operating expenses	2,756,308	929,458	3,117,808	1,361,807
(Loss) income from operations	(2,756,308)	3,647,469	(4,155,736)	5,963,397
Interest income	11,667	11,736	11,752	20,254
Other income	349	25,028	349	50,430
Government grants	-	-	73,841	-
Finance costs	(851,635)	(488,472)	(886,685)	(737,797)
(Loss) income before income taxes and noncontrolling interest	(3,595,927)	3,195,761	(4,956,479)	5,296,284
Income taxes - Note 4	19,701	(419,406)	63,560	(543,851)
Net (loss) income before noncontrolling interest	(3,576,226)	2,776,355	(4,892,919)	4,752,433
Net loss attributable to noncontrolling interest	-	-	-	4,994
Net (loss) income attributable to Golden Elephant Glass Technology, Inc. common stockholders	\$ (3,576,226)	\$ 2,776,355	\$ (4,892,919)	\$ 4,757,427
	\$ (3,576,226)	\$ 2,776,355	\$ (4,892,919)	\$ 4,752,433

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Net (loss) income before noncontrolling interest				
Other comprehensive income				
Foreign currency translation adjustments	3,115	551,348	(17,016)	1,139,768
Comprehensive (loss) income	(3,573,111)	3,327,703	(4,909,935)	5,892,201
Comprehensive income attributable to noncontrolling interest	-	-	-	4,994
Comprehensive (loss) income attributable to Golden Elephant Glass Technology, Inc. common stockholders	\$ (3,573,111)	\$ 3,327,703	\$ (4,909,935)	\$ 5,897,195

See the accompanying notes to condensed consolidated financial statements



**Golden Elephant Glass Technology, Inc.**  
**Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income (Cont d)**  
**For the three and six months ended June 30, 2009 and 2008**  
**(Unaudited)**  
**(Stated in US Dollars)**

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30</i>		<i>June 30</i>	
	<i>(unaudited)</i>		<i>(unaudited)</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
(Loss) earnings per share attributable to Golden Elephant Glass Technology, Inc. common stockholders:				
basic and diluted - Note 5	\$ (0.12)	\$ 0.11	\$ (0.17)	\$ 0.20
Weighted average number of shares outstanding:				
basic and diluted	28,623,996	25,001,800	28,623,996	24,383,695

See the accompanying notes to condensed consolidated financial statements

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**Golden Elephant Glass Technology, Inc.**  
**Condensed Consolidated Balance Sheets**  
**As of June 30, 2009 and December 31, 2008**  
**(Stated in US Dollars)**

	<i>June 30,</i> <i>2009</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2008</i> <i>(Audited)</i>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 13,679	\$ 141,419
Restricted cash	-	733,500
Trade receivables, net	6,142,779	7,893,130
Other receivables, net	2,304,836	2,371,514
Prepayments	4,038,584	4,291,918
Inventories - Note 6	1,767,033	4,367,298
Amount due from a related party - Note 9	-	1,108,343
Deferred taxes	17,580	24,939
Total current assets	14,284,491	20,932,061
Property, plant and equipment, net - Note 7	24,222,964	24,485,104
Land use right	2,777,966	2,813,236
Deferred taxes	360,478	290,009
<b>TOTAL ASSETS</b>	<b>\$ 41,645,899</b>	<b>\$ 48,520,410</b>

See the accompanying notes to condensed consolidated financial statements

**Golden Elephant Glass Technology, Inc.**  
**Condensed Consolidated Balance Sheets (Cont'd)**  
**As of June 30, 2009 and December 31, 2008**  
**(Stated in US Dollars)**

	<i>June 30,</i> <i>2009</i> <i>(Unaudited)</i>	<i>December 31,</i> <i>2008</i> <i>(Audited)</i>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>LIABILITIES</b>		
Current liabilities		
Trade payables	\$ 9,900,839	\$ 11,116,809
Bills payable	720,795	1,467,000
Other payables and accrued expenses	7,430,591	6,164,252
Sales receipt in advance	299,932	501,397
Income tax payable	70,270	70,361
Amount due to a director - Note 10	103,157	37,527
Amount due to a related party - Note 9	278,910	285,918
Secured short-term bank loans - Note 8	12,791,501	12,808,964
Loan from Madam Tan - Note 11	631,657	1,740,000
<b>TOTAL LIABILITIES</b>	<b>32,227,652</b>	<b>34,192,228</b>
<b>COMMITMENTS AND CONTINGENCIES - Note 12</b>		
<b>STOCKHOLDERS EQUITY</b>		
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 in 2009 and 2008; 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	2,114,232	2,131,248
Accumulated deficit	(5,698,165)	(805,246)
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>9,418,247</b>	<b>14,328,182</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 41,645,899</b>	<b>\$ 48,520,410</b>

See the accompanying notes to condensed consolidated financial statements

**Golden Elephant Glass Technology, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the three and six months ended June 30, 2009 and 2008**  
**(Unaudited)**  
**(Stated in US Dollars)**

	<i>Six months ended</i>	
	<i>June 30</i>	
	<i>(Unaudited)</i>	
	<i>2009</i>	<i>2008</i>
<b>Cash flows from operating activities</b>		
Net (loss) income attributable to Golden Elephant Glass Technology, Inc. common stockholders	\$ (4,892,919)	\$ 4,757,427
Adjustments to reconcile net (loss) income attributable to Golden Elephant Glass Technology, Inc. common shareholders to net cash flows provided by (used in) operating activities:		
Depreciation	1,593,594	1,426,224
Amortization of land use right	31,449	30,435
Deferred taxes	(63,560)	144,220
Provision (recovery) for doubtful accounts	1,669,737	(453,211)
Provision for obsolete inventories	35,689	-
Gain on disposal of a subsidiary	-	(508,981)
Noncontrolling interest	-	(4,994)
Changes in operating assets and liabilities :		
Trade receivables	328,310	1,035,909
Bills receivable	-	2,484
Other receivables	(212,728)	867,867
Prepayments	247,896	(3,688,110)
Inventories	2,558,834	(1,625,020)
Trade payables	(1,201,828)	354,930
Bills payable	(744,866)	-
Other payables and accrued expenses	1,288,030	(851,370)
Sales receipt in advance	(200,789)	(5,301,751)
Income tax payable	5	(170,977)
Amount due to a director	66,493	(14,561)
Net cash flows provided by (used in) operating activities	503,347	(3,999,479)
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(1,612)	(12,316)
Sales proceeds for disposal of land use right	-	246,759
Sales proceeds for disposal of property, plant and equipment	-	1,432,393
Payments to construction in progress	(1,362,543)	(420,216)
Net cash outflow from disposal of a subsidiary	-	(163)
Net cash outflows from acquisition of a subsidiary	-	(135,594)
Cash acquired from reserve takeover transaction	-	464
Decrease in restricted cash	733,150	-

