

Golden Elephant Glass Technology, Inc.  
Form 10-K  
December 22, 2010

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

**FORM 10-K**

(Mark One)

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

**For the fiscal year ended: December 31, 2009**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-21071

**GOLDEN ELEPHANT GLASS TECHNOLOGY, INC.**

*(Name of registrant as specified in its charter)*

**Nevada**

*(State or other jurisdiction of  
incorporation or organization)*

**88-0309578**

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

**123 Chuangye Road  
Haizhou District, Fuxin City  
Liaoning 123000**

**People's Republic of China**  
*(Address of Principal Executive Offices)*

**(86) 418-3995066**

*(Registrant's Telephone Number, Including Area Code)*

*Securities registered pursuant to Section 12(b) of the Exchange Act:*

**Title of each class**

None

**Name of each exchange on which registered**

None

*Securities registered pursuant to Section 12(g) of the Exchange Act:*

**Common Stock, par value \$0.01 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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Yes [ ]      No [ x ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes [ ]      No [ x ]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [ ]      No [ x ]

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes  No

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

Large Accelerated Filer  
Non-Accelerated Filer

Accelerated Filer   
Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes  No

As of June 30, 2009 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the shares of the Registrant's common stock held by non-affiliates (based upon the price at which the common stock was last sold, or the average bid and asked price of such common stock) was approximately \$849,560. Shares of the Registrant's common stock held by each executive officer and director and each by each person who owns 10 percent or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates of the Registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of the registrant's common stock on December 21, 2010 was 28,623,996.

**DOCUMENTS INCORPORATED BY REFERENCE: None.**

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## FORWARD-LOOKING STATEMENTS

Certain statements in this Report, and the documents incorporated by reference herein, constitute "forward-looking statements". Such forward-looking statements include statements, which involve risks and uncertainties, regarding, among other things, (a) our projected sales, profitability, and cash flows, (b) our growth strategies, (c) anticipated trends in our industries, (d) our future financing plans, and (e) our anticipated needs for, and use of, working capital. They are generally identifiable by use of the words may, will, should, anticipate, estimate, plan, potentially continuing, ongoing, expects, management believes, we believe, we intend, or the negative of these words or variations on these words or comparable terminology. These statements may be found under Management's Discussion and Analysis of Financial Condition and Results of Operations and Business, as well as in this Report generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors including risks described in Risk Factors in Item 1A of this Report and matters described in this report generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this filing will in fact occur. You should not place undue reliance on these forward-looking statements.

The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Unless otherwise noted, all currency figures in this filing are in U.S. dollars. References to "yuan" or "RMB" are to the Chinese yuan (also known as the renminbi). According to [http://www.safe.gov.cn/model\\_safe\\_en/index.jsp](http://www.safe.gov.cn/model_safe_en/index.jsp), the official website of the PRC State Administration of Foreign Exchange, as of January 1, 2010, or 1 yuan = US\$0.1462.

Except as otherwise indicated by the context, all references in this annual report to (i) the Company, we, us, our 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.

## PART I

### ITEM 1. BUSINESS.

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

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, new Quality Certification should be re certified after March 24, 2011. We transport our products by train, sea and expressway.

During the recent global economic crisis, 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 was consequently suffered. From November 2008, we suspended operations of our float glass manufacturing operations in order to perform maintenance and system upgrades that eventually would be needed. We are performing eight technological enhancement projects and will be completed by the end of 2010. We opted to suspend operations and initiate the maintenance program at a time when pricing and demand for our products was low in order to minimize the adverse effect of suspending operations. Until the amelioration of the economic crisis, particularly in the industry segments in which our targeted customers operate, we expect to continue to experience significant challenges. In response to these challenges, we will continue to implement what we believe to be prudent, cost-saving measures in a judicious and timely fashion. We intend to continue to take appropriate steps to minimize the adverse effects of the global economic crisis on our operations and financial performance.

### **Our Corporate Structure**

Golden Elephant is a Nevada holding company for three direct and indirect subsidiaries in the BVI and China. Our principal operations in China are conducted through our operating subsidiary, Fuxin Hengrui, which is held by our direct wholly-owned subsidiary Dollar Come, a BVI company, and Fuxin Xianheng, which is jointly held by Dollar Come and Fuxin Hengrui. Dollar Come has no active business operations other than its ownership of Fuxin Hengrui and Fuxin Xianheng. Fuxin Hengrui was incorporated in China in September 2002 and is now 100% owned by Dollar Come. Fuxin Xianheng was incorporated in April 2004 and is now 75% owned by Fuxin Hengrui and 25% owned by Dollar Come.

The following chart reflects our organizational structure as of the date of this report:





## Our Corporate History

We were incorporated on December 2, 1993 in the State of Nevada under the name of Mesquite Gaming Corp. and were formed to acquire, develop, construct, own and manage hotel/casino projects. On July 1, 1998, we commenced active business operations from which we generated revenues. On December 1, 1999, we filed a voluntary petition for relief under Chapter 11 in the United States Bankruptcy Court, District of Nevada, or the Bankruptcy Court, and acted as debtor in possession. On July 10, 2000, we again filed a voluntary petition for relief under Chapter 11 in the Bankruptcy Court and acted as debtor in possession. On September 6, 2005, the Bankruptcy Court issued a final decree in the Chapter 11 proceedings, formally removing our Company from the oversight of the Bankruptcy Court and ending all bankruptcy proceedings.

On March 31, 2008, we completed the reverse acquisition of Dollar Come as discussed in details below. Dollar Come thereby became our wholly owned subsidiary and the former controlling stockholders of Dollar Come became our controlling stockholders. In June 2008, we changed our name to Golden Elephant Glass Technology, Inc. to reflect the business of Dollar Come and its subsidiaries.

## Reverse Acquisition of Dollar Come

On March 31, 2008, we completed a reverse acquisition transaction through a share exchange with Dollar Come whereby we issued to Money Victory Limited, Win-Win Global Investments Inc. and a trust beneficially holding shares of Dollar Come for 202 individuals located in the PRC who were the former shareholders of Dollar Come, an aggregate of 23,751,710 shares of our common stock, in exchange for all of the issued and outstanding capital stock of Dollar Come. Dollar Come thereby became our wholly owned subsidiary and Ms. Lin Tan, Ms. Yan Tan and Ms. Hong Tan, owners of Money Victory Limited and Win-Win Global Investments Inc. became our controlling stockholders.

For accounting purposes, the share exchange transaction was treated as a reverse acquisition with Dollar Come as the acquirer and Golden Elephant Glass Technology, Inc. as the acquired party. When we refer in this report to business and financial information for periods prior to the consummation of the reverse acquisition, we are referring to the business and financial information of Dollar Come on a consolidated basis unless the context suggests otherwise.

## Our Operations

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

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

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

essentially at room temperature.

5. **Inspection.** Next the glass is inspected to ensure that it meets specifications and quality requirements.
6. **Cutting and Shipping.** Finally, the float glass is then cut into large standard sheets or cut to size depending on its intended use and is ready to be shipped.

A description of the uses of our float glass and our products benefits are as follows:

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

## Manufacturing Facilities

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

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

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

In November 2008 and January 2009, we implemented maintenance program for both of our production lines due to limited sales prospects, a shortage of cash flow and unfavorable macro-economic conditions which have resulted in a significant decrease in the price of float glass and, consequently, our cash flow from operations. During the entire maintenance period, all operations of the production lines and all manufacturing of float glass products will be suspended and we do not expect to sell any of our own float glass products. We meet our existing sales orders for float glass products through subcontracting arrangements, which will shrink our profit margin, and we expect to experience a significant reduction in new sales of float glass and float glass products. While we expect the suspension of operations to significantly reduce our sales revenue, we believe that implementing the maintenance program now, at a time when float glass prices are depressed will mitigate the negative economic impact and lost revenues from reduced

float glass sales in the future and better position the Company for efficient operations when and if the prices of float glass return to past levels.

We also maintain a mirror processing line and processing equipment used to produce mirrors, glass artwork, tempered glass, insulated glass, laminated glass, lacquered glass and other processed glass products.

### **Raw Materials**

The primary raw materials and components we use to produce our glass and glass products are pure alkali, heavy oil, sandstone, silica sand, dolomite/limestone, 520 Fuel Slurry and mirabilite. We also have high energy requirements due to the extreme nature of the production process. We attempt to source our raw materials locally or regionally in order to maintain quality control and minimize transportation costs.

Our former subsidiary Fuxin Hengrui Tianyuan New Energy Sources Co., Ltd. ( Fuxin Tianyuan ) has granted us an exclusive license for no consideration to produce and use a proprietary synthetic fuel oil called 520 Fuel Serum. The exclusive license will expire upon the earlier of the patent expiration date or the date when Fuxin Tianyuan loses its proprietary rights to such technology for reasons other than the expiration of the patent. Because of its lower cost, 520 Fuel Serum can be used as a substitute for heavy fuel oil, thereby creating significant cost savings for us.

We purchase the majority of our raw materials from suppliers located in China who are able to furnish us raw materials that meet our quality standards and terms of delivery. We utilize local suppliers in close proximity to us, typically within 150 kilometers of our manufacturing facilities, in order to closely supervise their activities and monitor quality. If geographically proximate suppliers continue to be able to provide high quality raw materials and components to us, we intend to continue to source our raw materials and components from them to take advantage of lower shipping costs and favorable quality control capabilities. Our suppliers must meet our quality standards and delivery requirements consistently to remain on our approved supplier list. We utilize at least three suppliers for each major raw material and we order from each of them in order to avoid dependence on specific major suppliers. If a supplier furnishes suboptimal materials to us or is repeatedly late in deliveries, we remove the supplier from our approved supplier list.

We typically purchase raw materials and components from our suppliers on credit, with terms requiring payment within 90 days following the delivery of the raw materials or components. When we purchase raw materials and components from PRC suppliers, we are able to pay in RMB.

The prices of raw materials oscillated significantly in [2009], especially for heavy oil and pure alkali. Due to the company has suspended production in 2009, so we have no purchase at all. The fluctuations in prices did not affect supply but led to changes in the sources of suppliers in that more suppliers will come on stream when prices rise. We intend to source supplies from suppliers that are financially sound to lower the risk of non-supply.

### **Our Distributors and Customers**

We sell approximately 90% of our glass products through various regional distributors in China. We have established and maintained long term relationships with major distributors who we believe have local business experience and established regional sales networks.

### **Sales and Marketing**

As of [December 31, 2009], no employee was assigned to be in contact with our primary distributors. Members of our sales team generate sales leads by contacting prospective distributors directly and by attending industry trade shows and exhibitions. In addition, we utilize the internet to advertise and introduce ourselves to potential customers overseas and established agent sales network in Africa, Korea, Russia and mid-east area. We are also developing our sales networks in China by establishing warehouses in many major cities to reduce intermediary costs, improve profit margin and introduce our new products. We utilized the new marketing strategy in Dalian, which proved to be successful.



## **Competition**

Our experience is that the global glass manufacture industry is dominated by several major global manufacturers and then becomes extremely fragmented with numerous smaller regional manufacturers.

Our major international competitors are NSG/Pilkington Group Limited, Saint-Gobain, Asahi and Guardian, which manufacture nearly 70% of the glass produced in the world, and have more resources and greater brand recognition than we enjoy. While our resources may not be as great as our larger competitors, we believe our product quality, sales network, and sales and distribution network in China are superior.

We also compete with approximately 300 small-sized, local Chinese glass manufacturers. The number of these small companies varies from time to time. While we may have greater resources than our smaller competitors, it is possible that these competitors have better access in certain local markets to customers and prospects or an enhanced ability to customize products to a regional industry sector. Our major competitors in China include Shandong Jinjing Science & Technology Stock Co., Ltd., CSG Holding Co., Ltd, Luoyang Glass Company Limited.

## **Intellectual Property**

Our goal is to utilize our intellectual property to provide us with a competitive advantage or significant cost savings.

Our subsidiary Fuxin Hengrui holds one invention patent registration for the combustion method of synthetic petroleum in float glass melting furnace. Fuxin Hengrui also registered the trademark Golden Elephant in Chinese characters for various glass products and filed the trademark application for Golden Elephant in English characters on January 28, 2008, which is pending registration with the Trademark Office of the State Administration for Industry and Commerce of China. In addition, pursuant to a license agreement entered into on August 27, 2008, our former subsidiary Fuxin Tianyuan has granted us an exclusive license to use two utility model patents which have been granted by the PRC Patent Office and three technologies (including 520 Fuel Serum) as to which Fuxin Tianyuan has submitted invention patent applications with the PRC Patent Office. In the future, we will seek protection of our intellectual property where we believe there to be strategic importance in doing so.

We cannot give any assurance that the protection afforded our intellectual property will be adequate. It may be possible for third parties to obtain and use, without our consent, intellectual property that we own or are licensed to use. Unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may adversely affect our business.

## **Research and Development**

Currently, no employees devoted to our research and development efforts, which are aimed at finding new varieties of products, improving existing products, improving overall product quality, and reducing production costs. In 2009 and 2008, our research and development expenses amounted to approximately \$ 0 million and \$1.8 million, respectively.

## **Environmental Matters**

During glass production, there are unavoidable emissions of sulfur oxide and other exhaust gases and by-products which can be environmentally harmful. Our goal is to maintain an environmentally conscious operation so we have sought to develop, promote and utilize new technologies and techniques that minimize the environmentally harmful effects of exhaust gas from our melting kilns. In order to minimize the negative effect of these substances on the environment, China also has adopted strict environmental standards for these emissions and discharges of environmental pollutants. Accordingly, our manufacturing facilities are subject to various pollution control regulations with respect to noise and air pollution and the disposal of waste and hazardous materials. We also are subject to periodic inspections by local environmental protection authorities. We believe we are in material compliance with the

relevant PRC environmental laws and regulations. We are not currently subject to any pending actions alleging any violations of applicable PRC environmental laws. Environmental approval is currently pending with Fuxin authorities.



## Regulations

Because our operating subsidiaries are located in the PRC, we are regulated by the national and local laws of the PRC. We are subject to the environmental regulations described in the preceding section Environmental Matters.

There is no private ownership of land in China. Upon payment of a land grant fee, land use rights can be obtained from the government for a period up to 50 years in the case of industrial land and are typically renewable. We have received the necessary land use rights certificate for 264,000 square meters of land located in the Glass Industrial Park 123 Chuangye Road, Haizhou District, Fuxin City, Liaoning Province, China.

We are also subject to China's foreign currency regulations. The PRC government has controlled RMB reserves primarily through direct regulation of the conversion of RMB into other foreign currencies. Although foreign currencies, which are required for current account transactions, can be bought freely at authorized PRC banks, the proper procedural requirements prescribed by PRC law must be met. At the same time, PRC companies are also required to sell their foreign exchange earnings to authorized PRC banks, and the purchase of foreign currencies for capital account transactions still requires prior approval of the PRC government.

Under current PRC laws and regulations, Foreign Invested Enterprises, or FIEs, may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, FIEs in China are required to set aside at least 10.0% of their after-tax profit based on PRC accounting standards each year to their general reserves until the cumulative amount of such reserves reaches 50.0% of their registered capital. These reserves are not distributable as cash dividends. The board of directors of an FIE has the discretion to allocate a portion of the FIEs' after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

We do not face any significant government regulation in connection with the production of our products. We do not require any special government permits to produce our products other than those permits that are required of all corporations in China.

## Our Employees

As of December 31, 2009, we employed a total of 38 full-time employees. The following table sets forth the number of our employees by function.