Net cash flows (used in) provided by investing activities	\$	(631,005)	\$	1,111,327
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See the accompanying notes to condensed consolidated financial statements

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**Golden Elephant Glass Technology, Inc.**  
**Condensed Consolidated Statements of Cash Flows (Cont'd)**  
**For the three and six months ended June 30, 2009 and 2008**  
**(Unaudited)**  
**(Stated in US Dollars)**

	<i>Six months ended</i>	
	<i>2009</i>	<i>2008</i>
	<i>June 30,</i>	
	<i>(Unaudited)</i>	
<b>Cash flows from financing activities</b>		
Advances to third parties	\$ -	\$ (4,612,349)
Amounts due to third parties	-	2,871,590
Amount due to Tianyuan	-	1,130,206
Loan from a related party	-	5,796,250
Dividend paid to stockholders	-	(642,942)
Proceeds from unsecured loan	-	5,000,000
Repayment of bank loans	-	(2,711,520)
Repayment of unsecured short-term loan	-	(4,099,177)
Net cash flows provided by financing activities	-	2,732,058
Effect of foreign currency translation on cash and cash equivalents	(82)	101,670
Net decrease in cash and cash equivalents	(127,740)	(54,424)
Cash and cash equivalents - beginning of period	141,419	62,660
Cash and cash equivalents - end of period	\$ 13,679	\$ 8,236
Supplemental disclosures for cash flow information:		
Cash paid for :		
Interest	\$ -	\$ 614,485
Income taxes	\$ -	\$ 582,809
Non-cash investing and financing activities		
Consideration of disposal of a subsidiary offset by other payable	\$ -	\$ 709,200
Amount due from a related party settled by offsetting the loan from Madam Tan	\$ 1,108,343	\$ -

See the accompanying notes to condensed consolidated financial statements

**Golden Elephant Glass Technology, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**(Stated in US Dollars)**

**1. Corporation information**

Golden Elephant Glass Technology, Inc. (the Company) was incorporated in the State of Nevada on December 2, 1993. The Company's shares are quoted for trading on the Over-The-Counter Bulletin Board in the United States of America.

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 flat glass and high grade glass processed products such as mirrors, tempered glass, insulated glass, etc., and are marketed primarily under the "Golden Elephant" brand name. The major target markets of the Company's products are the PRC.

**2. Basis of presentation**

- (i) 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, 2008, included in our Annual Report on Form 10-K for the year ended December 31, 2008.

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-months and six-months 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.

In accordance with the Financial Accounting Standards Board ("FASB") Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, the noncontrolling interest is presented below stockholders' equity. Certain 2008 amounts in the consolidated financial statements have been reclassified to conform to the 2009 presentation. These reclassifications have no effect on net income or stockholders' equity as previously reported.

- (ii) Going concern

The accompanying condensed 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.

**Golden Elephant Glass Technology, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**(Stated in US Dollars)**

**2. Basis of presentation (Cont d)**

(ii) Going concern (Cont d)

The Company incurred a net loss of \$4,892,919 for the six months ended June 30, 2009 and had net current liabilities of \$17,943,161 and accumulated deficit of \$5,698,165 as of June 30, 2009. In addition, due to deteriorating global economic environment and shrinking gross profit margin of float glass, the management decided to implement a maintenance program for both 300 tons and 500 tons float glass production lines in late November 2008 and January 2009 respectively. During the maintenance period, all operations of the production lines and all manufacturing of the float glass products are suspended. Referring to the above factors, doubt may be raised to the Company's ability to continue as a going concern.

The management believes that the suspension of production lines during deteriorating global economic environment provides an opportunity to mitigate the negative economic impact to the Company. Other than the routine maintenance, the Company's maintenance program also involves upgrades to its production lines for producing higher end products for improving the profitability in the future. However, the Company has no assurance with respect to the maintenance program. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.



**Golden Elephant  
Glass Technology,  
Inc.  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)  
(Stated in US Dollars)**

**3. Summary of significant accounting policies (Continued)**

Concentrations of credit risk (Continued)

During the reporting periods, customers representing 10% or more of the Company's consolidated sales are:

	<i>Three months ended June 30, (Unaudited)</i>		<i>Six months ended June 30, (Unaudited)</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Company A	\$ -	\$ -	\$ 2,268,197	\$ -
Company B	-	3,833,390	-	7,018,844
	\$ -	\$ 3,833,390	\$ 2,268,197	\$ 7,018,844

Fair value of financial instruments

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 157 (SFAS 157) on January 1, 2008. The adoption of SFAS 157 did not materially impact the Company's financial position, results of operations or cash flows.

SFAS No. 107 Disclosures About Fair Value of Financial Instruments (SFAS 107) requires the disclosure of the estimated fair value of financial instruments including those financial instruments for which SFAS No. 159 fair value option was not elected. As of June 30, 2009, the carrying amounts of the Company's financial instruments, including cash and cash equivalents, restricted cash, trade and other receivables, trade, bills and other payables approximate their fair values due to the short-term maturity. The carrying amounts of secured short-term bank loans and loan from Madam Tan approximate their fair values because the applicable interest rates approximate the current market rates.

Recently issued accounting pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 160 Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51 (SFAS 160). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance will become effective for the fiscal year beginning after December 15, 2008. The adoption of this statement has no material effect in the Company's financial statements.

**Golden Elephant Glass Technology, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**(Stated in US Dollars)**

3.

**Summary of significant accounting policies (Cont d)**

Recently issued accounting pronouncements (Cont d)

In December 2007, the FASB issued SFAS No. 141 (Revised) Business Combinations ( SFAS 141(R) ). SFAS No. 141 (Revised) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective for the fiscal year beginning after December 15, 2008. The adoption of this statement has no material effect on the Company's financial statements.

In April 2008, the FASB issued FASB staff position ( FSP ) FAS 142-3, Determination of the Useful Life of Intangible Assets ( FSP 142-3 ). FSP FAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under FASB Statement No. 142, Goodwill and Other Intangible Assets . This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. FSP FAS 142-3 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Early adoption is prohibited. The adoption of this standard has no material effect on the Company's financial statements.

In April 2009, the FASB issued FSP No. 141R-1 Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies ( FSP 141R-1 ). FSP 141R-1 amends the provisions in FASB Statement 141R for the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. FSP 141R-1 eliminates the distinction between contractual and non-contractual contingencies, including the initial recognition and measurement criteria in Statement 141R and instead carries forward most of the provisions in SFAS 141 for acquired contingencies. FSP 141R-1 is effective for contingent assets and contingent liabilities acquired in evaluating the impact of SFAS 141(R). The management is in the process of evaluating the impact of adopting this standard on the Company's financial statements.

In April 2009, the FASB issued FSP No. 157-4, Determining Whether a Market is Not Active and a Transaction Is Not Distressed , or FSP No. 157-4. FSP No. 157-4 clarifies when markets are illiquid or that market pricing may not actually reflect the real value of an asset. If a market is determined to be inactive and market price is reflective of a distressed price then an alternative method of pricing can be used, such as a present value technique to estimate fair value. FSP No. 157-4 identifies factors to be considered when determining whether or not a market is inactive. FSP No. 157-4 would be effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009 and shall be applied prospectively. The adoption of this statement has no material effect on the Company's financial statements.

**Golden Elephant Glass Technology, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**(Stated in US Dollars)**

**3.**

**Summary of significant accounting policies (Cont d)**

Recently issued accounting pronouncements (Cont d)

In April 2009, the FASB issued FSP FAS No. 115-2 and FAS No. 124-2, Recognition of Other-Than-Temporary Impairments, or FSP FAS No. 115-2 and FAS No. 124-2. FSP FAS No. 115-2 and FAS No. 124-2 amends the other-than-temporary impairment guidance in SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, for debt securities and the presentation and disclosure requirements of other-than-temporary impairments on debt and equity securities in the financial statements. FSP FAS No. 115-2 and FAS No. 124-2 is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The adoption of this standard has no material effect on the Company's financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. FSP FAS 107-1 and APB 28-1 amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. In addition, the FSP amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. The FSP is effective for interim periods ending after June 15, 2009, with earlier adoption permitted for periods ending after March 15, 2009. The adoption of this statement has no material effect on the Company's financial statements.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events ( SFAS 165 ), which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 will become effective after June 15, 2009. The adoption of this statement has no material effect on the Company's financial statements.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets. SFAS 166 removes the concept of a qualifying special-purpose entity (QSPE) from SFAS No. 140 ( SFAS 166 ), Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities (SFAS 140) and removes the exception from applying FIN 46R. This statement also clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. This statement is effective for fiscal years beginning after November 15, 2009. The management is in the process of evaluating the impact of adopting this standard on the Company's financial statements.

**Golden Elephant Glass Technology, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**(Stated in US Dollars)**

**3. Summary of significant accounting policies (Cont d)**

Recently issued accounting pronouncements (Cont d)

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) ( SFAS 167 ), which amends FASB Interpretation No. 46(revised December 2003) to address the elimination of the concept of a qualifying special purpose entity. SFAS 167 also replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Additionally, SFAS 167 provides more timely and useful information about an enterprise's involvement with a variable interest entity. SFAS 167 shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The management is in the process of evaluating the impact of adopting this standard on the Company's financial statements.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification<sup>TM</sup> and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162 ( SFAS 168 ), which establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles. SFAS 168 explicitly recognizes rules and interpretive releases of the Securities and Exchange Commission under federal securities laws as authoritative GAAP for SEC registrants. SFAS 168 will become effective for financial statements issued for interim and annual periods ending after September 15, 2009. The management is in the process of evaluating the impact of adopting this standard on the Company's financial statements.

**4. 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 taxes on undistributed earnings of its non-U.S. subsidiaries as of June 30, 2009, as it is the Company's current policy to reinvest these earnings in non-U.S. operation.

BVI

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

**Golden Elephant Glass Technology, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**(Stated in US Dollars)**

**4.**

**Income taxes (Cont d)**

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.

In addition to the changes to the current tax structure, under the EIT Law, an enterprise established outside of China with de facto management bodies within China is considered a resident enterprise and will normally be subject to an EIT of 25% on its global income. The Implementing Rules define the term de facto management bodies as an establishment that exercises, in substance, overall management and control over the production, business, personnel, accounting, etc., of a Chinese enterprise. If the PRC tax authorities subsequently determine that the Company should be classified as a resident enterprise, then the organization's global income will be subject to PRC income tax of 25%.

Under the income tax law and the related implementing rules, FIEs engaging in manufacturing businesses with a term of operation exceeding ten years may, subject to approval from local taxation authorities, be entitled to a two-year tax exemption from PRC EIT starting from the year they become profitable and a 50% tax reduction for the three years thereafter.

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 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.

**Golden Elephant Glass Technology,  
Inc.  
Notes to Condensed Consolidated  
Financial Statements  
(Unaudited)  
(Stated in US Dollars)**

**5. (Loss)/earnings per share**

During the reporting periods, the warrants issued on July 24, 2008 for the purchase of 166,940 shares of common stock with an exercise price of \$1.824 were not included in the computation of diluted (loss)/earnings per share because they were anti-dilutive. Accordingly, the basic and diluted earnings per share are the same.