<b>Function</b>	<b>Number of Employees</b>
Senior Management	4
Human Resource & Administration	9
Production	22
Accounting	3
<b>Total</b>	

As required by applicable PRC law, we have entered into employment contracts with most of our officers, managers and employees. We are working towards entering employment contracts with those employees who do not currently have employment contracts with us. We believe that we maintain a satisfactory working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations.

Our employees in China participate in a state pension scheme organized by PRC municipal and provincial governments. We are currently required to contribute to the scheme at the rate of 20% of the average monthly salary.

In addition, we are required by PRC law to cover employees in China with various types of social insurance, and we believe that we are in material compliance with the relevant PRC laws.

### **Seasonality**

Our 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 year, increasing substantially during the first and fourth quarters as a result of lower demand for glass products due to the curtailment of construction works in winter season.

### **ITEM 1A. RISK FACTORS.**

*An investment in our common stock involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information contained in this Report before investing in our common stock. If any of the events anticipated by the risks described below occur, our results of operations and financial condition could be adversely affected which could result in a decline in the market price of our common stock, causing you to lose all or part of your investment.*

#### **RISKS RELATED TO OUR BUSINESS**

*The report of our independent auditors indicates uncertainty about our ability to continue as a going concern.*

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 and could present numerous operational issues for us, such as obtaining favorable pricing and credit from our vendors, retaining and attracting qualified managers and other employees and assuring customers that we can fulfill orders and warranty obligations. If we are not able to continue as a going concern, our shareholders may lose all of their investment in the company. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*We opted to suspend our operations and initiate the maintenance programs since November 2008 when many of our customers suffered during the global economic crisis and therefore had low demand for our products, and have not set up a specific timeline when we will resume our operations.*

Since November 2008, we have suspended our operations and commenced our maintenance programs which continued throughout the fiscal year of 2009. As a result, we did not generate any revenues as of December 30, 2009. We intend to resume our operations when our customers substantially recover from the economic challenges they suffered during the global economic crisis and thereby substantially increase their demand for our products. We intend to make our best efforts to resume our production as soon as possible, but as of the date of this report, we have not set up a specific timeline when we will resume our operations.

*The global economic crisis could further impair the demand for our products and affecting the overall availability and cost of external financing for our operations.*

The continuation or intensification of the global economic crisis and turmoil in the global financial markets has adversely impacted our business, the businesses of our customers from whom we generate revenues and our potential sources of capital financing. The global economic crisis harmed most industries and has been particularly detrimental

to the real estate, construction, automobile and consumer product industry. Since our glass and glass products serve as key components in construction and building materials, automobiles and electrical household products, our sales and business operations are dependent on the financial health of the these industries and would suffer if our customers experience, or continue to experience, a downturn in their business. In addition, the lack of availability of credit could lead to a further weakening of the Chinese and global economies and make capital financing of our operations more expensive for us or impossible altogether. Presently, it is unclear whether and to what extent the economic stimulus measures and other actions taken or contemplated by the Chinese government and other governments throughout the world will mitigate the effects of the crisis on the industries that affect our business. The impact of the current crisis on our ability to obtain capital financing in the future, and the cost and terms of same, is also unclear. Furthermore, deteriorating economic conditions including business layoffs, downsizing, industry slowdowns and other similar factors that affect our customers could have further negative consequences and result in lower sales, price reductions in our products and declining profit margins. The economic situation also could harm our current or future lenders or customers, causing them to fail to meet their obligations to us. No assurances can be given that the effects of the current crisis will not damage on our business, financial condition and results of operations.

***The glass manufacturing industry is particularly sensitive to negative macroeconomic conditions which could pose complications for our business and harm our profitability.***

Like other suppliers of raw materials, glass manufacturers are particularly dependent on general economic conditions, performance in other industry segments, labor costs, import duties and tariffs, competition and currency exchange rates. These macroeconomic factors have historically resulted in wide fluctuations in the glass manufacturing industry both in China and globally. In our case, future economic downturns, stagnant economies or currency fluctuations, in China or globally, could decrease the demand for glass or glass products or increase the amount of imports of glass and glass products into China. Our sales, margins and profitability will be harmed under such circumstances. In addition, the glass manufacturing industry is highly reliant upon energy generally and heavy oil in particular, which is the core fuel used in the production of flat glass. Fluctuations in the price for heavy oil worldwide will impact our manufacturing costs, our profitability and financial performance.

The economic crisis has led to sluggish demand and a dramatic decrease of exports of glass products. In 2008, 41 production lines operated by various companies in China, including our Company, were forced to cease operation and enter into maintenance status. Management estimates that the glass market in the first half of 2009 will continue to experience volatility and the low demand for glass products will likely continue or may get even worse. The market may turn around by the end of the third quarter or the fourth quarter of 2009 given the Chinese government's stimulus plan to increase domestic market demand and fuel economic growth, but no one can predict with certainty.

***Our business is capital intensive and our growth strategy may require additional capital which may not be available on favorable terms or at all.***

A float glass for about 500-ton melting capacity facility is highly capital intensive, typically costing between \$40 million to \$90 million depending on size, location and product complexity. Once operational, a facility is designed to operate continuously, 365 days per year, throughout an 8 to 10 years initial operating life. Float lines are normally capable of several campaigns after the initial operating life following major repair and upgrade programs. We may require additional cash resources due to changed business conditions, implementation of our strategy to expand our specialty float glass manufacturing capacity or other investments or acquisitions we may decide to pursue. As a result of the recent drop in demand for our products following the onset of the global economic crisis, we need significant additional financing for working capital. The crisis may cause prolonged declines in investor confidence in and accessibility to capital markets. Future financing may not be available on a timely basis, in sufficient amounts or on terms acceptable to us. 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. Further, the sale of additional equity securities could result in dilution to our stockholders or issuance of securities with rights, preferences and privileges senior to our currently outstanding securities. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations.

***Our business will be harmed if the glass industry in China, which has experienced oversupply problems for several years, does not realize an increase in demand at the pace we expect.***

Historically, the glass industry has been characterized by wide fluctuations in the demand for, and supply of, glass and glass products. As recently as 2005 and 2006, these fluctuations have resulted in the glass supply, especially supply of low cost and low quality glass, greatly outpacing demand for these products and negatively influencing the high quality flat glass market. Within the past two years, more than 300 flat glass production enterprises have commenced business. Most of the newly established glass production enterprises are smaller businesses using outdated technologies to produce low quality flat glass. Before the global economic crisis, the demand for high quality float glass was considerable and over 60 new float glass production lines became operational in China, producing float glass with higher quality, consequently supplanting the demand for imported high quality float glass. The demand for high quality float products was increasing and China was starting to regulate low quality glass production factories thereby creating a more favorable competitive environment, but the favorable environment ended with the onset of the current global economic crisis.

In 2008, although 41 production lines were forced to cease operations, numerous companies throughout China still have 23 production lines under construction and 19 lines planned to be built in 2009. If glass prices trend upward, some of the production lines that have ceased operations may resume their operations. The irrational increase of production lines is likely to lead to another oversupply and heightened competition in our industry. Any prolonged oversupply of glass could result in severe downward pricing pressure on glass manufacturers and impair our profitability.

***Our business is seasonal and if we fall significantly short of our anticipated earnings the first and fourth quarters, it will significantly decrease the working capital available to us which may adversely affect our purchasing abilities.***

Our business is seasonal, with most of our sales and operating income being generated in the second and third quarters of each year, lesser amounts in the first and fourth quarters of each year. Demand for our glass products is generally lower in the winter season because construction work is curtailed in the north of China, during which time transportation can be slowed by inclement weather as well. Our working capital requirements fluctuate during the year with increased working capital demands and constraints during the first and fourth quarters as a result of this seasonality. If we fall significantly short of our anticipated earnings in either the first or fourth quarter, working capital available to us in such quarters will decrease. Due to limitations on borrowing which we are facing as a result of the global credit crunch, a decrease in working capital may adversely affect our purchasing abilities which would have a material adverse effect on our revenues.

***Our strategy focuses on the development and sale of specialty glass products so our financial results will be negatively affected if we cannot timely develop these products or incorrectly gauge the potential market for them.***

We believe that the demand for specialty glass products will grow at a faster pace than demand for common float glass. Accordingly, our future research and development initiatives and manufacturing efforts will be focused on expanding our product offerings in the specialty glass product segments. We may not be able to develop these products in time to meet market demand and our sales revenue may not grow at expected rates in these new product lines. We also may incur expenses relating to the development of new products that are not offset by sufficient sales revenue generated by new specialty glass product lines.

***Competition in the glass manufacturing industry in China and elsewhere is intense.***

We compete with approximately 300 small-sized, local Chinese glass manufacturers. The number of these small companies varies from time to time. While we may have greater resources than our smaller competitors, it is possible that these competitors have better access in certain local markets to customers and prospects and lower production and

raw material costs. Our major international competitors are NSG/Pilkington Group Limited, Saint-Gobain, Asahi and Guardian, manufacture nearly 70% of the glass produced in the world and have more resources and greater brand recognition than we enjoy. While our resources may not be as great as our larger competitors, we believe our product quality and sales and distribution network are superior in China and in the global mid- and lower quality glass markets. If our competitors are able to gain greater market share or improve their sales efforts, our sales may decrease, we may be forced to lower our prices, or our marketing costs may increase, all of which could negatively impact our financial results.

***Any decrease in the availability, or increase in the cost, of raw materials could materially affect our earnings.***

Our glass manufacturing operations depend heavily on the availability of various raw materials and energy resources. The mix of raw materials used in the production of flat glass, which is known as the batch, is mainly composed of three components: silica sand, soda ash, dolomite/limestone, and mirabilite which represent 99% of all raw materials used in the production of glass. Silica sand is the main component constituting about 72% of the batch weight and soda ash represents about 16% of the batch weight, but is one of the most expensive raw materials used accounting for approximately 60% of the batch cost. Our fuel costs, particularly heavy oil and electricity, account for over 42.6% of total manufacturing costs. The availability of raw materials and energy resources may decrease and their prices may fluctuate greatly, as they did in 2008. We have long-term relationships with several suppliers; however, if our suppliers are unable or unwilling to provide us with raw materials on terms favorable to us, we may be unable to produce certain products. This could result in a decrease in profit and damage to our reputation in our industry. In the event our raw material and energy costs increase, we may not be able to pass these higher costs on to our customers in full or at all. Any increase in the prices for raw materials or energy resources could materially increase our costs and therefore lower our earnings. Additionally, certain of our supply contracts are for fixed prices; although we benefit from favorable pricing in some of these supply contracts if prices for our raw materials go up, if market prices for these raw materials decline, we may not be able to take advantage of decreasing market prices, and our profit margins may suffer.

***Our expansion could significantly strain our resources, management and operational infrastructure which could impair our ability to meet increased demand for our products and hurt our business results.***

To grow our business, we will need to expend capital resources and dedicate personnel to implement and upgrade our accounting, operational and internal management systems and enhance our record keeping and contract tracking system. Given the current economic climate, our discretionary spending has been significantly constrained and our ability to expand infrastructure has been severely hampered by economic conditions and is highly unlikely. If we cannot successfully strengthen and optimize our operational infrastructure, we will be unable to satisfy the demand for our products, which will impair our revenue growth and hurt our overall financial performance.

***Since the acceleration of our maintenance program in late 2008, we started to depend on subcontractors for timely and effective sourcing of products to fulfill our orders, and we may not be able to acquire products in sufficient quantities and at acceptable prices to meet our needs which would impact financial results.***

Since we implemented our maintenance program, we are exclusively relying upon third party subcontractors to fulfill our raw material needs and our purchase orders. We have no contractual assurances of continued supply, pricing or access to raw materials or new products, and any subcontractor could change the terms upon which they sell to us, discontinue selling to us, or go out of business at any time. We may not be able to acquire desired products in sufficient quantities on terms acceptable to us in the future. Any inability to acquire suitable products on acceptable terms or the loss of one or more of our subcontractors could have a negative effect on our business and operating results. We may not be able to develop relationships with new subcontractors, and products from alternative sources, if any, may be of a lesser quality and/or more expensive than those we currently purchase.

In addition, our subcontractors are subject to certain risks, including availability of raw materials, labor disputes, financial liquidity, inclement weather, natural disasters, and general economic and political conditions that could limit their ability to provide us with quality products on a timely basis and at a price that is commercially acceptable.

***We depend heavily on key personnel, and turnover of key employees and senior management could harm our business.***

Our future business and results of operations depend in significant part upon the continued contributions of our key technical and senior management personnel, including Lin Tan, our Chairman and Chief Executive Officer and Hong

Tan, our Chief Financial Officer. They also depend in significant part upon our ability to attract and retain additional qualified management, technical, marketing and sales and support personnel for our operations. If we lose a key employee, if a key employee fails to perform in his or her current position, or if we are not able to attract and retain skilled employees as needed, our business could suffer. Significant turnover in our senior management could significantly deplete our institutional knowledge held by our existing senior management team. We depend on the skills and abilities of these key employees in managing the manufacturing, technical, marketing and sales aspects of our business, any part of which could be harmed by turnover in the future.



***We face risks associated with future investments or acquisitions.***

An important element of our growth strategy is to invest in or acquire businesses that will enable us, among other things, to expand the products we offer to our existing target customer base, lower our costs for raw materials and components and capitalize on opportunities to expand into new markets. In the future, we may be unable to identify other suitable investment or acquisition candidates or may be unable to make these investments or acquisitions on commercially reasonable terms, if at all.

If we complete an investment or acquisition, we may not realize the anticipated benefits from the transaction. Integrating an acquired business is distracting and time consuming, as well as a potentially expensive process. The successful integration of these companies and any other acquired businesses require us to:

- integrate and retain key management, sales, research and development, production and other personnel;
- incorporate the acquired products or capabilities into our offerings from an engineering, sales and marketing perspective;
- coordinate research and development efforts; integrate and support pre-existing supplier, distribution and customer relationships; and
- consolidate duplicate facilities and functions and combine back office accounting, order processing and support functions.

Geographic distance between business operations, the compatibility of the technologies and operations being integrated and the disparate corporate cultures being combined also present significant challenges. Acquired businesses are likely to have different standards, controls, contracts, procedures and policies, making it more difficult to implement and harmonize company-wide financial, accounting, billing, information and other systems. Our focus on integrating operations may also distract attention from our day-to-day business and may disrupt key research and development, marketing or sales efforts. If we cannot overcome these challenges, we may not realize actual benefits from past and future acquisitions, which will impair our overall business results.

Our acquisition strategy also depends on our ability to obtain necessary government approvals, as described under **Risks Related to Doing Business in China**. The M&A Rule establishes more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

***Unexpected equipment failures may damage our business due to production curtailments or shutdowns.***

Our glass production lines are extremely specialized and depend on critical pieces of equipment, such as melting furnaces, float baths, cooling lehrs and cross cutters. We conduct periodic inspection and maintenance of all of our equipment to minimize the impact of interruption of production and prevent breakdown because this machinery is highly specialized and cannot be repaired or replaced without significant expense and time delay. On occasion, our equipment may be out of service as a result of unanticipated failures which may result in material plant shutdowns or periods of reduced production. Interruptions in production capabilities will inevitably increase production costs and reduce our sales and earnings. In addition to equipment failures, our facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions or adverse weather conditions. Furthermore, any interruption in production capability may require us to make large capital expenditures to remedy the situation, which could have a negative effect on our profitability and cash flows. Although we have business interruption insurance, we cannot provide any assurance that the insurance will cover all losses that we experience as a result of the equipment failures. In addition, longer-term business disruption could result in a loss of customers. If this were to occur, our future sales levels, and therefore our profitability, could be adversely affected.