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

**6.**

**Inventories**

	<i>June 30,</i>	<i>December</i>
	<i>2009</i>	<i>31,</i>
	<i>(Unaudited)</i>	<i>2008</i>
		<i>(Audited)</i>
Raw materials	\$ 1,060,072	\$ 1,000,698
Finished goods	706,961	3,325,595
Consumables	-	41,005
	\$ 1,767,033	\$ 4,367,298

As of June 30, 2009, finished goods with carrying value of \$423,535 (Note 8(a)) were pledged to the banks for the bank loans granted to the Company.

**7.**

**Property, plant and equipment**

	<i>June 30,</i>	<i>December</i>
	<i>2009</i>	<i>31,</i>
	<i>(Unaudited)</i>	<i>2008</i>
		<i>(Audited)</i>
Costs :		
Buildings	\$ 14,397,336	\$ 14,416,991

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Plant and machinery	22,082,611	22,112,758
Office equipment	129,093	127,656
Tools	187,075	187,331
Leasehold improvements	3,869,304	3,874,586
Motor vehicles	478,030	478,683
	41,143,449	41,198,005
Accumulated depreciation	(15,572,663)	(13,998,930)
Construction in progress	1,405,648	43,258
Impairment loss	(2,753,470)	(2,757,229)

Net \$ 24,222,964 \$ 24,485,104

As of June 30, 2009, certain property, plant and equipment with aggregate net book value of \$12,436,140 was pledged to banks to secure general banking facilities (Note 8(b)).

**Golden Elephant Glass Technology, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**(Stated in US Dollars)**

**8.****Secured short-term bank loans**

	<i>June 30,</i> <i>2009</i> <i>(Unaudited)</i>	<i>December</i> <i>31,</i> <i>2008</i> <i>(Audited)</i>
Bank loans repayable within 1 year - Note 8 (i)	\$ 12,791,501	\$ 12,808,964

Note :

- (i) As of June 30, 2009, the bank loans were overdue and carried at the weighted average interest rate of 10.79% per annum.

As of June 30, 2009, the Company's banking facilities were as follows :

Facilities granted	Granted	Amount utilized	Unused
Secured bank loans	\$ 12,791,501	\$ 12,791,501	\$ -

The above secured bank loans were secured by the following :-

- (a) Finished goods with carrying value of \$423,535 (Note 6);
- (b) Property, plant and equipment with carrying value of \$12,436,140 (Note 7);
- (c) Land use right with carrying value of \$2,777,966; and
- (d) Guarantee executed by Madam Tan Lin ( Madam Tan ) and third parties.

During the reporting periods, there was no covenant requirement under the banking facilities granted to the Company.

**9. Amount due from/to a related party**

The amounts represent advances from/to Madam Tan, who is a controlling shareholder of the Company's holding company, are interest-free, unsecured and repayable on demand.

**10. Amount due to a director**

The amount is interest-free, unsecured and repayable on demand.

**11. Loan from Madam Tan**



The amount is interest bearing at 8% per annum, unsecured and repayable within one year.

**12. Commitments and contingencies**

a. Capital commitment

As of June 30, 2009, the Company had capital commitments amounting to \$3,076,982 in respect of the construction in progress which was contracted for but not provided in the condensed consolidated financial statements.

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**Golden Elephant Glass Technology, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**(Stated in US Dollars)**

**12. Commitments and contingencies (Cont'd)**

b.

Operating lease arrangement

As of June 30, 2009, the Company had a non-cancelable operating lease for its warehouse. The lease will expire in 2014 and the expected payments are as follows :

Within one year	\$ 439,710
Two to five years	1,758,840
After five years	73,285
	\$ 2,271,835

The rental expenses relating to the operating leases were \$218,798 and \$212,760 for the six months ended June 30, 2009 and 2008 respectively

c.

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.

**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 Liuling 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 condensed consolidated statements of operations. The Company contributed \$17,982 and \$43,933 for the six months ended June 30, 2009 and 2008 respectively.



**Golden Elephant Glass Technology, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**(Stated in US Dollars)**

**14.****Segment information**

The nature of the products, their production processes, the type of their customers and their distribution methods are substantially similar, they are considered as a single reportable segment under FAS 131, Disclosure about Segments of Enterprise and Related Information .

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
PRC	\$ -	\$ 14,545,247	\$ 2,268,197	\$ 26,057,419
Others	-	803,277	-	1,116,815
Total	\$ -	\$ 15,348,524	\$ 2,268,197	\$ 27,174,234

**15. Related party transactions**

Apart from the transactions as disclosed in notes 8, 9, 10 and 11 to the condensed consolidated financial statements, the Company had the following transaction with Madam Tan who is a controlling shareholder of the Company's holding company :

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Interest expenses payable to Madam Tan	\$ 34,800	\$ -	\$ 69,600	\$ -

**16. Subsequent Events**

Effective this quarter, the Company implemented SFAS No. 165. This standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The adoption of SFAS 165 did not impact our financial position or results of operations. The Company evaluated all events or transactions that occurred after June 30, 2009 up through August 14, 2009, the date these financial statements were issued. During this period the Company did not have any material recognizable subsequent events.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### *Special Note Regarding Forward-Looking Statements*

This Quarterly Report on Form 10-Q, including the following Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Such statements include, among others, those concerning our expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and that a number of risks and uncertainties could cause actual results of the Company to differ materially from those anticipated, expressed or implied in the forward-looking statements. The words believe, expect, anticipate, project, targets, optimistic, intend, aim, will or similar expressions are intended to identify forward-looking statements. Statements other than statements of historical fact are statements that could be deemed forward-looking statements. Risks and uncertainties that could cause actual results to differ materially from those anticipated include risks related to new and existing products; any projections of sales, earnings, revenue, margins or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements regarding future economic conditions or performance; uncertainties related to conducting business in China; any statements of belief or intention; any of the factors mentioned in the Risk Factors section of our Annual Report on Form 10-K filed on April 15, 2009, and other risks mentioned in this Form 10-Q. The Company assumes no obligation and does not intend to update any forward-looking statements, except as required by law.

### *Certain Terms*

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

Except as otherwise indicated by the context, all references in this report to (i) the Company, we, us, our and Golden Elephant are to Golden Elephant Glass Technology, Inc., a Nevada corporation, and its direct and indirect subsidiaries; (ii) Dollar Come are to our direct, wholly owned subsidiary Dollar Come Investments Limited, a British Virgin Island company; (iii) Fuxin Hengrui are to our indirect, wholly owned subsidiary Fuxin Hengrui Technology Co. Ltd., a PRC company; (iv) Fuxin Xianheng are to our indirect, wholly owned subsidiary Fuxin Xianheng Float Glass Co. Ltd., a PRC company; (v) Securities Act are to the Securities Act of 1933, as amended; (vi) Exchange Act are to the Securities Exchange Act of 1934, as amended; (vii) RMB are to Renminbi, the legal currency of China; (viii) U.S. dollar, \$ and US\$ are to the legal currency of the United States; and (ix) China, Chinese and PRC People's Republic of China.

## OVERVIEW

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 similar products. We have been manufacturing our glass products from our production facility in Fuxin City, Liaoning Province, China since 2002 and sell our products 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 major customers include Anshan Xingsheng Glass Distribution Office, Guangzhou Runcheng Commerce and Trade Co.,

Ltd., Feshan Jianheng Commerce and Trade Co., Ltd and Fujian Chengda Glass Trade Co., Ltd.

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.

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. Our products also have been certified by ISO 9001-2000, a Chinese Quality System and ESC certification, a European Quality Certification for construction products, with the valid term from March 24, 2007 to March 24, 2010. We transport our products by train, sea and expressway.

Our financial and operating results for the quarter ended June 30, 2009 were, and are expected to be for the foreseeable future, suboptimal due to the worldwide global economic crisis. Since many of our customers operate in industry segments that have been hardest hit by the economic crisis, such as the automotive, construction and home furnishing industries, our performance has consequently suffered. 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. Recently, we suspended operations of our float glass manufacturing operations in order to perform maintenance and system upgrades that eventually would 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. We intend to continue to take appropriate steps to minimize the adverse effects of the global economic crisis on our operations and financial performance. However, our independent auditors have raised substantial doubt about our ability to continue as a going concern.

### ***Recent Developments***

As of the date of this report, we have invested \$1.36 million for the upgrades of 300T production line and have finished the upgrades for auxiliary departments such as cold junction and auto supply. We are still in the process of upgrading furnaces.

### ***Second Quarter Financial Performance Highlights***

We continued to experience significant challenges in the second quarter of 2009. We met our existing sales orders for float glass products through subcontracting arrangements, which shrank our profit margin, and we experienced a significant reduction in sales of float glass and float glass products.

The followings are some financial highlights for the second quarter of 2009:

*Sales Revenue:* Sales revenue decreased \$15.3 million, or 100%, to \$0 million for the second quarter of 2009 from \$15.3 million for the same period last year.

*Gross Margin:* Gross margin was 0% for the second quarter of 2009, as compared to 26.1% for the same period in 2008.

*Net Income:* Net income decreased \$6.4 million, or 228.8%, to -\$3.6 million for the second quarter of 2009, from \$2.8 million for the same period of last year.

*Fully diluted net income per share:* Fully diluted net loss per share was -\$0.12 for the second quarter of 2009, as compared to a net earning per share of \$0.11 for the same period last year.

### **Taxation**

#### *United States*

We are subject to United States tax at a tax rate of 34%. No provision for income taxes in the United States has been made as we had no taxable income in the second quarter of 2009.

#### *British Virgin Islands*

Dollar Come Investments Limited was incorporated in the British Virgin Islands, or BVI, and, under the current laws of the BVI, is not subject to income taxes.

*PRC*

Before the implementation of the enterprise income tax ( EIT ) law (as discussed below), Foreign Invested Enterprises ( FIE ) established in the PRC are generally subject to an EIT rate of 33.0%, which includes a 30.0% state income tax and a 3.0% local income tax. 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 25.0% 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 pending changes, the EIT Law gives the FIEs established before March 16, 2007 ( Old FIEs ), such as our subsidiary Fuxin Hengrui and Fuxin 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. The discontinuation of any such special or preferential tax treatment or other incentives would have an adverse effect on any organization's business, fiscal condition and current operations in China.

In addition to the changes to the current tax structure, under the EIT Law, an enterprise established outside of China with de facto management bodies within China is considered a resident enterprise and will normally be subject to an EIT of 25.0% on its global income. The Implementing Rules define the term de facto management bodies as an establishment that exercises, in substance, overall management and control over the production, business, personnel, accounting, etc., of a Chinese enterprise. If the PRC tax authorities subsequently determine that the Company should be classified as a resident enterprise, then the organization's global income will be subject to PRC income tax of 25.0%.

Under the income tax law and the related implementing rules, FIEs engaging in manufacturing businesses with a term of operation exceeding ten years may, subject to approval from local taxation authorities, be entitled to a two-year tax exemption from PRC EIT starting from the year they become profitable and a 50.0% tax reduction for the three years thereafter.

As approved by the relevant PRC tax authority, Fuxin Hengrui and Fuxin Xianheng was entitled to a two-year exemption from EIT followed by a 50.0% 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 is subject to an EIT rate of 25% from 2009. Our subsidiary Fuxin Xianheng's tax holiday commenced in 2008, therefore, Fuxin 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.

### *Results of Operations*

#### *Three Months Ended June 30, 2009 compared to Three Months Ended June 30, 2008*

The following table sets forth key components of our results of operations for the periods indicated, in dollars and as a percentage of sales revenue.