***Exporting our glass products outside of China is a core component of our overall growth strategy, which could subject us to various economic, political, regulatory, legal and foreign exchange risks.***

We currently sell most of our glass in China, but have also exported our float glass products to Asia, Europe, South America and South Africa. Our overseas sales accounted for 0% of our total sales in 2009 and 2.3% in 2008. We plan to selectively enter international markets in which an opportunity to sell our products has been identified. The marketing, distribution and sale of our products overseas expose us to a number of risks, including:

- fluctuations in currency exchange rates;
- difficulty in designing products that are compatible with product standards in foreign countries;
- greater difficulty in accounts receivable collection;
- increased marketing and sales costs;
- difficulty and costs of compliance with foreign regulatory requirements and different commercial and legal requirements;
- an inability to obtain, maintain or enforce intellectual property rights in foreign countries;
- changes to import and export regulations, including quotas, tariffs and other trade barriers;
- delays or difficulties in obtaining export and import licenses;
- repatriation controls on foreign earnings and currency conversion restrictions; and
- difficulty in engaging and retaining distributors and agents who are knowledgeable about, and can function effectively in, overseas markets.

If we cannot effectively manage these risks, our ability to conduct or expand our business abroad would be impaired, which may in turn hamper our business, financial condition and prospects.

***Our failure to adequately protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly.***

We strive to strengthen and differentiate our product portfolio by developing new and efficient manufacturing processes and innovative products and product improvements. We have one invention patent for the combustion method of synthetic petroleum for synfuel made from refinery coke and anthracite. Our former subsidiary Fuxin Tianyuan has granted us an exclusive license to use two utility model patents which have been granted by the PRC Patent Office and three technologies as to which Fuxin Tianyuan has submitted invention patent application with the PRC Patent Office. Under the exclusive license agreement with Fuxin Tianyuan, we received the exclusive license for no consideration and our rights to use such exclusive license expire on the earlier of the expiration date of such patents or the date when Fuxin Tianyuan loses its proprietary rights to the patents for reasons other than the expiration of the patents. Our rights under the exclusive license agreement will not be affected if Fuxin Tianyuan assigns its patents to any third party. Fuxin Tianyuan will indemnify us if its patents infringe the rights of any third party. We believe that the protection of our intellectual property will become increasingly important to our business. Implementation and enforcement of intellectual property-related laws in China has historically been lacking due primarily to ambiguities in PRC intellectual property law. Accordingly, protection of intellectual property and proprietary rights in China may not be as effective as in the United States or other countries. We will continue to rely on a combination of patents, trade secrets, trademarks and copyrights to provide protection in this regard, but this protection may be inadequate. For example, our pending or future patent applications may not be approved or, if allowed, they may not be of sufficient strength or scope. As a result, third parties may use the technologies and proprietary processes that we have developed and compete with us, which could negatively affect any competitive advantage we enjoy, dilute our brand and harm our operating results.

In addition, policing the unauthorized use of our proprietary technology can be difficult and expensive. Litigation may be necessary to enforce our intellectual property rights and given the relative unpredictability of China's legal system and potential difficulties enforcing a court judgment in China, there is no guarantee litigation would result in an outcome favorable to us. Furthermore, any such litigation may be costly and may divert management attention away from our core business. An adverse determination in any lawsuit involving our intellectual property is likely to jeopardize our business prospects and reputation. We have no insurance coverage against litigation costs so we would be forced to bear all litigation costs if we cannot recover them from other parties. All of the foregoing factors could harm our business and financial condition.

***Any disruption in the supply chain of raw materials and our products could adversely impact our ability to produce and deliver products.***

As a manufacturing company, we face serious challenges in supply chain management for raw materials and delivery of our products, especially given vendors' general disinclination to bear credit risk in the current economic climate. Supply chain fragmentation and local protectionism within China further complicates supply chain disruption risks. Local administrative bodies and physical infrastructure built to protect local interests pose transportation challenges for raw material transportation as well as product delivery. In addition, profitability and volume could be negatively impacted by limitations inherent within the supply chain, including competitive, governmental, legal, natural disasters, and other events that could impact both supply and price. Any of these occurrences could cause significant disruptions to our supply chain, manufacturing capability and distribution system that could adversely impact our ability to produce and deliver products.

***If our customers and/or the ultimate consumers of products that use our glass or glass products successfully assert product liability claims against us due to defects in our products, our operating results may suffer and our reputation may be harmed.***

Our glass and glass products are widely applied in the manufacturing of many products, including automobiles, construction materials, furniture and display cases, electrical household appliances, lighting fixtures and decorative glass artwork. Significant property damage, personal injuries and even death can result from malfunctioning products. If our glass is not properly manufactured or installed and/or if people are injured as a result of our products, we could be subject to claims for damages based on theories of product liability and other legal theories in some jurisdictions in which our products are sold. The costs and resources to defend such claims could be substantial and, if such claims are successful, we could be responsible for paying some or all of the damages. We do not have product liability insurance. The publicity surrounding these sorts of claims is also likely to damage our reputation, regardless of whether such claims are successful. Any of these consequences resulting from defects in our products would hurt our operating results and stockholder value.

***Our products may become subject to recall in the event of defects or other performance related issues.***

Since we furnish our glass and glass products to participants in the automotive industry, we are at risk for product recall costs which are costs incurred when, either voluntarily or involuntarily, a product is recalled through a formal campaign to solicit the return of specific products due to a known or suspected performance defect. Costs typically include the cost of the product, part or component being replaced, the cost of the recall borne by our customers and labor to remove and replace the defective part or component. Our glass and glass products have not been the subject of an open recall. If a recall decision is made, we will need to estimate the cost of the recall and record a charge to earnings in that period. In making this estimate, judgment is required as to the quantity or volume to be recalled, the total cost of the recall campaign, the ultimate negotiated sharing of the cost between us and our distributor or customer. As a result, these estimates are subject to change. Excessive recall costs or our failure to adequately estimate these costs may negatively affect our operating results.



***Certain of our existing stockholders have substantial influence over our company, and their interests may not be aligned with the interests of our other stockholders.***

Ms. Lin Tan is the indirect, beneficial owner of approximately 54.5% of our common stock. As a result, she has significant influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may also have the effect of discouraging, delaying or preventing a future change of control, which could deprive our stockholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our shares.

***Environmental claims or failure to comply with any present or future environmental regulations may require us to spend additional funds and may harm our results of operations.***

In recent years, the glass industry has become more heavily regulated, particularly from an environmental perspective due to the use of heavy oil in the production process. In addition, our business is subject to health and safety laws and regulations that affect our operations, facilities and products in each of the jurisdictions in which we operate. We believe that we are in compliance with all material environmental, health and safety laws and regulations related to our products, operations and business activities. Although we have not suffered material environmental claims in the past, the failure to comply with any present or future regulations could result in the assessment of damages or imposition of fines against us, suspension of production, cessation of our operations or even criminal sanctions. New regulations could also require us to acquire costly equipment or to incur other significant expenses. Our failure to control the use of, or adequately restrict the discharge of, hazardous substances could subject us to potentially significant monetary damages and fines or suspension of our business operations, which could cause damage to our business. We have applied to the PRC authorities for an environmental approval certificate. If we fail to obtain that certificate in a timely manner or at all, our business will be harmed.

***We have limited insurance coverage and do not carry any business interruption insurance, third-party liability insurance for our manufacturing facilities or insurance that covers the risk of loss of our products in shipment.***

Operation of our glass manufacturing facilities involves many risks, including equipment failures, natural disasters, industrial accidents, power outages, labor disturbances and other business interruptions. Furthermore, if any of our products are faulty, then we may become subject to product liability claims or we may have to engage in a product recall. We do not carry any business interruption insurance, product recall or third-party liability insurance for our manufacturing facilities or with respect to our products to cover claims pertaining to personal injury or property or environmental damage arising from defaults with our products, product recalls, accidents on our property or damage relating to our operations. Therefore, our existing insurance coverage may not be sufficient to cover all risks associated with our business. As a result, we may be required to pay for financial and other losses, damages and liabilities, including those caused by natural disasters and other events beyond our control, out of our own funds, which could have a material adverse effect on our business, financial condition and results of operations.

***We may be exposed to potential risks relating to our internal controls over financial reporting and our ability to have those controls attested to by our independent auditors.***

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, or SOX 404, the SEC adopted rules requiring public companies to include a report of management on the company's internal controls over financial reporting in their annual reports, including Form 10-K. In addition, the independent registered public accounting firm auditing a company's financial statements must also attest to and report on the operating effectiveness of the company's internal controls. Under current law, we were subject to these requirements beginning with our annual report for the fiscal year ending December 31, 2009, although the auditor attestation is not required until our annual report for the fiscal year ending December 31, 2009 assuming our filing status remains as a smaller reporting company. We can provide no assurance that we will comply with all of the requirements imposed thereby. There can be no positive assurance that

we will receive a positive attestation from our independent auditors. In the event we identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner or we are unable to receive a positive attestation from our independent auditors with respect to our internal controls, investors and others may lose confidence in the reliability of our financial statements.

***Our holding company structure may limit the payment of dividends.***

We have no direct business operations, other than our ownership of our subsidiaries. While we have no current intention of paying dividends, should we decide in the future to do so, as a holding company, our ability to pay dividends and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries and other holdings and investments. In addition, our operating subsidiaries, from time to time, may be subject to restrictions on their ability to make distributions to us, including as a result of restrictive covenants in loan agreements, restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions as discussed below. If future dividends are paid in RMB, fluctuations in the exchange rate for the conversion of RMB into U.S. dollars may reduce the amount received by U.S. stockholders upon conversion of the dividend payment into U.S. dollars.

Chinese regulations currently permit the payment of dividends only out of accumulated profits as determined in accordance with Chinese accounting standards and regulations. Our subsidiaries in China are also required to set aside a portion of their after tax profits according to Chinese accounting standards and regulations to fund certain reserve funds. Currently, our subsidiaries in China are the only sources of revenues or investment holdings for the payment of dividends. If they do not accumulate sufficient profits under Chinese accounting standards and regulations to first fund certain reserve funds as required by Chinese accounting standards, we will be unable to pay any dividends.

**RISKS RELATED TO DOING BUSINESS IN CHINA**

***Adverse changes in political and economic policies of the PRC government could impede the overall economic growth of China, which could reduce the demand for our products and damage our business.***

We conduct substantially all of our operations and generate most of our revenue in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The PRC economy differs from the economies of most developed countries in many respects, including:

- a higher level of government involvement;
- a early stage of development of the market-oriented sector of the economy;
- a rapid growth rate;
- a higher level of control over foreign exchange; and
- the allocation of resources.

As the PRC economy has been transitioning from a planned economy to a more market-oriented economy, the PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. While these measures may benefit the overall PRC economy, they may also have a negative effect on us.

Although the PRC government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the PRC government continues to exercise significant control over economic growth in China through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and imposing policies that impact particular industries or companies in different ways.

Any adverse change in economic conditions or government policies in China could have a material adverse effect on the overall economic growth in China, which in turn could lead to a reduction in demand for our services and consequently have a material adverse effect on our business and prospects.

***Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.***



We conduct substantially all of our business through our operating subsidiaries in the PRC. Our operating subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is based on written statutes, and prior court decisions may be cited for reference but have limited precedential value. Since 1979, a series of new PRC laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to you and us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. In addition, all of our executive officers and all of our directors are residents of China and not of the United States, and substantially all the assets of these persons are located outside the United States. As a result, it could be difficult for investors to affect service of process in the United States or to enforce a judgment obtained in the United States against our Chinese operations and subsidiaries.

***If we are found to have failed to comply with applicable laws, we may incur additional expenditures or be subject to significant fines and penalties.***

Our operations are subject to PRC laws and regulations applicable to us. However, many PRC laws and regulations are uncertain in their scope, and the implementation of such laws and regulations in different localities could have significant differences. In certain instances, local implementation rules and/or the actual implementation are not necessarily consistent with the regulations at the national level. Although we strive to comply with all the applicable PRC laws and regulations, we cannot assure you that the relevant PRC government authorities will not later determine that we have not been in compliance with certain laws or regulations. Our failure to comply with the applicable laws and regulations in China could subject us to administrative penalties and injunctive relief, as well as civil remedies, including fines, injunctions and recalls of our products. It is possible that changes to such laws or more rigorous enforcement of such laws or with respect to our current or past practices could have a material adverse effect on our business, operating results and financial condition. Further, additional environmental or safety issues relating to matters that are not currently known to management may result in unanticipated liabilities and expenditures.

***The PRC government exerts substantial influence over the manner in which we must conduct our business activities.***

The PRC government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, import and export tariffs, environmental regulations, land use rights, property and other matters. We believe that our operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local governments of the jurisdictions in which we operate may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations.

Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof and could require us to divest ourselves of any interest we then hold in Chinese properties or joint ventures.

***Restrictions on currency exchange may limit our ability to receive and use our sales revenue effectively.***

All our sales revenue and expenses are denominated in RMB. Under PRC law, the RMB is currently convertible under the current account, which includes trade and service-related foreign exchange transactions, but not under the capital account, which includes dividends, foreign direct investment and loans. Currently, our PRC operating subsidiary may purchase foreign currencies for settlement of current account transactions, and some routine payments under the capital account, such as payments of dividends to us, without the approval of the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, the relevant PRC government authorities may limit or eliminate our ability to purchase foreign currencies in the future. Since a significant amount of our future revenue will be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in RMB to fund our business activities outside China that are denominated in foreign currencies.

Foreign exchange transactions by PRC operating subsidiaries under the capital account continue to be subject to significant foreign exchange controls and require the approval of or need to register with PRC government authorities, including SAFE. In particular, if our PRC operating subsidiaries borrow foreign currency through loans from us or other foreign lenders, these loans must be registered with SAFE, and if we finance the subsidiaries by means of additional capital contributions, these capital contributions must be approved by certain government authorities, including the Ministry of Commerce or their respective local counterparts. These limitations could affect their ability to obtain foreign exchange through debt or equity financing.

***Fluctuations in exchange rates could adversely affect our business and the value of our securities.***

The value of our common stock will be indirectly affected by the foreign exchange rate between U.S. dollars and RMB and between those currencies and other currencies in which our sales may be denominated. Because substantially all of our earnings and cash assets are denominated in RMB, fluctuations in the exchange rate between the U.S. dollar and the RMB will affect the relative purchasing power of these proceeds, our balance sheet and our earnings per share in U.S. dollars. In addition, appreciation or depreciation in the value of the RMB relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue that will be exchanged into U.S. dollars as well as earnings from, and the value of, any U.S. dollar-denominated investments we make in the future.

Since July 2005, the RMB has no longer been pegged to the U.S. dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currencies.