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

	Three months ended June 30 (unaudited)				Six months ended June 30 (unaudited)			
	2009		2008		2009		2008	
	In Thousands	As a % of sales revenues	In Thousands	As a % of sales revenues	In Thousands	As a % of sales revenues	In Thousands	As a % of sales revenues
Sales revenue	\$ -	100%	\$ 15,349	100%	\$ 2,268	100%	\$ 27,174	100%
Cost of sales	-	-%	11,340	73.9%	3,306	145.8%	20,969	77.2%
Gross profit	-	-%	4,009	26.1%	-1,038	-45.8%	6,205	22.8%
Other operating income	-	-%	568	3.7%	-	-%	1,120	4.1%

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Operating expenses								
Administrative expenses	2,756	-%	850	5.5%	3,118	137.5%	1,260	4.6%
Selling expenses	-	-%	80	0.5%	-	-%	102	0.4%
Total operating expenses	2,756	-%	929	6.1%	3,118	137.5%	1,362	5.0%
Income before income taxes and noncontrolling interest								
	-3,596	-%	3,196	20.8%	-4,956	-218.5%	5,296	19.5%
Income taxes	20	-%	-419	-2.7%	64	2.8%	-544	-2.0%
Noncontrolling interest	-	-%	-	-%	-	-%	5	-%
Net income	\$ -3,576	-%	\$ 2,776	18.1%	\$ -4,892	-215.7%	\$ 4,757	17.5%
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### **Comparison of Three Months Ended June 30, 2009 and June 30, 2008**

**Sales Revenue.** Our sales revenue is generated from sales of our float glass products and ultra-white glass products from the inventory. Sales revenue decreased \$15.3 million, or 100%, to \$0 million for the three months ended June 30, 2009 from \$15.3 million for the same period ended on June 30, 2008. This decrease was mainly attributable to weakened demand for our products resulted from the global economic crisis as well as the cessation of our operations.

**Cost of Sales.** Our cost of sales is primarily comprised of the costs of our raw materials, labor and overhead. Our cost of sales decreased \$11.3 million, or 100%, to \$0 million for the three months ended June 30, 2009 from \$11.3 million during the same period in 2008. This decrease was mainly due to decrease in sales volume.

**Gross Profit.** Our gross profit is equal to the difference between our sales revenue and our cost of sales. Our gross profit decreased \$4.0 million, or 100%, to \$0 million for the three months ended June 30, 2009 from approximately \$4.0 million for the same period in 2008.

**Administrative Expenses.** Administrative expenses consist of the costs associated with staff and support personnel who manage our business activities and professional fees paid to third parties. Our administrative expenses increased \$1.9 million, or 224.2%, to \$2.8 million for the three months ended June 30, 2009 from approximately \$849,951 for the same period in 2008. This increase was primarily attributable to the provision for doubtful accounts and reclassification of depreciation expense from cost of sales to administrative expenses.

**Selling Expenses.** Selling expenses include sales commissions, the cost of advertising and promotional materials, salaries and fringe benefits of sales personnel, after-sale support services and other sales related costs. Our selling expenses decreased \$79,507 to \$0 for the three months ended June 30, 2009 from \$79,507 for the same period in 2008. As a percentage of sales revenue, our selling expenses decreased to 0% for the three months ended June 30, 2009 from 0.5% for the same period in 2008. This dollar and percentage decrease was primarily attributable to the fact that there was no expense incurred from sales of products.

**Total Operating Expenses.** Our total operating expenses increased \$1.8 million, or 196.3%, to \$2.8 million for the three months ended June 30, 2009 from \$929,458 for the same period in 2008. The dollar increase was primarily attributable to the increase of expenses as discussed above.

**Income from Operations before Taxes and Noncontrolling Interest.** Income from operations before taxes and noncontrolling interest decreased \$6.8 million, or 212.5%, to -\$3.6 million during the three months ended June 30, 2009 from \$3.2 million during the same period in 2008. This decrease was mainly due to the factors described above.

**Income Taxes .** Income taxes decreased \$439,107 to -\$19,701 during the three months ended June 30, 2009 from \$419,406 during the same period in 2008. The effective tax rate of Fuxin Hengrui was 25% for the three months ended June 30, 2009 and 12.5% for 2008. Fuxin Xianheng was exempted from EIT in 2008 and 2009.

**Net income.** Our net income decreased \$6.4 million, or 228.8%, to -\$3.6 million during the three months ended June 30, 2009 from \$2.8 million during the same period in 2008, as a result of the factors described above.

### **Comparison of Six Months Ended June 30, 2009 and June 30, 2008**

**Sales Revenue.** Our sales revenue is generated from sales of our float glass products and ultra-white glass products from the inventory. Sales revenue decreased \$24.9 million, or 91.5%, to \$2.3 million for the six-month period ended June 30, 2009 from \$27.2 million for the same period ended on June 30, 2008. This decrease was mainly attributable to weakened demand for our products resulted from the global economic crisis as well as the cessation of our

operations.

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**Cost of Sales.** Our cost of sales is primarily comprised of the costs of our raw materials, labor and overhead. Our cost of sales decreased \$17.7 million, or 84.3%, to \$3.3 million for the six-month period ended June 30, 2009 from \$21.0 million during the same period in 2008. This decrease was mainly due to decrease in sales volume. As a percentage of sales revenue, the cost of sales increased to 145.8% from 77.2% in the same period of 2008. Such percentage increase was primary due to decreased sales volume and decreased prices for our products.

**Gross Profit.** Our gross profit is equal to the difference between our sales revenue and our cost of sales. Our gross profit decreased \$7.2 million, or 116.1%, to -\$1.0 million for the six-month period ended June 30, 2009 from approximately \$6.2 million for the same period in 2008. Gross profit as a percentage of sales revenue was -45.8% for the six-month period ended June 30, 2009, as compared to 22.8% during the same period in 2008. Such percentage decrease was mainly due to lower prices for our products as demand weakened.

**Administrative Expenses.** Administrative expenses consist of the costs associated with staff and support personnel who manage our business activities and professional fees paid to third parties. Our administrative expenses increased \$1.8 million, or 138.5%, to \$3.1 million for the six-month period ended June 30, 2009 from approximately \$1.3 million for the same period in 2008. As a percentage of sales revenue, administrative expenses increased to 137.5% for the six-month period ended June 30, 2009, as compared to 4.6% for the same period in 2008. This percentage increase was primarily attributable to increase in the provision for doubtful account and reclassification of depreciation expense from cost of sales to administrative expenses .

**Selling Expenses.** Selling expenses include sales commissions, the cost of advertising and promotional materials, salaries and fringe benefits of sales personnel, after-sale support services and other sales related costs. Our selling expenses decreased \$101,853 to \$0 for the six-month period ended June 30, 2009 from \$101,853 for the same period in 2008. As a percentage of sales revenue, our selling expenses decreased to 0% for the six-month period ended June 30, 2009 from 0.4% for the same period in 2008. This dollar and percentage decrease was primarily attributable to the fact that there was no expense incurred from sales of products.

**Total Operating Expenses.** Our total operating expenses increased \$1.7 million, or 121.4%, to \$3.1 million for the six-month period ended June 30, 2009 from \$1.4 million for the same period in 2008. As a percentage of sales revenue, our total expenses increased to 137.5% for the six-month period ended June 30, 2009 from 5.0% for the same period in 2008. The dollar and percentage increase was primarily attributable to the increase of expenses as discussed above.

**Income from Operations before Taxes and Noncontrolling Interest.** Income from operations before taxes and noncontrolling interest decreased \$10.3 million, or 194.3%, to -\$5.0 million during the six-month period ended June 30, 2009 from \$5.3 million during the same period in 2008. Income from operations before taxes as a percentage of sales revenue decreased to -218.5% during the six-month period ended June 30, 2009 from 19.5% during the same period in 2008 due to the factors described above.

**Income Taxes .** Income taxes decreased \$607,411 to -\$63,560 during the six-month period ended June 30, 2009 from \$543,851 during the same period in 2008. The effective tax rate of Fuxin Hengrui was 25% for the six-month period ended June 30, 2009 and 12.5% for 2008. Fuxin Xianheng was exempted from EIT in 2008 and 2009.

**Net income.** Our net income decreased \$9.7 million, or 202.1%, to -\$4.9 million during the six-month period ended June 30, 2009 from \$4.8 million during the same period in 2008, as a result of the factors described above.

### **Liquidity and Capital Resources**

As of June 30, 2009, we had cash and cash equivalents of \$13,679. The following table sets forth a summary of our cash flows for the periods indicated:



**Cash Flow**

(All amounts in thousands of U.S. dollars)

	<b>Six Months Ended</b>	
	<b>2009</b>	<b>June 30,</b>
		<b>2008</b>
Net cash provided by (used in) operating activities	\$ 503.3	\$ (3,999.5)
Net cash(used in)provided by investing activities	(631.0)	1,111.3
Net cash provided by financing activities	-	2,732.1
Effect of foreign currency translation on cash and cash equivalents	(0.1)	101.7
Net decrease in cash and cash equivalents	(127.8)	(54.4)

*Operating Activities:*

Net cash provided by operating activities was \$503,347 for the six-month period ended June 30, 2009, which is an increase of \$4.5 million from the \$4.0 million net cash used in operating activities for the same period in 2008. The increase in net cash provided by operating activities was mainly due to net cash derived from the decrease of inventories.

*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 six-month period ended June 30, 2009 was -\$631,005, which is a decrease of \$1.7 million from net cash provided by investing activities of \$1.1 million in the same period of 2008. The decrease was mainly due to our investment in the maintenance and upgrades of the existing production lines.

*Financing Activities:*

Net cash provided by financing activities in the six-month period ended June 30, 2009 totaled \$0 which is an decrease of \$2.7 million from the net cash used in financing activities of \$2.7 million in the same period of 2008.

As of June 30, 2009, 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)

<b>Banks</b>	<b>Amounts</b>	<b>Maturity Date</b>	<b>Duration</b>
China CITIC Bank, Shenyang Branch	2.62	November 26, 2008	1 year
China Construction Bank, Fuxin Branch	2.93	March 24, 2009	1 year
Shanghai Pudong Development Bank, Shenyang Branch	4.32	May 28, 2009	1 year
China Construction Bank, Fuxin Branch	0.88	April 29, 2009	6 months
China Construction Bank, Fuxin Branch	2.04	May 23, 2009	6 months
<b>TOTAL</b>	<b>\$ 12.79</b>		

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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 proceed will be used as working capital. As of June 30, 2009, we owed Ms. Tan approximately \$0.6 million.

We did not repay any bank loan due to capital shortage in the second quarter of 2009. In the current tight credit market, we cannot give assurance that we can refinance these loans at 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. Our independent auditors have raised 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.

### ***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.

### ***Critical Accounting Policies***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires our management to make assumptions, estimates and judgments that affect the amounts reported, including the notes thereto, and related disclosures of commitments and contingencies, if any. We have identified certain accounting policies that are significant to the preparation of our financial statements. These accounting policies are important for an understanding of our financial condition and results of operation. Critical accounting policies are those that are most important to the portrayal of our financial conditions and results of operations and require management's difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are



particularly sensitive because of their significance to financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our financial statements.

**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 June 30, 2009 and 2008, almost all the cash and cash equivalents were denominated in 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 U.S. dollars.

**Allowance for doubtful accounts**

We established an allowance for doubtful accounts based on management's assessment of the collectibility of trade receivables and other receivables. A considerable amount of judgment is required in assessing the amount of the allowance. We consider the historical level of credit losses and apply percentages to aged receivable categories. We make judgments about the creditworthiness of each customer based on ongoing credit evaluations, and monitor 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, we established a general provisioning policy to make 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. We extend unsecured credit to customers ranging from three to six months in the normal course of business. We do not accrue interest on trade receivables.

Historically, losses from uncollectible accounts did not significantly deviate from the general allowance estimated by us 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 we consider that the aforementioned general provisioning policy is adequate and not too excessive and do not expect to change this established policy in the near future.

**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, we make judgments as to future demand requirements compared to current or committed inventory levels. Our reserve requirements generally increase as our projected demand requirements; decrease due to market conditions, product life cycle changes. We estimate the demand requirements based on market conditions, forecasts prepared by our customers, sales contracts and orders in hand. In addition, we estimate net realizable value based on intended use, current market value and inventory ageing analyses. We write 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.

Based on the above assessment, we established a general provision to make a 50% provision for inventories aged over 1 year. As of June 30, 2009, a decrease in general provision of \$269,738 was made. Historically, the actual net realizable value is close to our estimation.

**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-lives assets and investment in an affiliate in the event that the net book values of such assets exceed the future undiscounted cashflows attributable to such assets.

The Company's long-lived assets include property, plant and equipment, construction in progress, land use right and goodwill. 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.

For the fiscal reporting period, an impairment loss of property, plant and equipment was recognized due to the recoverable value was less than its carrying value.