***Restrictions under PRC law on our PRC subsidiaries' ability to make dividends and other distributions could materially and adversely affect our ability to grow, make investments or acquisitions that could benefit our business, pay dividends to you, and otherwise fund and conduct our businesses.***

Substantially all of our revenues are earned by our PRC subsidiaries. However, PRC regulations restrict the ability of our PRC subsidiaries to make dividends and other payments to their offshore parent company. PRC legal restrictions permit payments of dividend by our PRC subsidiaries only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. Each of our PRC subsidiaries is also required under PRC laws and regulations to allocate at least 10% of our annual after-tax profits determined in accordance with PRC GAAP to a statutory general reserve fund until the amounts in said fund reaches 50% of our registered capital. Allocations to these statutory reserve funds can only be used for specific purposes and are not transferable to us in the form of loans, advances or cash dividends. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

***Under the New EIT Law, we may be classified as a resident enterprise of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC stockholders.***

China passed a new Enterprise Income Tax Law, or the New EIT Law, and its implementing rules, both of which became effective on January 1, 2008. Under the New EIT Law, an enterprise established outside of China with de facto management bodies within China is considered a resident enterprise, meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the New EIT Law define de facto management as substantial and overall management and control over the production and operations, personnel, accounting, and properties of the enterprise. Because the New EIT Law and its implementing rules are new, no official interpretation or application of this new resident enterprise classification is available. Therefore, it is unclear how tax authorities will determine tax residency based on the facts of each case.

If the PRC tax authorities determine that Golden Elephant Glass Technology, Inc. is a resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as interest on offering proceeds and non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Second, although under the New EIT Law and its implementing rules dividends paid to us from our PRC subsidiaries would qualify as tax-exempt income, we cannot guarantee that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. Finally, it is possible that future guidance issued with respect to the new resident enterprise classification could result in a situation in which a 10% withholding tax is imposed on dividends we pay to our non-PRC stockholders and with respect to gains derived by our non-PRC stockholders from transferring our shares. We are actively monitoring the possibility of resident enterprise treatment for the 2009 tax year and are evaluating appropriate organizational changes to avoid this treatment, to the extent possible.

If we were treated as a resident enterprise by PRC tax authorities, we would be subject to taxation in both the U.S. and China, and our PRC tax may not be creditable against our U.S. tax.

***If the China Securities Regulatory Commission, or CSRC, or another PRC regulatory agency determines that CSRC approval is required in connection with the reverse acquisition of Dollar Come, the reverse acquisition may be cancelled, or we may become subject to penalties.***

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rule, which became effective on September 8, 2006. The M&A Rule, among other things, requires that an offshore company controlled by PRC companies or individuals that have acquired a PRC domestic company for the purpose of listing the PRC domestic company's equity interest on an overseas stock exchange must obtain the approval of the CSRC prior to the listing and trading of such offshore company's securities on an overseas stock exchange. On September 21, 2006, the CSRC, pursuant to the M&A Rule, published on its official web site procedures specifying documents and materials required to be submitted to it by offshore companies seeking CSRC approval of their overseas listings.

In the opinion of our PRC counsel, Guangdong Hanyu Law Firm, the M&A Rule does not apply to our reverse acquisition of Dollar Come completed on March 31, 2008. However, if the CSRC or another PRC governmental agency subsequently determines that we should have obtained CSRC approval for such reverse acquisition transaction, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in China and limit our operating privileges in China, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our shares.

***The M&A Rule establishes more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.***

The M&A Rule establishes additional procedures and requirements that could make some acquisitions of Chinese companies by foreign investors more time-consuming and complex, including requirements in some instances that the PRC Ministry of Commerce be notified in advance of any change-of-control transaction and in some situations, require approval of the PRC Ministry of Commerce when a foreign investor takes control of a Chinese domestic enterprise. In the future, we may grow our business in part by acquiring complementary businesses, although we do not have any plans to do so at this time. The M&A Rule also requires PRC Ministry of Commerce anti-trust review of any change-of-control transactions involving certain types of foreign acquirers. Complying with the requirements of the M&A Rule to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the PRC Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

***You may have difficulty enforcing judgments against us.***

We are a Nevada holding company and most of our assets are located outside of the United States. Most of our current operations are conducted in the PRC. In addition, most of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons is located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in U.S. courts judgments on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, most of whom are not residents in the United States and the substantial majority of whose assets are located outside of the United States. In addition, there is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U.S. courts. Courts in China may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions. China does not have any treaties or other arrangements that provide for the reciprocal recognition and enforcement of foreign judgments with the United States. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates basic principles of PRC law or national sovereignty, security or the public interest. So, it is uncertain whether a PRC court would enforce a judgment rendered by a court in the United States.

**RISKS RELATED TO THE MARKET FOR OUR STOCK GENERALLY**

***Trading on the OTC pink sheets may be volatile and sporadic, which could depress the market price of our common stock and make it difficult for our stockholders to resell their shares.***

Our common stock is quoted on the OTC pink sheets electronic quotation system. Trading in stock quoted on the OTC pink sheets is often thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with our operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to operating performance. Moreover, the OTC pink sheets is not a stock exchange, and trading of securities on the OTC pink sheets is often more sporadic than the trading of securities listed on a quotation system like Nasdaq or a stock exchange like Amex. Accordingly, shareholders may have difficulty reselling any of the shares.

***Because our common stock is quoted and traded on the OTC pink sheets, short selling could increase the volatility of our stock price.***

Short selling occurs when a person sells shares of stock which the person does not yet own and promises to buy stock in the future to cover the sale. The general objective of the person selling the shares short is to make a profit by buying the shares later, at a lower price, to cover the sale. Significant amounts of short selling, or the perception that a significant amount of short sales could occur, could depress the market price of our common stock. In contrast, purchases to cover a short position may have the effect of preventing or retarding a decline in the market price of our common stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of our common stock. As a result, the price of our common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the OTC pink sheets or any other available markets or exchanges. Such short selling if it were to occur could impact the value of our stock in an extreme and volatile manner to the detriment of our shareholders.

***We are subject to penny stock regulations and restrictions.***

The SEC has adopted regulations which generally define so-called penny stocks to be an equity security that has a market price less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exemptions. If our common stock becomes a penny stock, we may become subject to Rule 15c-9 under the Exchange Act, or the Penny Stock Rule. This rule imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and accredited investors (generally, individuals with a net worth in excess of \$1,000,000 or annual incomes exceeding \$200,000, or \$300,000 together with their spouses). For transactions covered by Rule 15c-9, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. As a result, this rule may affect the ability of broker-dealers to sell our securities and may affect the ability of purchasers to sell any of our securities in the secondary market.

For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the SEC relating to the penny stock market. Disclosure is also required to be made about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

There can be no assurance that our common stock will qualify for exemption from the Penny Stock Rule. In any event, even if our common stock were exempt from the Penny Stock Rule, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the SEC the authority to restrict any person from participating in a distribution of penny stock, if the SEC finds that such a restriction would be in the public interest.

***Certain provisions of our Articles of Incorporation may make it more difficult for a third party to effect a change-in-control.***

Our Articles of Incorporation authorize the board of directors to issue up to 10,000,000 shares of preferred stock. The preferred stock may be issued in one or more series, the terms of which may be determined at the time of issuance by the board of directors without further action by the stockholders. These terms may include voting rights including the right to vote as a series on particular matters, preferences as to dividends and liquidation, conversion rights and redemption rights provisions. The issuance of any preferred stock could diminish the rights of holders of our common stock, and therefore could reduce the value of such common stock. In addition, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with, or sell assets to, a third party. The ability of the board of directors to issue preferred stock could make it more difficult, delay, discourage, prevent or make it more costly to acquire or effect a change-in-control, which in turn could prevent the stockholders from recognizing a gain in the event that a favorable offer is extended and could materially and negatively affect the market price of our common stock.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

Not Applicable.

**ITEM 2. PROPERTIES.**

There is no private land ownership in China. Individuals and companies are permitted to acquire land use rights for specific purposes. We were granted land use rights from the PRC government for 264,000 square meters of land located in the Glass Industrial Park at 123 Chuangye Road, Haizhou District, Fuxin City, Liaoning Province, China. We also have 21 properties located at 123 Chuangye Road, Haizhou District, Fuxin City, Liaoning Province, China. The land use rights will expire on September 18, 2052. We have placed mortgages on the land and 19 properties to secure certain bank loans for an amount up to approximately \$8.3 million.





We also lease land use right for 108,068 square meters and 42 properties (aggregated surface of 22,470.22 square meters) from Fuxin Guangya Flat Glass Co. Ltd. We believe that all our properties have been adequately maintained, are generally in good condition and are suitable and adequate for our business.

Dongfang Company, which is owned by our majority stockholder Ms. Lin Tan, transferred some properties including a hotel and some villas to Fuxin Hengrui to be used as collateral for a bank loan. In March 2008, Fuxin Hengrui transferred the properties back to Dongfang Company after the bank loan was repaid.

### ITEM 3. 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 affect on our business, financial condition or operating results.

### ITEM 4. REMOVED AND RESERVED.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

#### Market Information

Our common stock was initially quoted on the OTC Bulletin Board maintained by the Financial Industry Regulatory Authority under the symbol GOEG.OB. Since May 18, 2010, we have been quoted on the OTC pink sheets electronic quotation system. The OTC pink sheets electronic quotation system is a network of security dealers who buy and sell stock. The dealers are connected by a computer network that provides information on current bids and asks, as well as volume information. Our shares are quoted on the OTC pink sheets electronic quotation system under the symbol GOEG.

The market for our common stock is limited, volatile and sporadic. The following table sets forth the range of high and low bid quotations for our common stock for each of the periods indicated as reported by the OTC pink sheets. These quotations below reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

The following table sets forth, for the periods indicated, the high and low bid prices of our common stock. These prices reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

	Closing Bid Prices <sup>(1)</sup>	
	High	Low
<b>Year Ended December 31, 2009</b>		
1 <sup>st</sup> Quarter	\$ 0.27	0.04
2 <sup>nd</sup> Quarter	\$ 0.22	0.04
3 <sup>rd</sup> Quarter	\$ 0.35	0.043
4 <sup>th</sup> Quarter	\$ 0.031	0.02
<b>Year Ended December 31, 2008</b>		
1 <sup>st</sup> Quarter	\$ N/A	N/A

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2 <sup>nd</sup> Quarter	\$	4.00	3.75
3 <sup>rd</sup> Quarter	\$	6.00	3.75
4 <sup>th</sup> Quarter	\$	6.00	0.19

(1) The above table sets forth the range of high and low closing bid prices per share of our common stock as reported by [www.quotemedia.com](http://www.quotemedia.com) for the periods indicated.

### **Approximate Number of Holders of Our Common Stock**

As of March 31, 2010, there were approximately 689 stockholders of record of our common stock. The number of record holders does not include persons who held our common stock in nominee or street name accounts through brokers.

### **Dividends**

We have never declared or paid a cash dividend. Any future decisions regarding dividends will be made by our board of directors. We currently intend to retain and use any future earnings for the development and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Our board of directors has complete discretion on whether to pay dividends, subject to the approval of our stockholders. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

### **Securities Authorized for Issuance Under Equity Compensation Plans**

We do not have in effect any compensation plans under which our equity securities are authorized for issuance and we do not have any outstanding stock options.

### **Recent Sales of Unregistered Securities**

We have not sold any equity securities during the fiscal year ended December 31, 2009 that were not previously disclosed in a quarterly report on Form 10-Q or a current report on Form 8-K that was filed during the 2008 fiscal year.

### **Purchases of Our Equity Securities**

No repurchases of our common stock were made during the fourth quarter of our fiscal year ended December 31, 2009.

### **ITEM 6. SELECTED FINANCIAL DATA.**

Not Applicable.

### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*The following management's discussion and analysis should be read in conjunction with our financial statements and the notes thereto and the other financial information appearing elsewhere in this report. In addition to historical information, the following discussion contains certain forward-looking information. See Special Note Regarding Forward Looking Statements above for certain information concerning those forward looking statements. Our financial statements are prepared in U.S. dollars and in accordance with U.S. GAAP.*

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

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, new Quality Certification should be re certified after March 24, 2011. We transport our products by train, sea and expressway.

During the recent global economic crisis, 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 was consequently suffered. From November 2008, we suspended operations of our float glass manufacturing operations in order to perform maintenance and system upgrades that eventually would be needed. We have performing eight technological enhancement projects and will be completed by the end of 2010. We opted to suspend operations and initiate the maintenance program at a time when pricing and demand for our products was low in order to minimize the adverse effect of suspending operations. Until the amelioration of the economic crisis, particularly in the industry segments in which our targeted customers operate, we expect to continue to experience significant challenges. In response to these challenges, we will continue to implement what we believe to be prudent, cost-saving measures in a judicious and timely fashion. We intend to continue to take appropriate steps to minimize the adverse effects of the global economic crisis on our operations and financial performance.

## Results of Operations

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

	<i>Year ended December 31, 2009</i>	<i>Year ended December 31, 2008</i>
Sales revenues	\$ 2,267,268	\$ 60,723,960
Cost of sales	2,267,268	49,893,845
Gross profit	-	10,830,115
Other operating income		
Gain on disposal of a subsidiary	-	508,981
Total other operating income	-	508,981
Operating expenses:		
Administrative expenses	3,605,591	1,933,266
Research and development expenses	-	1,761,554
Selling expenses	-	205,955
Increase in provision for doubtful debts	4,509,885	6,687,230
Increase in provision for inventories	203,576	-
Impairment of property, plant and equipment	-	2,757,229
Impairment of goodwill	-	393,831
Total operating expenses	8,319,052	13,739,065
(Loss)/income before income taxes and minority interests	(10,442,112)	(3,668,827)
Income taxes	(314,411)	(85,068)
Minority interests	-	4,994
Net loss from continuing operations	(10,756,523)	(3,748,901)
Other comprehensive income		
Foreign currency translation adjustments	(32,183)	1,054,913
Comprehensive net loss	(10,788,706)	\$ (2,693,988)

*Sales Revenue.* Our sales revenue decreased by \$58.4 million, or 96.2%, to \$2.3 million in the year ended on December 31, 2009 from \$60.7 million in same period ended December 31, 2008. This significant decrease in revenue was mainly attributable to suspension production, only disposal opening finished products.

*Cost of Sales.* Our cost of sales decreased by \$47.6 million, or 95.4%, to \$2.3 million in the year ended December 31, 2009 from \$49.9 million in the same period ended 2008. This substantially decrease was mainly due to sales revenue decrease.

*Gross Profit.* Our gross profit decreased \$10.8 million, or 100.0%, to \$0 in the year ended December 31, 2009 from \$10.8 million in the same period ended December 31, 2008. Gross profit margin was 0% in 2009, as compared to 17.8% in 2008. Such percentage decrease was mainly due to disposal opening products and no margin.

*Administrative Expenses.* Our administrative expenses increased by \$1.7 million, or 89.5%, to \$3.6 million in the fiscal year ended December 31, 2009 from \$1.9 million in the same period ended December 31, 2008. As a percentage of sales revenue, administrative expenses increased to 159.0% in 2009, as compared to 3.1% in 2008. This percentage increase was primarily attributable to the fact that all depreciation expense presented as administrative expense due to suspension production this year, and the sales revenue decreased 95.4%, then decreasing the comparison base.

*Research and development Expenses* Our research and development expenses decreased by \$1.8 million, or 100.0%, to \$0 in the fiscal year ended December 31, 2009 from \$1.8 in the fiscal year ended December 31, 2008. As a percentage of sales revenue, research and development expenses decreased to 0% in 2009, as compared to 3.0% in 2008. This percentage decrease was primarily attributable to no R & D activities due to suspension production.

*Increase in provision for doubtful debts.* Our provision for doubtful debts and inventories and impairment of PPE and goodwill decreased by \$5.1 million, or 52.0%, to \$4.7 million in the fiscal year of 2009 from \$9.8 million in the fiscal year of 2008. The substantial decrease of provision for doubtful debts and inventories and impairment of PPE and goodwill expenses increased was primarily attributable to no new receivables, and only increased provision for opening accounts receivables.

*Selling Expenses.* Our selling expenses decreased by \$205,955, or 100.0%, to \$0 in 2009 from \$205,955 in 2008. As a percentage of sales revenue, selling expenses decreased to 0% in 2009, as compared to 0.3% in 2008. This percentage decrease was primarily attributable to no any selling expenses due to suspension production.

*Operating Expenses.* Our operating expenses decreased by \$5.4 million, or 39.4%, to \$8.3 million in 2009 from \$13.7 million in 2008. The substantial decrease of operating expenses was primarily attributable to no selling and R & D expenses, and no FA impairment expenses this year.

*Loss before Income Taxes and Minority Interests.* Loss before income taxes and minority interests increased by \$6.7 million, or 181.1%, to \$10.4 million in 2009 from \$3.7 million in 2008. The significant increase of loss from income taxes and minority interests was primarily due to sales revenue decreased dramatically this year.

*Income Taxes.* The increase in income taxes from \$85,068 in 2008 to \$314,411 in 2009 was mainly due to write off the opening deferred tax assets.

*Net Loss.* Our net loss increased by \$7.1 million, or 191.9%, to \$10.8 million in 2009 from \$3.7 million in 2008, as a result of the factors described above.

## Liquidity and Capital Resources

As of December 31, 2009, we had cash and cash equivalents of approximately \$7,358. The following table provides detailed information about our net cash flow for all financial statements periods presented in this report.

	<i>Year ended December 31,</i>	
	<i>2009</i>	<i>2008</i>
<b>Net cash flows (used in)/provided by operating activities</b>	1,285,794	(2,630,975)
<b>Net cash flows used in investing activities</b>	(1,334,376)	(3,655,755)
<b>Net cash flows provided by financing activities</b>	-	6,358,663
<b>Effect of foreign currency translation on cash and cash equivalents</b>	(85,479)	6,826
<b>Net increase (decrease) in cash and cash equivalents</b>	(134,061)	78,759

***Net cash (used in)/ provided by operating activities***

Net cash provided by operating activities was \$1.3 million in 2009, as compared to \$2.6 million net cash used in operating activities for the same period in 2008. This \$3.9 million increase in net cash provided by operating activities was mainly attributable to account receivables decreased this year.

***Net cash used in investing activities***

Net cash used in investing activities was \$1.3 million in 2009, as compared to \$3.7 million in 2008. This \$2.4 million decrease in net cash used for investing activities was mainly attributable to decrease prepayment to related parties.

***Net cash flows provided by financing activities***

We did not generate any cash flow by financing activities in 2009, but generated \$6.4 million in 2008. The substantial decrease of net cash provided by financing activities was mainly due to suspension production.

**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.

Use of estimates

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

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and other receivables. As of December 31, 2009 and 2008, substantially all of the Company's cash and cash equivalents and restricted cash were held by major financial institutions located in the PRC, which management believes are of high credit quality. With respect to other receivables and trade receivables, the Company extends credit based on an evaluation of the customer's financial condition. The Company generally does not require collateral for trade receivables and other receivables and maintains an allowance for doubtful accounts of trade receivables and other receivables. The Company conducts

periodic reviews of its customers' financial condition and customer payment practices to minimize collection risk on accounts receivable.



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

	Year ended December 31,	
	2009	2008
Company A	\$ 2,267,268	\$ -
Company B	-	6,856,951
Totals	\$ 2,267,268	\$ 6,856,951

During the year of 2009, there is only one sales transaction, Company A represent 100% of the Company's consolidated sales.

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

	As of December 31,	
	2009	2008
Company A	\$ 1,649,929	\$ -
Company B	610,313	2,100,565
Company C	559,878	1,431,077
Company D	479,610	964,541
Company E	-	1,589,632
Company F	-	1,172,836
Totals	\$ 3,299,730	\$ 7,258,651

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### 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 December 31, 2009 and 2008, almost all the cash and cash equivalents were denominated in Renminbi ( RMB ) and were placed with banks in the PRC. They are not freely convertible into foreign currencies and the remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government. The remaining insignificant balance of cash and cash equivalents were denominated in US dollars.

### Restricted cash

Deposits in banks pledged as securities for bills payable that are restricted in use are classified as restricted cash under current assets.

### Allowance for doubtful accounts

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

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

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

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

### ***Recently issued accounting pronouncements***

#### Adoption of FASB Accounting Standards Codification

In June 2009, the FASB issued SFAS No. 168, " The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement No. 162 ". This standard is now included in ASC Topic 105 and established only two levels of GAAP, authoritative and non-authoritative. The FASB Accounting Standards Codification (the "Codification") became the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification became non-authoritative. This standard is effective for financial statements for interim or annual reporting periods ending

after September 15, 2009. Effective August 1, 2009, we adopted the new guidelines and numbering system prescribed by the Codification when referring to GAAP. The adoption had no impact on our consolidated financial condition, results of operations or cash flows.

#### Adoption of FASB ASC 805

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

#### Adoption of FASB ASC 805-20

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

#### Adoption of FASB ASC 815

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

#### Adoption of FASB ASC 350-30

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

#### Adoption of FASB ASC 860

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

#### Adoption of FASB ASU 2009-05

In August 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-05, "Measuring Liabilities at Fair Value," which amends the guidance in ASC 820, Fair Value Measurements and Disclosures, to provide guidance on fair value measurement of liabilities. If a quoted price in an active market is not available for an identical liability, ASU 2009-05 requires companies to compute fair value by using quoted prices for an identical liability when traded

as an asset, quoted prices for similar liabilities when traded as an asset or another valuation technique that is consistent with the guidance in ASC 820. ASU 2009-05 will be effective for interim and annual periods beginning after its issuance and did not have a material impact on our consolidated financial position or results of operations.

Adoption of FASB ASU 2009-13

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

*Off-balance sheet arrangements*

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

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not Applicable.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

Golden Elephant Glass Technology, Inc.

Consolidated Financial Statements  
(Stated in US dollars)

Golden Elephant Glass Technology, Inc.  
Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
Golden Elephant Glass Technology, Inc.

We have audited the accompanying consolidated balance sheets of Golden Elephant Technology, Inc. (the "Company") and its subsidiaries as of December 31, 2008, and the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for year ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2008, and the consolidated results of their operations and their cash flows for year ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company incurred a net loss for the year ended December 31, 2008 and had net current liabilities and accumulated (deficit) as of December 31, 2008. In addition, due to deteriorating global economic environment and shrinking gross profit margin of float glass, the Company is implementing a maintenance program for the upgrades of float glass production lines, of which the operations are suspended during the maintenance period. These matters raise substantial doubt about 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 and the upgrades are expected to improve the profitability in the future. However, the Company has no assurance with respect to the maintenance program. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

PKF  
Certified Public Accountants  
Hong Kong, China  
April 15, 2009

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of  
Golden Elephant Glass Technology, Inc.

We have audited the accompanying consolidated balance sheets of Golden Elephant Technology, Inc. (the Company) and its subsidiaries as of December 31, 2009, and the related consolidated statements of operations and comprehensive (loss) income, stockholders' equity and cash flows for the year ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2009, and the consolidated results of their operations and their cash flows for the year ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has accumulated deficits of \$11,561,769 at December 31, 2009 including losses of \$10,756,523 for the year ended December 31, 2009. The Company also has a working capital deficiency of \$22,362,695 as of December 31, 2009. These factors raise substantial doubt about the ability of the Company to continue as a going concern. Management's plans concerning this matter are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NW Pacific CPA, LLC  
Newcastle, Washington  
November 29, 2010

**Golden Elephant Glass Technology, Inc.**  
**Consolidated Balance Sheets**  
(Stated in US Dollars)

	<i>As of December 31,</i>	
	<i>2009</i>	<i>2008</i>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 7,358	\$ 141,419
Restricted cash	-	733,500
Trade receivables, net	3,883,810	7,893,130
Other receivables, net	1,886,300	2,371,514
Prepayments	2,795,202	4,291,918
Inventories	1,572,028	4,367,298
Amount due from a related party	-	1,108,343
Deferred taxes	-	24,939
Total current assets	10,144,698	20,932,061
Non-current assets		
Property, plant and equipment, net	23,046,810	24,485,104
Land use right	2,855,361	2,813,236
Deferred taxes	-	290,009
<b>TOTAL ASSETS</b>	<b>\$ 36,046,869</b>	<b>\$ 48,520,410</b>

See the accompanying notes to consolidated financial statements

**Golden Elephant Glass Technology, Inc.**  
**Consolidated Balance Sheets (Cont d)**  
**(Stated in US Dollars)**

	<i>As of December 31,</i>	
	<i>2009</i>	<i>2008</i>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>LIABILITIES</b>		
Current liabilities		
Trade payables	\$ 10,307,198	\$ 11,116,809
Bills payable	719,228	1,467,000
Other payables and accrued expenses	3,136,502	3,750,937
Sales receipt in advance	314,423	501,397
Interest payable	2,032,329	333,532
Tax payable	2,496,391	2,150,144
Amount due to a director	104,358	37,527
Amount due to a related party	-	285,918
Secured short-term bank loans	12,765,307	12,808,964
Loan from related party - Lin Tan	631,657	1,740,000
<b>TOTAL LIABILITIES</b>	<b>32,507,393</b>	<b>34,192,228</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	2,099,065	2,131,248
Accumulated retained deficit	(11,561,769)	(805,246)
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>3,539,476</b>	<b>14,328,182</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 36,046,869</b>	<b>\$ 48,520,410</b>

See the accompanying notes to consolidated financial statements

**Golden Elephant Glass Technology, Inc.**  
**Consolidated Statements of Operations and Comprehensive (Loss) Income**  
**(Stated in US Dollars)**

	<i>Year ended December 31,</i>	
	<i>2009</i>	<i>2008</i>
Sales revenues	\$ 2,267,268	\$ 60,723,960
Cost of sales	2,267,268	49,893,845
Gross profit	-	10,830,115
<b>Other operating income</b>		
Gain on disposal of a subsidiary	-	508,981
Total other operating income	-	508,981
<b>Operating expenses</b>		
Administrative expenses	3,605,591	1,933,266
Research and development expenses	-	1,761,554
Selling expenses	-	205,955
Increase in provision for doubtful debts	4,509,885	6,687,230
Increase in provision for inventories	203,576	-
Impairment of property, plant and equipment	-	2,757,229
Impairment of goodwill	-	393,831
	8,319,052	13,739,065
Loss from operations	(8,319,052)	(2,399,969)
Interest income	11,814	46,968
Other income	1,575	90,425
Other expenses	(389,231)	-
Government grants	106,103	17,021
Interest costs	(1,853,321)	(1,423,272)
Loss before income taxes and minority interests	(10,442,112)	(3,668,827)
Income taxes	(314,411)	(85,068)
Minority interests	-	4,994
Net loss from continuing operations	(10,756,523)	(3,748,901)
<b>Other comprehensive income</b>		
Foreign currency translation adjustments	(32,183)	1,054,913
Comprehensive net loss	\$ (10,788,706)	\$ (2,693,988)
Loss per share - Basic	\$ (0.38)	\$ (0.14)
- Diluted	\$ (0.38)	\$ (0.14)
<b>Weighted average number of shares outstanding</b>		
- Basic	28,623,996	26,263,342
- Diluted	28,623,996	26,294,577

See the accompanying notes to consolidated financial statements



**Golden Elephant Glass Technology, Inc.**  
**Consolidated Statements of Cash Flows**  
**(Stated in US Dollars)**

	<i>Year ended December 31,</i>	
	<b>2009</b>	<b>2008</b>
<b>Net loss from continuing operations</b>	\$ (10,756,523)	\$ (3,748,901)
<b>Adjustments to reconcile net loss to net cash flows</b>		
(used in)/provided by operating activities:		
Depreciation	2,553,894	2,906,565
Amortization of land use right	(42,125)	61,854
Gain on disposal of a subsidiary	-	(508,981)
Impairment of property, plant and equipment	-	2,757,229
Impairment of goodwill	-	393,831
Provision for doubtful accounts	4,509,885	6,687,230
Provision for inventory	203,576	-
Deferred taxes	314,948	15,930
Minority interests	-	(4,994)
Changes in operating assets and liabilities:		
Restricted cash	733,500	629,478
Trade receivables	952,416	(8,826,699)
Other receivables	(621,279)	(142,171)
Prepayments	1,496,716	(2,272,606)
Inventories	2,591,695	923,883
Trade payables	(809,611)	2,724,578
Bills payable	(747,772)	(2,093,377)
Other payables and accrued expenses	(1,005,713)	4,418,156
Sales receipt in advance	(186,974)	(6,076,825)
Amount due to a director	66,832	36,615
Interest payable	2,032,329	-
Income tax payable	-	(511,770)
<b>Net cash flows (used in)/provided by operating activities</b>	<b>1,285,794</b>	<b>(2,630,975)</b>
<b>Cash flows from investing activities</b>		
Advances to related parties	-	(2,831,035)
Payments to acquire property, plant and equipment	-	(2,317,527)
Payment for construction in progress	(1,334,376)	(35,938)
Proceeds from disposal of property, plant and equipment	-	1,417,279
Proceeds from disposal of land use right	-	246,759
Net cash outflow from acquisition of 35% equity interest of Tianyuan	-	(135,594)
Net cash outflow from disposal of 70% equity interest of Tianyuan	-	(163)
Cash inflow from reverse merger	-	464
<b>Net cash flows used in investing activities</b>	<b>\$ (1,334,376)</b>	<b>\$ (3,655,755)</b>

See the accompanying notes to consolidated financial statements

**Golden Elephant Glass Technology, Inc.**  
**Consolidated Statements of Cash Flows (Cont d)**  
**(Stated in US Dollars)**

	<i>Year ended December 31,</i>	
	<i>2009</i>	<i>2008</i>
<b>Cash flows from financing activities</b>		
Amount due to a related party increase	-	\$ 202,839
Dividend paid to former stockholders of Fuxin Hengrui	-	(642,942)
Proceeds from loan from Related Party - Lin Tan	-	5,000,000
Proceeds from bank loans	-	13,952,003
Repayment of bank loans	-	(16,678,200)
Proceeds from issuance of shares in connection with the private placement	-	4,524,963
<b>Net cash flows provided by financing activities</b>	<b>-</b>	<b>6,358,663</b>
<b>Effect of foreign currency translation on cash and cash equivalents</b>	<b>(85,479)</b>	<b>6,826</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(134,061)</b>	<b>78,759</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>141,419</b>	<b>62,660</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 7,358</b>	<b>\$ 141,419</b>
<b>Supplemental disclosures for cash flow information</b>		
Cash paid for :-		
Interest	-	\$ 1,040,786
Income taxes	-	\$ 582,809
Non-cash financing activities		
Consideration of disposal of a subsidiary offset by other payable	-	\$ 709,200
Part of loan from Lin Tan offset by advances to related parties	\$ 1,108,343	\$ 3,260,000
See the accompanying notes to consolidated financial statements		



**Golden Elephant Glass Technology, Inc.**  
**Consolidated Statements of Stockholders Equity**  
**(Stated in US Dollars)**

	Common stock No. of shares	Common stock Amount	Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income	Retained earnings/ accumulated (deficit)	Total
Balance, January 1, 2008	23,751,710	237,517	7,513,186	665,617	1,076,335	3,005,624	12,498,279
Recapitalization	1,250,090	12,501	-	-	-	(13,573)	(1,072)
Shares issued for proceeds of \$5.07 million	3,338,790	33,388	5,041,575	-	-	-	5,074,963
Cost of raising capital	-	-	(2,503,383)	-	-	-	(2,503,383)
Warrants issued in connection with private placement	-	-	252,947	-	-	-	252,947
Shares issued in connection with private placement	283,406	2,834	1,697,602	-	-	-	1,700,436
Net loss	-	-	-	-	-	(3,748,901)	(3,748,901)
Foreign currency translation adjustments	-	-	-	-	1,054,913	-	1,054,913
Appropriation to reserves	-	-	-	48,396	-	(48,396)	-
Balance, December 31, 2008	\$ 28,623,996	\$ 286,240	\$ 12,001,927	\$ 714,013	\$ 2,131,248	(805,246)	\$ 14,328,182
Net loss	-	-	-	-	-	(10,756,523)	(10,756,523)
Foreign currency translation adjustments	-	-	-	-	(32,183)	-	(32,183)
Balance, December 31, 2009	\$ 28,623,996	\$ 286,240	\$ 12,001,927	\$ 714,013	\$ 2,099,065	\$ (11,561,769)	\$ 3,539,476

See the accompanying notes to consolidated financial statements



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

**1. Organization and Nature of Business**

Golden Elephant Glass Technology, Inc. (the Company) (formerly Nevstar Corporation), was incorporated in the State of Nevada on December 2, 1993. On March 31, 2008, the Company's board of directors approved a change in the Company's fiscal year end from June 30 to December 31.