**Revenue recognition**

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

**Foreign currency translation**

The functional currency of the Company is RMB and RMB is not freely convertible into foreign currencies. We maintain our 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, our financial statements 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 June 30, 2009 and 2008 were RMB1 for \$0.1465 and \$0.1467 respectively. There is no significant fluctuation in exchange rate for the conversion of RMB to US dollars after the balance sheet date.

**Recent Accounting Pronouncements**

In December 2007, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 160 Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51 ( SFAS 160 ). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance will become effective for the fiscal year beginning after December 15, 2008. The adoption of this statement has no material effect in the Company's financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised) Business Combinations ( SFAS 141(R) ). SFAS No. 141 (Revised) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective for the fiscal year beginning after December 15, 2008. The adoption of this statement has no material effect on the Company's financial statements.

In April 2008, the FASB issued FASB staff position ( FSP ) FAS 142-3, Determination of the Useful Life of Intangible Assets ( FSP 142-3 ). FSP FAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under FASB Statement No. 142, Goodwill and Other Intangible Assets . This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. FSP FAS 142-3 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Early adoption is prohibited. The adoption of this standard has no material effect on the Company's financial statements.

In April 2009, the FASB issued FSP No. 141R-1 Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies ( FSP 141R-1 ). FSP 141R-1 amends the provisions in FASB Statement 141R for the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. FSP 141R-1 eliminates the distinction between contractual and non-contractual contingencies, including the initial recognition and measurement criteria in Statement 141R and instead carries forward most of the provisions in SFAS 141 for acquired contingencies. FSP 141R-1 is effective for contingent assets and contingent liabilities acquired in evaluating the impact of SFAS 141(R). The management is in the process of evaluating the impact of adopting this standard on the Company's financial statements.

In April 2009, the FASB issued FSP No. 157-4, *Determining Whether a Market is Not Active and a Transaction Is Not Distressed*, or FSP No. 157-4. FSP No. 157-4 clarifies when markets are illiquid or that market pricing may not actually reflect the real value of an asset. If a market is determined to be inactive and market price is reflective of a distressed price then an alternative method of pricing can be used, such as a present value technique to estimate fair value. FSP No. 157-4 identifies factors to be considered when determining whether or not a market is inactive. FSP No. 157-4 would be effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009 and shall be applied prospectively. The adoption of this statement has no material effect on the Company's financial statements.

In April 2009, the FASB issued FSP FAS No. 115-2 and FAS No. 124-2, *Recognition of Other-Than-Temporary Impairments*, or FSP FAS No. 115-2 and FAS No. 124-2. FSP FAS No. 115-2 and FAS No. 124-2 amends the other-than-temporary impairment guidance in SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, for debt securities and the presentation and disclosure requirements of other-than-temporary impairments on debt and equity securities in the financial statements. FSP FAS No. 115-2 and FAS No. 124-2 is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The adoption of this standard has no material effect on the Company's financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. FSP FAS 107-1 and APB 28-1 amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. In addition, the FSP amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. The FSP is effective for interim periods ending after June 15, 2009, with earlier adoption permitted for periods ending after March 15, 2009. The adoption of this statement has no material effect on the Company's financial statements.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events ( SFAS 165 ), which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 will become effective after June 15, 2009. The adoption of this statement has no material effect on the Company's financial statements.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets. SFAS 166 removes the concept of a qualifying special-purpose entity (QSPE) from SFAS No. 140 ( SFAS 166 ), Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities (SFAS 140) and removes the exception from applying FIN 46R. This statement also clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. This statement is effective for fiscal years beginning after November 15, 2009. The management is in the process of evaluating the impact of adopting this standard on the Company's financial statements.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) ( SFAS 167 ), which amends FASB Interpretation No. 46(revised December 2003) to address the elimination of the concept of a qualifying special purpose entity. SFAS 167 also replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Additionally, SFAS 167 provides more timely and useful information about an enterprise's involvement with a variable interest entity. SFAS 167 shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The management is in the process of evaluating the impact of adopting this standard on the Company's financial statements.

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 ( SFAS 168 ), which establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles. SFAS 168 explicitly recognizes rules and interpretive releases of the Securities and Exchange Commission under federal securities laws as authoritative GAAP for SEC registrants. SFAS 168 will become effective for financial statements issued for interim and annual periods ending after September 15, 2009. The management is in the process of evaluating the impact of adopting this standard on the Company's financial statements.

### ***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.

### ***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.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

Not applicable.

## 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 to our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15 under the Exchange Act, our management, including our Chief Executive Officer, Mr. Lihui Song, and Chief Financial Officer, Ms. Hong Tan, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2009. Based on our assessment, Mr. Song and Ms. Tan determined that, as of June 30, 2009, and as of the date that the evaluation of the effectiveness of our disclosure controls and procedures was completed, our disclosure controls and procedures were effective to satisfy the objectives for which they are intended.

### Internal Controls Over Financial Reporting

#### *Management's Report on Internal Control over Financial Reporting.*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U. S. GAAP, and includes those policies and procedures that:

- (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2009. In making this assessment, management used the framework set forth in the report entitled Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting is effective, as of June 30, 2009.

This report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this report.

#### *Changes in Internal Controls over Financial Reporting.*

During the quarter ended June 30, 2009, 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.

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**PART II  
OTHER INFORMATION**

**ITEM 1.**

**LEGAL PROCEEDINGS**

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

**ITEM 1A.**

**RISK FACTORS**

Not applicable.

**ITEM 2.**

**UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3.**

**DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4.**

**SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**ITEM 5.**

**OTHER INFORMATION**

None.

**ITEM 6.**

**EXHIBITS**

EXHIBITS.

Exhibit

Number Description

31.1\* Certification of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2\* Certification of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1\* Certification of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2\* Certification of Principal Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Filed herewith.

**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 hereunto duly authorized.

DATED: August 14, 2009

**GOLDEN ELEPHANT GLASS TECHNOLOGY, INC.**

By: /s/ Hong Tan

Hong Tan

Chief Financial Officer

(On behalf of the Registrant and as

Principal Financial Officer)

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**EXHIBIT INDEX**

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