During 2008, the Company acquired 100% ownership interest in Dollar Come Investments Limited (Dollar Come). Dollar Come, a limited company incorporated in the British Virgin Islands on February 12, 2004, was acquired by exchanging 23,751,710 shares of the Company's common stock for 100% of the outstanding equity interest. This transaction was accounted for as a reverse merger transaction. Dollar Come is a holding company whose primary operations are conducted through its subsidiaries located in the Liaoning Province of the People's Republic of China (the PRC).

Following the reverse merger, the Company indirectly owned, through Dollar Come, Fuxin Hengrui Technology Co., Ltd. (Fuxin Hengrui), Fuxin Xianheng Float-Glass Co., Ltd. (Xianheng) and Fuxin Hengrui Tianyuan New Energy Sources Co., Ltd. (Tianyuan).

Fuxin Hengrui, incorporated in the PRC on September 18, 2002, is engaged in manufacture and distribution of float glasses in Liaoning Province in PRC. The entire equity interest of Fuxin Hengrui was directly held by Dollar Come.

Xianheng was incorporated in the PRC on April 1, 2004. Of its equity interest, 25% was directly held by Dollar Come and 75% indirectly held by Dollar Come through Fuxin Hengrui. Xianheng is engaged in manufacture and distribution of float and ultra-clear glasses in Liaoning Province.

The Company operates in one business segment. Following the reverse merger, the Company commenced to be engaged in the manufacture and distribution of float glasses in the PRC. The Company's product offerings include float glass, ultra-clear glass, colored float glass and high grade, glass processed products such as mirrors, tempered glass, insulated glass, etc., and marketed primarily under the Golden Elephant brand name. The company's glass and glass products are widely applied in the manufacturing of many products, including automobiles, construction materials, furniture and display cases, electrical household appliances, lighting fixtures and decorative glass artwork. The company sells 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. The major target markets of the Company's products are the PRC.

During the recent global economic crisis in 2008, many of customers operate in industry segments that have been hardest hit by the economic crisis, such as the automotive, construction and home furnishing industries, the company's performance was consequently suffered. Since November 2008, the Company has suspended operations of float glass production lines in order to perform maintenance and system upgrades. The maintenance program is still in process.

The raw materials used in production are mainly divided into four groups, soda ash, heavy oils, silica sand and dolomite, which are primary sourced from suppliers located in the PRC. The production facilities of the Company are located in Liaoning Province of the PRC.

**2. Going Concern**

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

The Company incurred a net loss of \$10,756,523 for the year ended December 31, 2009 and had accumulated deficits of \$11,561,769 as of December 31, 2009. In addition, the Company has been implementing a maintenance program for the float glass production lines since November 2008. During the maintenance period, all operations of the production lines and all manufacturing of the glass products are suspended. These matters raise substantial doubt about the Company's ability to continue as a going concern.

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

**2. Going Concern (Cont d)**

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. In addition, with the improvement of economic environment and glass market, the management is currently attempting to implement its business plan of restoring the production lines, and is seeking additional sources of equity or debt financing. However, there is no assurance these activities will be successful. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

**3. Reverse Merger Acquisition**

The reverse merger has been accounted for as a recapitalization of the Company whereby the historical financial statements and operations of Dollar Come become the historical financial statements of the Company, with no adjustment to the carrying values of the assets and liabilities. The 1,250,090 common shares of the Company outstanding prior to the reverse merger are accounted for at \$(1,072) of net book value at the time of the reverse merger. The accompanying consolidated financial statements reflect the recapitalization of the stockholders equity as if the transaction occurred as of the beginning of the first period presented.

**4. Summary of significant accounting policies**

Principles of consolidation

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

Use of estimates

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

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and other receivables. As of December 31, 2009 and 2008, substantially all of the Company's cash and cash equivalents and restricted cash were held by major financial institutions located in the PRC, which management believes are of high credit quality. With respect to

other receivables and trade receivables, the Company extends credit based on an evaluation of the customer's financial condition. The Company generally does not require collateral for trade receivables and other receivables and maintains an allowance for doubtful accounts of trade receivables and other receivables. The Company conducts periodic reviews of its customers' financial condition and customer payment practices to minimize collection risk on accounts receivable.

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

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

Concentrations of credit risk (Cont d)

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

	Year ended December 31,	
	2009	2008
Company A	\$ 2,267,268	\$ -
Company B	-	6,856,951
Totals	\$ 2,267,268	\$ 6,856,951

During the year of 2009, there is only one sales transaction, Company A represent 100% of the Company's consolidated sales.

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

	As of December 31,	
	2009	2008
Company A	\$ 1,649,929	\$ -
Company B	610,313	2,100,565
Company C	559,878	1,431,077
Company D	479,610	964,541
Company E	-	1,589,632
Company F	-	1,172,836
Totals	\$ 3,299,730	\$ 7,258,651

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 December 31, 2009 and 2008, almost all the cash and cash equivalents were denominated in Renminbi ( RMB ) and were placed with banks in the PRC. They are not freely convertible into foreign currencies and the remittance of these funds out of the PRC is subject to exchange control restrictions imposed by the PRC government. The remaining insignificant balance of cash and cash equivalents were denominated in US dollars.

Restricted cash

Deposits in banks pledged as securities for bills payable that are restricted in use are classified as restricted cash under current assets.

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

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

Allowance for doubtful accounts

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

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

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

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

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, management makes judgment as to future demand requirements compared to current or committed inventory levels. The reserve requirements generally increase as the projected demand requirements, decrease due to market conditions, product life cycle changes. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand.

In addition, the Company estimates net realizable value based on intended use, current market value and inventory ageing analyses. The Company writes down the inventories for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions.

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





**Golden Elephant Glass Technology, Inc.**  
**Notes to Consolidated Financial Statements**  
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**4. Summary of significant accounting policies (Cont d)**

Property, plant and equipment

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

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

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

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

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

Land use right

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

Goodwill

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

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

Impairment of long-lived assets

Long-lived assets are tested for impairment in accordance with SFAS No. 144 and Accounting Principles Board (APB) Opinion 18, Equity Method of Accounting for Investments in Common Stock, respectively. The Company

periodically evaluates potential impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company recognizes impairment of long-lived assets and investment in an affiliate in the event that the net book values of such assets exceed the future undiscounted cash flows attributable to such assets.

The Company's long-lived assets include property, plant and equipment, construction in progress, goodwill and land use right. These assets were reviewed for impairment whenever events or

**Golden Elephant Glass Technology, Inc.**  
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**4. Summary of significant accounting policies (Cont d)**

Impairment of long-lived assets (Cont d)

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

As of December 31, 2008, an impairment loss of property, plant and equipment was recognized due to the recoverable value was less than its carrying value.

As of December 31, 2008, goodwill was evaluated for impairment in connection with the Company's annual assessment. As a result of this assessment by the management, goodwill was fully impaired resulting in a non-cash charge to earnings of \$393,831 due to the operations of the production lines and all manufacturing of the float glass products of Fuxin Hengrui were suspended. This goodwill arose from the excess of the cost over book value of the fair value of identifiable net assets in a series of transactions in the acquisitions of Fuxin Hengrui and Xianheng during 2005 through 2007.

Revenue recognition

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

Advertising and research and development expenses

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

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

Stock-based compensation

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

Government grant

Government grant income represents the cash receipt from the relevant government authorities for technical development. Such government grant is unconditional, non-refundable and without any restrictions on usage at the

time of grant to and receipt by the Company. Government grant is recognized as income at the time when the approval documents are obtained from the relevant government authorities and when they are received.

**Golden Elephant Glass Technology, Inc.**  
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**4. Summary of significant accounting policies (Cont d)**

Income taxes

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

Value Added Tax

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

Comprehensive income

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

Foreign currency translation

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

For financial reporting purposes, the financial statements of the Company which are prepared using the functional currency have been translated into United States dollars. Assets and liabilities are translated at the exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders' equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders' equity. The exchange rates in effect at December 31, 2009 and 2008 were RMB1 for \$0.1462 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.

Fair value of financial instruments

The accounting standards regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires fair value disclosures of those financial instruments. This accounting standard

defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosures requirements for fair value measures. Current assets and current liabilities qualified as financial instruments and management believes their carrying amounts are a reasonable estimate of fair value because of

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

**Fair value of financial instruments (Continued)**

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

As of December 31, 2009, the carrying amounts of the Company's financial instruments, including cash and cash equivalents, trade and other receivables, trade, bills and other payables, short-term bank loans and loan from Lin Tan approximate their fair values due to the short-term maturity.

Basic and diluted earnings (loss) per share

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

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

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements. Recently issued accounting pronouncements  
Adoption of FASB Accounting Standards Codification

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

Adoption of FASB ASC 805

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





**Golden Elephant Glass Technology, Inc.**  
**Notes to Consolidated Financial Statements**  
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**4. Summary of significant accounting policies (Cont d)**

Recently issued accounting pronouncements (Cont d)

Adoption of FASB ASC 805-20

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

Adoption of FASB ASC 815

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

Adoption of FASB ASC 350-30

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

Adoption of FASB ASC 860

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

Adoption of FASB ASU 2009-05

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

issuance and did not have a material impact on our consolidated financial position or results of operations.

**Golden Elephant Glass Technology, Inc.**  
**Notes to Consolidated Financial Statements**  
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**4. Summary of significant accounting policies (Cont d)**

Recently issued accounting pronouncements (Cont d)

Adoption of FASB ASU 2009-13

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

**5. Interest costs**

	Year ended December 31,	
	2009	2008
Interest expenses	\$ 1,852,716	\$ 1,369,173
Bills discounting charges	-	46,312
Bank charges and net exchange loss	605	7,787
<b>Total</b>	<b>\$ 1,853,321</b>	<b>\$ 1,423,272</b>

**6. Income taxes**

United States

The Company is incorporated in the United States of America and is subject to United States of America tax law. No provisions for income taxes have been made as the Company has no taxable income for the reporting periods. The applicable income tax rates for the Company for the reporting periods are 34%. The Company has not provided deferred taxed on undistributed earnings of its non-U.S. subsidiaries as of December 31, 2009, as it is the Company's current policy to reinvest these earnings in non-U.S. operations.

BVI

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

PRC

Before the implementation of the new enterprise income tax (EIT) law (as discussed below), Foreign Invested Enterprises (FIE) established in the PRC are generally granted certain benefits or holiday by the relevant tax authority. On March 16, 2007, the National People's Congress of China passed the new Corporate Income Tax Law (EIT Law), and on November 28, 2007, the State Council of China passed the Implementing Rules for the EIT Law (Implementing Rules) which took effect on January 1, 2008. The EIT Law and Implementing Rules impose a unified EIT of 25% on all domestic-invested enterprises and FIEs, unless they qualify under certain

limited exceptions. Therefore, nearly all FIEs are subject to the new tax rate alongside other domestic businesses rather than benefiting from the old tax laws applicable to FIEs, and its associated preferential tax treatments, beginning January 1, 2008.

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**6. Income taxes (Cont d)**

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

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

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes ( FIN 48 ). This interpretation requires recognition and measurement of uncertain income tax positions using a more-likely-than-not approach. The Company adopted FIN 48 on January 1, 2007. The management evaluated the Company's tax positions and considered that no additional provision for uncertainty in income taxes is necessary as of December 31, 2009.

The components of the provision for income taxes from continuing operations are: -

	Year ended December 31,	
	2009	2008
Current taxes - PRC	-	\$ 69,138
Deferred taxes - PRC	314,411	15,930
Totals	\$ 314,411	\$ 85,068

The effective income tax expenses from continuing operations in the PRC as follows:

	Year ended December 31,	
	2009	2008
Provision for income taxes at statutory income tax rate	\$ (2,610,528)	\$ (917,207)
Non-deductible items for tax	1,178,365	2,752,770
Income not subject to tax	-	(380,738)
Tax holiday	-	(1,369,757)
Utilization of tax losses	-	-
Others	1,746,574	-
Totals	\$ 314,411	\$ 85,068

The company has suspended production since 2008. There is material uncertainty about future taxable income. The management does not recognize the deferred tax asset in 2009 and the beginning deferred tax assets were written off.

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**7. Loss per share**

The following table sets forth the computation of basic and diluted earnings per share ( EPS ) for the reporting periods:

	Year ended December 31,	
	2009	2008
<b>Numerator:</b>		
Net loss	\$ (10,756,523)	\$ (3,748,901)
<b>Denominator</b>		
Weighted average common shares used to compute basic EPS	28,623,996	26,263,342
Dilutive potential from assumed exercise of warrants	-	31,235
Weighted average common shares used to compute diluted EPS	28,623,996	26,294,577
Loss per share - Basic	\$ (0.38)	\$ (0.14)
Loss per share - Diluted	\$ (0.38)	\$ (0.14)

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

**8. Restricted cash, bills and trade payables**

	As of December 31,	
	2009	2008
Bank deposits held as collateral for bills payable	\$ -	\$ 733,500

The Company is requested by certain of its suppliers to settle by issuance of bills for which the banks add their undertakings to guarantee their settlement at maturity. These bills are interest-free with maturity of three to six months from date of issuance. As security for the banks undertakings, the Company is required to make deposits with these banks equal to 30% to 100% of the amounts of these bills at the time of issuance, pledge restricted cash, and pay certain bank charges. In 2009, these deposits were used to settle a portion of these bills.

Trade payables represent trade creditors on open account. They are interest-free and unsecured.

**9. Trade receivables**

	As of December 31,	
	2009	2008
Trade receivables	\$ 14,430,914	\$ 15,036,843
Allowance for doubtful accounts	(10,547,104)	(7,143,713)
Balance at end of year	\$ 3,883,810	\$ 7,893,130



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**9. Trade receivables (Cont d)**

An analysis of the allowance for doubtful accounts for the years ended December 31, 2009 and 2008 is as follows:

	Year ended December 31,	
	2009	2008
Balance at beginning of year	\$ 7,143,713	\$ 27,677
Addition for bad debt expense	3,403,391	7,116,036
Balance at end of year	\$ 10,547,104	\$ 7,143,713

**10. Other receivables**

	As of December 31,	
	2009	2008
Advances to third parties	\$ 2,337,369	\$ 1,694,228
Advance to staff	221,833	223,183
Other receivables	500,000	520,511
	3,059,202	2,437,922
Allowance for doubtful accounts	(1,172,902)	(66,408)
Balance at end of year	\$ 1,886,300	\$ 2,371,514

An analysis of the allowance for doubtful accounts for the years ended December 31, 2009 and 2008 is as follows:

	Year ended December 31,	
	2009	2008
Balance at beginning of year	\$ 66,408	\$ 466,707
Addition/(Reversal) for bad debt expense	1,106,494	(400,299)
Balance at end of year	\$ 1,172,902	\$ 66,408

**11. Prepayments**

	As of December 31,	
	2009	2008
Prepayment for raw materials	\$ 1,593,043	\$ 2,856,226
Prepayment for rental expenses	690,755	1,133,218
Prepayment for other expenses	-	65,419
Prepayment for construction in progress	511,404	237,055
Total Prepayments	\$ 2,795,202	\$ 4,291,918



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**12. Inventories**

	As of December 31,	
	2009	2008
Raw materials	\$ 260,677	\$ 1,000,698
Finished goods	1,473,530	3,325,595
Consumables	41,397	41,005
	1,775,604	4,367,298
Provision for inventories	(203,576)	-
Balance at end of year	\$ 1,572,028	\$ 4,367,298

As of December 31, 2009, finished goods with carrying value of \$1,269,954 were pledged to the banks for the bank loans granted to the Company. See Note 22(b) (i).

**13. Property, plant and equipment**

	As of December 31,	
	2009	2008
Costs:		
Buildings	\$ 14,367,853	\$ 14,416,991
Plant and machinery	19,501,325	19,542,860
Office equipment	128,891	127,656
Leasehold improvements	3,861,381	3,894,586
Motor vehicles	362,550	478,683
Construction in progress	1,377,634	43,258
	39,599,634	38,484,034
Accumulated depreciation	(16,552,824)	(13,998,930)
Net	\$ 23,046,810	\$ 24,485,104

An analysis of assets pledged to banks for banking facilities (Note 22(b) (ii)) is as follows:

	As of December 31,	
	2009	2008
Costs:		
Buildings	\$ 10,228,227	\$ 10,228,227
Plant and machinery	7,221,824	7,221,824
	17,450,051	17,450,051
Accumulated depreciation	(5,456,688)	(4,576,278)
Net	\$ 11,993,363	\$ 12,873,773

(i)

During the two years ended December 31, 2009 and 2008, property, plant and equipment with carrying amount of \$39,168 and \$1,417,279 was disposed of at a total consideration of \$39,168 and \$1,417,279 respectively resulting in no gain or loss respectively.

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**13. Property, plant and equipment (Cont d)**

(ii) Construction in progress

Construction in progress mainly comprises capital expenditure for construction of the Company's production lines.

(iii) Impairment of property, plant and equipment

The carrying amount of property, plant and equipment is not recoverable if the recorded value of the asset group exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the property, plant and equipment. In 2008, the Company's business experienced downturns in the float glass markets, particularly in the fourth quarter of 2008. The decline in home and building construction negatively impacted the Company's business and extended the recovery time forecasted in these markets, triggering the impairment.

In late February 2009, the Company decided to implement a maintenance program for float glass production lines. During the maintenance period, all operations of the production lines and all manufacturing of the float glass products will be suspended. As a result and in connection with the Company's annual test for impairment, the Company determined that the recoverable value of the Company's property, plant and equipment was less than its carrying value in accordance with SFAS No. 144. Accordingly, the Company recorded an impairment loss of \$2,757,229 for the year of 2008.

**14. Land use right**

	As of December 31,	
	2009	2008
Land use right	\$ 3,399,240	\$ 3,116,313
Accumulated amortization	(543,879)	(303,077)
	\$ 2,855,361	\$ 2,813,236

The Company obtained the right from the relevant PRC land authority for a period from November 20, 2002 to September 18, 2052 to use the lands on which the office premises, production facilities and warehouse of the Company are situated. The Company pledged this right to a bank as part of its borrowings from the bank. See Note 22(b) (iii)).

**15. Trademark**

The Company currently owns a trademark, namely Golden Elephant which was registered in the PRC. The cost of application has been recognized as expenses when incurred.

**16. Sales receipt in advance**

The amount represents sales deposit received from local customers. The Company's sales in 2009 offset the sales receipt in advance by \$186,974.

	As of December 31,	
	2009	2008

Total sales receipt in advance	\$	314,423	\$	501,397
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**Golden Elephant Glass Technology, Inc.**  
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**17. Other payables and accrued expenses**

	As of December 31,	
	2009	2008
Accrued audit fee	\$ 89,869	\$ 99,756
Payable for acquisition of property, plant and equipment	176,766	1,081,470
Accruals for factory construction	-	6,723
Loans from third parties	1,603,026	1,433,762
Accrued legal and professional fee	4,386	150,868
Staff Payable	438,946	-
Other accrued expenses	346,740	543,667
Staff welfare payable	318,000	281,312
Other payables	158,769	153,379
Balance at end of year	\$ 3,136,502	\$ 3,750,937

Notes: Staff welfare payable represents accrued social pension, medical, workers' compensation and unemployment insurances. All of which are third parties insurance and the insurance premiums are based on certain percentage of salaries. The obligations of the Company are limited to those premiums contributed by the Company.

**18. Interest payable**

Interest payable is the accrued loan interest for short-term bank loans. The interest was accrued at a higher interest rate due to the loan past due status. (Note 22)

**19. Tax payable**

	As of December 31,	
	2009	2008
Value added tax	2,114,650	1,767,102
Enterprise income tax	70,121	70,361
Other tax	311,620	312,681
Balance at end of year	\$ 2,496,391	\$ 2,150,144

The Company filed their tax returns but did not make any payment in 2009. Management does not expect additional penalties and interest.

**20. Amount due to a director**

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

	As of December 31,	
	2009	2008
Total amount due to a director	\$ 104,358	\$ 37,527

**21. Related Party Transactions**

At December 31, 2008, \$1,108,343 was due from Ms. Lin Tan, a controlling shareholder and CEO of the Company's holding company. This loan to Ms. Tan is interest free and due on demand. The total amount of \$1,108,343 was offset by loan from Ms. Tan in 2009.

On May 17, 2006, Fuxin Hengrui together with, Ms, Tan, one of the directors of Fuxin Hengrui established Tianyuan in the PRC. On May 16, 2006, Fuxin Hengrui contributed \$131,355 to



**Golden Elephant Glass Technology, Inc.**  
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**21. Related Party Transactions (Cont d)**

Tianyuan paid-in capital, representing 35% equity interest. On January 16, 2008, Fuxin Hengrui acquired an additional 35% equity interest in Tianyuan from Ms. Tan for \$143,955, bringing its equity interest 70%. Tianyuan is principally engaged in manufacturing of coal water mixture to assess energy alternative for industrial boiler.

On May 17, 2008, Fuxin Hengrui disposed of its 70% equity interest in Tianyuan to a third party at a total consideration of \$709,200 (RMB5,000,000).

On May 6, 2008, Dollar Come entered into a loan agreement with Ms. Tan to borrow \$5,000,000 at the annual interest rate of 8% for working capital. The loan was unsecured and due no later than May 5, 2010. Under a July 30, 2008 agreement, \$3,260,000 of this loan was paid down with payment made to Fuxin Zhonglin Industry Limited and W.T. Construction Inc., both wholly owned by Ms. Tan. An additional \$1,108,343 of this loan was offset by advances to related party during 2009. The balance of this debt at December 31, 2009 is \$631,657.

The Company accrued interest payable related to amounts due to Ms. Tan totaling \$50,536 during 2009, and \$150,055 during 2008, respectively.

Additional disclosures relating to related party transactions are found in other parts of the notes to these financial statements.

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

	As of December 31,	
	2009	2008
Bank loans repayable as follows:		
Within 1 year - Note 22(a)	\$ 12,765,307	\$ 12,808,964

Notes:

- (a) The weighted-average interest rate for short-term loans as of December 31, 2009 and 2008, were 13.7% and 8.3%, respectively. These loans carry higher interest rates due to their being past due. Management does not expect additional penalties relating to their past due status. (Note 18)

As of December 31, 2009, the Company's banking facilities were as follows:

Facilities granted	Granted	Amount utilized	Unused
Secured bank loans	\$12,765,307	\$12,765,307	\$ -

- (b) The above banking facilities are secured by the following:
- Finished goods with carrying value of \$1,269,954 (Note 12);
  - Property, plant and equipment with carrying value of \$11,993,363 (Note 13);
  - Land use right with carrying value of \$2,855,361 (Note 14);
  - Guarantee executed by Lin Tan and third parties.

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**23. Commitments and contingencies**

a. Capital commitment

As of December 31, 2009, the Company had no capital commitments in respect of the acquisition of property, plant and equipment which contracted for but not provided in the financial statements.

b. Operating lease arrangement

As of December 31, 2009, the Company had one non-cancelable operating lease for its offices, factories and warehouses. The lease will expire in 2014 and the expected payments are as follows:

Within one year	\$	438,600
Two to five years		1,616,700
	\$	2,055,300

The rental expense relating to the operating leases was \$439,350 and \$432,398 for the two years ended December 31, 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.

The Company incurred normal routine pollutant discharge fees of nil and \$2,948 for the two years ended December 31, 2009 and 2008 respectively.

**24. Statutory reserves**

In accordance with the relevant laws and regulations of the PRC and articles of association of the Company, it is required to appropriate 10% of its net income, after offsetting any prior years' losses, to the statutory reserve. When the balance of such reserve reaches 50% of the registered capital, any further appropriation is optional. Upon approval from the board of directors of the Company, the statutory reserve can be used to offset accumulated losses or to increase registered capital.



**Golden Elephant Glass Technology, Inc.**  
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**25. Common stock and additional paid-in capital**

	<i>Common stock</i>		
	<i>Number of shares as Adjusted for forward stock split</i>	<i>\$Amount</i>	<i>Additional paid-in capital</i>
Balance, January 1, 2008 - Note 25(a)	23,751,710	\$ 237,517	\$ 7,513,186
Recapitalization - Note 25(b)	1,250,090	12,501	-
Shares issued for proceeds of \$5.07 million - Note 25(c)	3,338,790	33,388	5,041,575
Cost of raising capital	-	-	(2,503,383)
Warrants issued in connection with private placement - Note 28	-	-	252,947
Shares issued in connection with private placement - Note 25(d)	283,406	2,834	1,697,602
Balance, December 31, 2008	28,623,996	\$ 286,240	\$ 12,001,927
Balance, December 31, 2009	28,623,996	\$ 286,240	\$ 12,001,927

Notes:

- (a) On March 31, 2008, the Company issued 23,751,710 new shares of common stock, par value \$0.01 per share, to the stockholders of Dollar Come in exchange for 100% of the outstanding capital of Dollar Come to effect the reverse merger transaction.
- (b) The Company's issued and outstanding number of common stock immediately prior to the reverse merger is 1,250,090 shares are accounted for at \$(1,072) of net book value at the time of the reverse merger.
- (c) On July 24, 2008, the Company completed a private placement to accredited investors for 3,338,790 shares of its common stock raising \$5,074,963 in gross proceeds. In connection with this private placement, the Company paid a fee of \$355,247 cash to Roth Capital Partners, LLC and WLT Brothers Capital for their services as placement agent for the private placement, and also issued Roth Capital Partners, LLC a warrant for the purchase of 166,940 shares of the common stock in the aggregate,
- (d) In addition, for consultation and advisory services rendered for this private placement, on August 29, 2008, the Company issued to Haoaide Investment Advisory Co. 283,406 shares of its common stock. The value of these shares was accounted for as a cost of the private placement.

**26. Preferred Stock**

The Company's Articles of Incorporation authorize the board of directors to issue up to 10,000,000 shares of preferred stock. The preferred stock may be issued in one or more series, the terms of which may be determined at the time of issuance by the board of directors without further action by the stockholders. These terms may include voting rights

including the right to vote as a series on particular matters, preferences as to dividends and liquidation, conversion rights and redemption rights provisions. The issuance of any preferred stock could diminish the rights of holders of our common stock, and therefore could reduce the value of such common stock.

**27. Defined contribution plan**

Pursuant to the relevant PRC regulations, the Company is required to make contributions at a rate of 24.4% of average salaries of latest fiscal year ended of Liaoning Province Fuxin City to a defined contribution retirement scheme organized by a state-sponsored social insurance plan in respect of the retirement benefits for the Company's employees in the PRC. The only obligation of the Company with respect to retirement scheme is to make the required contributions under the plan. No forfeited contribution is available to reduce the contribution payable in the future years. The defined contribution plan contributions were charged to the consolidated statement of operations. The Company contributed \$30,108 and \$95,884 for the year ended December 31, 2009 and 2008, respectively.

**Golden Elephant Glass Technology, Inc.**  
**Notes to Consolidated Financial Statements**  
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**28. Segment information**

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

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

	Year ended December 31,	
	2009	2008
PRC	\$ 2,267,268	\$ 59,314,640
Others	-	1,409,320
Totals	\$ 2,267,268	\$ 60,723,960

**29. Stock-based compensation**

On July 24, 2008, the Company granted a warrant for the purchase of 166,940 shares of common stock with an exercise price of \$1.824 to Roth Capital Partners, LLC for the services in connection with the private placement on the same date.

The Company estimated the fair value of each warrant award on the date of grant using the Black-Scholes option-pricing model and the assumption noted in the following table. Expected volatility is based on the historical and implied volatility of a peer group of publicly traded entities. The expected term of warrants gave consideration to historical exercises, post-vesting cancellations and the warrants' contractual term. The risk-free rate for the expected term of the warrants is based on the U.S. Treasury Constant Maturity at the time of grant. The assumptions used to value warrants granted during the year ended December 31, 2008 were as follows:

	Year ended December 31, 2008
Risk free interest rate	2.92%
Expected volatility	214%
Expected life (years)	3

The grant-date fair value of a warrant granted is \$1.5152 per share. The Company valued the options by Black-Scholes option-pricing model with the amount of \$252,947, which recorded as cost of raising capital against additional paid-in capital in 2008.

**Golden Elephant Glass Technology, Inc.**  
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**30. Make good escrow agreement**

In connection with the 2008 private placement agreement, for the benefit of the investors, the Company's shareholder Win-Win Global Investments, Inc. ( Win-Win Global ) has agreed to place into escrow an aggregate of 1,669,398 shares for investors of common stock owned by Win-Win Global ( Escrow Shares ). One-half of the Escrow Shares ( Potential 2008 Make Good Shares ) were pledged to secure the Company's commitment to achieve the 2008 Guaranteed ATNI (as defined below) and one-half of the Escrow Shares ( Potential 2009 Make Good Shares ) were pledged to secure the Company's commitment to achieve the 2009 Guaranteed ATNI (as defined below).

If the After-Tax Net Income ( ATNI ) for the fiscal year ended December 31, 2008 was less than \$10,000,000, the first tranche 834,699 would be distributed to the investors for no additional consideration. If the ATNI for the fiscal year ending December 31, 2009 is less than \$14,000,000, the second tranche 834,699 would be distributed to the investors for no consideration. Any shares not distributed to the investors would be released back to Win-Win Global. For the purpose of determining whether or not the ATNI threshold has been met, the return of any shares to Win-Win Global will not be deemed an expense to the Company.

The ATNI is \$(3,748,901) for the fiscal year ended December 31, 2008 and thus the Company has not achieved the 2008 Guaranteed ATNI. The first tranche Escrow Shares 834,699 shares will be delivered to the investors.

The ATNI is \$(10,756,523) for the fiscal year ended December 31, 2009 and thus the Company has not achieved the 2009 Guaranteed ATNI. The second tranche Escrow Shares 834,699 shares will be delivered to the investors.

**31. Subsequent Events**

The Company has evaluated subsequent events through November 29, 2010, which is the date the financial statements were issued, and has concluded that no such events or transactions took place which would require disclosure herein.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

***Change from MaloneBailey LLP to Zhonglei Certified Public Accountants Co., Ltd.***

On April 26, 2010, our auditor, MaloneBailey LLP (the "Former Accountant") resigned as our independent accounting firm. On April 27, 2010, our board of directors (the "Board of Directors") accepted the Former Accountant's resignation and appointed Zhonglei Certified Public Accountants Co., Ltd (the "New Accountant") as our new independent public accounting firm. The decision to appoint the New Accountant as our independent accountant was approved by our Board of Directors on April 27, 2010.

The Former Accountant was appointed as our independent accounting firm on October 25, 2009. The Former Accountant did not issue any audit report on our financial statements from the appointment date of October 25, 2009 to the resignation date of April 26, 2010.

During our two most recent fiscal years and through the date of this report, we have had no disagreements, with the Former Accountant on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of the Former Accountant, would have caused it to make reference to the subject matter of such disagreements in its report on our financial statements for such periods, except that we disagree with the Former Accountant on their claim of existence of an audit scope limitation. On the date of resignation, the Former Accountant notified us that there existed an audit scope limitation related to the completion of the 2009 audit because there were 64 adjustments in the audited financial statements for the fiscal year ended December 30, 2008, and they did not receive satisfactory explanation from our management of certain material adjusting journal entries, which may have material impact on the financial statements as of and for the year ended December 31, 2009.

The following sets forth a few major examples of the Former Accountant's claims, to illustrate these adjustments and related scope limitation:

- i. The Former Accountant claimed that three were six prior year adjustments to accounts receivable and allowance for doubtful accounts of Fuxin Hengrui Technology Co., Ltd ("Hengrui"), one of our wholly-owned subsidiaries. Three of these adjustments impact accounts receivable, which were reclassification from customer deposit and other receivable accounts with total amount over \$1.3 million. The Former Accountant alleged that there were no supports showing which specific customer accounts were impacted and the Company could not provide reason for these adjustments. The other three adjustments were to the bad debt allowance account with total amount of approximately \$0.5 million. The Former Accountant alleged that the Company did not provide them with explanation as to which customer accounts were reserved for and how the conclusion was reached. The Former Accountant claimed that they were unable to conclude if and how these prior year adjustments should be rolled forward to fiscal year 2009 and they were unable to analyze AR aging and bad debt allowance at December 31, 2009.



- ii. The Former Accountant also claimed that there were several prior year adjustments to accounts payable of Hengrui, as to which the Company did not provide them with explanation. For example, there were two adjustments totalling approximately \$2.6 million (debit balance) which were reclassification from other liability and asset accounts. There were no details to support which vendor accounts these adjustments were related to. Another example was an adjustment of \$5.1 million (credit balance) which was reclassification from prepaid account to accounts payable. The Company was allegedly unable to provide details to support which vendor accounts this adjustment was related to. Therefore, the Former Accountant claimed that they were unable to determine the impact to accounts payable as of December 31, 2009.
- iii. There was a prior year adjustment of approximately RMB 0.3 million for inventory allowance (Lower of cost or market adjustment) to Hengrui, one of the Company's subsidiaries, that the Company allegedly could not provide explanation or calculation as to how the amount was determined.

The Former Accountant did not issue any audit report on our financial statements from the appointment date of October 25, 2009 to the resignation date of April 26, 2010. We were informed of the above issues which resulted in their conclusion of auditing scope limitation on the date of resignation and therefore no audit or similar committee of the board of directors, or the board of directors, discussed the subject matter of the disagreement with the Former Accountant. The management of the Company believed that they could provide sufficient explanation for all of the prior year adjustments and were unable to resolve the dispute with the Former Accountant on the date of resignation.

The Company has authorized the Former Accountant to respond fully to the inquiries of the New Accountant concerning the subject matter of the disagreement.

During the period from October 25, 2009 to the date of resignation, we did not experience any reportable events as set forth in Item 304(a)(1)(v) of Regulation S-K.

The Company did not consult with the New Accountant regarding the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and no written or oral advice was provided by the New Accountant that was a factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issues.

The Company has requested that the Former Accountant furnish it with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements. The requested letter was attached as Exhibit 16.1 to the Current Report on Form 8-K/A filed on August 30, 2010 and is incorporated herein by reference.

#### *New Independent Accountants*

Our Board of Directors approved the appointment of Zhonglei as our new independent registered public accounting firm effective as of April 27, 2010. During the two most recent fiscal years and through the date of our engagement, we did not consult with Zhonglei regarding either (1) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, or (2) any matter that was either the subject of a disagreement (as defined in Regulation S-K Item 304(a)(1)(v)), during the two most recent fiscal years.

Prior to engaging Zhonglei, did not provide our Company with either written or oral advice that was an important factor considered by our Company in reaching a decision to appoint Zhonglei as our new independent registered public accounting firm.

***Change from Zhonglei Certificated Public Accountants Co., Ltd to NW Pacific CPA, LLC.***

On July 21, 2010, our board of directors dismissed Zhonglei as our independent auditors and engaged NW Pacific CPA, LLC ("NW Pacific") to serve as our independent auditors. Pursuant to Item 304(a) of Regulation S-K under the Securities Act of 1933, as amended, and under the Securities Exchange Act of 1934, as amended, we report as follows:

- (a) (i) Zhonglei was terminated as our independent registered public accounting firm effective on July 21, 2010.
  - (ii) Zhonglei was appointed as our independent auditor on April 26, 2010 and did not issue any audit report on our financial statements through the date of its dismissal.
  - (iii) The dismissal of Zhonglei and engagement of NW Pacific were approved by our board of directors.
  - (iv) We and Zhonglei did not have any disagreements with regard to any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure for the audited financials for the fiscal year ended December 31, 2009 and 2008, and subsequent interim period ended March 31, 2010 and through the date of dismissal, which disagreements, if not resolved to the satisfaction of Zhonglei, would have caused it to make reference to the subject matter of the disagreements in connection with its reports.
  - (v) During the fiscal years ended December 31, 2009 and 2008, and subsequent interim period ended June 30, 2010 and through the date of dismissal, we did not experience any reportable events which constitute a reportable event under Item 304(a)(1)(v) of Regulation S-K.
- (b) (i) On July 21, 2010, we engaged NW Pacific to serve as our independent registered public accounting firm.
  - (ii) Prior to engaging NW Pacific, we have not consulted NW Pacific regarding the application of accounting principles to a specified transaction, completed or proposed, the type of audit opinion that might be rendered on our financial statements or a reportable event, nor did us consult with NW Pacific regarding any disagreements with our prior auditor on any matter of accounting principles or practices, financial statement disclosure, or auditing scope of procedure, which disagreements, if not resolved to the satisfaction of the prior auditor, would have caused it to make a reference to the subject matter of the disagreements in connection with its reports.
  - (iii) We did not have any disagreements with NW Pacific, and therefore, did not discuss any past disagreements with NW Pacific.

**ITEM 9A. CONTROLS AND PROCEDURES.**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of

1934. Based on their evaluation as of December 31, 2009, the end of the period covered by this Annual Report on Form 10-K, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective at a reasonable assurance level to ensure that the information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, including this Annual Report, were recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and was accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Our conclusion is based primarily on the material weakness in internal control over financial reporting which is noted below. We are in the process of considering changes in our disclosure controls and procedures.

## Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the filing of our Annual Report on Form 10-K, our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, our management used the criteria set forth by Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework*. Based on our assessment using those criteria, management believes that, as of December 31, 2009, our internal control over financial reporting is not effective based on those criteria. Our conclusion is based primarily on the occurrence of a significant number of out-of-period adjustments, which we believe primarily stems from the fact that we had limited accounting and financial staff during the year ended December 31, 2009 which did not possess the requisite qualifications. We are in the process of considering changes in our internal control over financial reporting in order to address the aforementioned deficiencies.

## Changes in Internal Control Over Financial Reporting

There have been no changes in our internal controls over financial reporting during the year ended December 31, 2009, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## ITEM 9B. OTHER INFORMATION.

None.

**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.****Directors and Executive Officers**

The following sets forth the name and position of each of our current executive officers and directors.

<b>NAME</b>	<b>AGE</b>	<b>POSITION</b>
Lin Tan	47	Chairman, Chief Executive Officer and President
Hong Tan	39	Chief Financial Officer, Treasurer, Secretary and Director
Fuyi Zhao	59	Director
Guangli Yang	52	Director
He Li	31	Director

**Tan Lin, 47, Chairman, Chief Executive Officer and President**

Ms. Tan has served as our Chairman, Chief Executive Officer and President since November 2009. Prior to that, she was the General Manager of Fuxin Hengrui Technology Co. Ltd and director and General Manager of Fuxin Floating Glass Co. Ltd from December 2009. From August 2007, Ms. Tan was also the Enterprise Legal Representative of Fuxin Floating Glass Co. Ltd. From July, 2007 through March 2008, she was a director and Enterprise Legal Representative of Fuxin Hengrui Technology Co. Ltd. From 2005 -2 006, she was the Chairwoman of Fuxin Hengrui Technology Co. Ltd. and was in charge of the Company's restructuring and going public endeavors. Ms. Tan holds a Bachelor degree in Mechanics and Automation from Liaoning Technology and Engineering University and a Bachelor and Master degree in Mining Management from the Liaoning Technology and Engineering University.

**Hong Tan, 39, Chief Financial Officer**

Ms. Tan has been our Chief Financial Officer, Treasurer, Secretary and a member of our Board of Directors since February 24, 2009. Ms. Tang has served as the director of Win-Win Global Investments, Inc. since June 2006. Prior joining Win-Win Global Investments, Inc., she was the financial director of Fuxin Zhixin Technology Co., Ltd. from 2002 to 2006. She has a Bachelor s Degree in accounting and attended the accounting training program at Qinghua University from 2004 to 2006.

**Guangli Yang, 52, Director**

Ms. Yang has been a member of our Board of Directors since February 24, 2009. Ms. Yang has over 25 years of accounting, auditing and consulting experience. She has served as the business director of Liaoning Boyuqi Accounting Firm since 2007 and the Vice President of Finance of Jinzhou Hengda International Logistics Development Co., Ltd. since 2008. Prior to joining Liaoning Boyuqi Accounting Firm, Ms. Yang worked as the director of the auditing department of Jinzhou Chengxin Accounting Firm from 1995 to 2007. Ms. Yang has a Bachelor s Degree in economics.

**Fuyi Zhao, 59, Director**

Mr. Zhao has been a member of our Board of Directors since February 24, 2009. Mr. Zhao is the secretary general of the Building Material Industry Association of Liaoning Province. He served as the general manager of Shenyang Xingguang Cement Company from 1999 to 2008. Mr. Zhao has extensive management and sales experience in the building material area and holds a Master s Degree in business management.

**He Li, 31, Director**

Ms. Li has been a member of our Board of Directors since February 24, 2009. Ms. Li has served as the chairperson and general manager of JJLC Pty Ltd. since 2006 and the customer consultant of ANZ Bank since 2007. She also served as the marketing director of Salvatore Ferragamo and Aunew Group in 2008. Ms. Li holds a Bachelor's Degree in financing.

Except as noted above, there are no agreements or understandings for any of our executive officers or directors to resign at the request of another person and no officer or director is acting on behalf of, nor will any of them act at the direction of, any other person. Directors are elected until their successors are duly elected and qualified.

### **Family Relationships**

Ms. Lin Tan is the sister of our Chief Financial Officer, Ms. Hong Tan. Except for that, there are no other family relationships among our officers and directors.

### **Involvement in Certain Legal Proceedings**

To the best of our knowledge, none of our directors or executive officers has been convicted in a criminal proceeding, excluding traffic violations or similar misdemeanors, or has been a party to any judicial or administrative proceeding during the past five years that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws, except for matters that were dismissed without sanction or settlement. Except as set forth in our discussion below in Certain Relationships and Related Transactions, and Director Independence, none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

### **Promoters and Certain Control Persons**

We did not have any promoters at any time during the past five fiscal years.

### **Section 16(A) Beneficial Ownership Reporting Compliance**

Under U.S. securities laws, directors, certain executive officers and persons holding more than 10% of our common stock must report their initial ownership of the common stock, and any changes in that ownership, to the SEC. The SEC has designated specific due dates for these reports. Based solely on our review of copies of such reports filed with the SEC, we believe that the required reports were filed on time in fiscal year 2009.

### **Code of Ethics**

We have not adopted a code ethics. However, we intend to adopt a code of ethics in the future. We envision that the code of ethics will apply to all of our employees, officers and directors.

### **Material Changes to Director Nomination Procedures**

There have been no material changes to the procedures by which stockholders may recommend nominees to our board of directors since such procedures were last disclosed.

### **Audit Committee and Audit Committee Financial Expert**

Our Board of Directors established an audit committee on March 3, 2009 and appointed Mr. Fuyi Zhao, Ms. Guangli Yang and Ms. He Li to serve as members of the committee, each of whom our board determined to be independent as that term is defined by Rule 4200(a)(15) of the Marketplace Rules of The Nasdaq Stock Market, Inc. Ms. Yang was appointed as the Chair of the audit committee.





Our audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. Our audit committee is responsible for, among other things:

- selecting our independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by our independent auditors;
- reviewing with our independent auditors any audit problems or difficulties and management's response;
- reviewing and approving all proposed related-party transactions;
- discussing the annual audited financial statements with management and our independent auditors;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of significant internal control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and our internal and independent auditors;
- reporting regularly to the full board of directors; and
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

Our board of directors has determined that Ms. Yang possesses the accounting or related financial management experience that qualifies her as financially sophisticated within the meaning of Rule 4350(d)(2)(A) of the Nasdaq Marketplace Rules and that she is an audit committee financial expert as defined by the rules and regulations of the SEC.

#### ITEM 11. EXECUTIVE COMPENSATION.

##### Summary Compensation Table 2009 and 2008

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to the named persons for services rendered in all capacities during the noted periods. No other executive officers received total annual salary and bonus compensation in excess of \$100,000.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	All Other Compensation (\$)	Total (\$)
Lin Tan	2008	0	0	0	0
Chairman, President and CEO	2009	35,088	0	0	35,088
Hong Tan	2008	0	0	0	0
Chief Financial Officer	2009	0	0	0	0

##### Employment Agreements

On March 3, 2009, we entered into an employment agreement with our Chief Financial Officer, Ms. Hong Tan. Pursuant to the employment agreement, we agreed to pay Ms. Tan an annual salary of RMB 200,000 (approximately US\$33,333) and she will be eligible for performance based bonuses as determined in the sole discretion of the Company's Board of Directors. The term of the employment agreement is for two (2) years. The employment agreement also contains customary non-solicitation, non-competition and confidentiality provisions.

**Outstanding Equity Awards at Fiscal Year End**

None of our executive officers received any equity awards, including, options, restricted stock or other equity incentives during the fiscal year ended December 31, 2009.

**Compensation of Directors**

The following table sets forth certain information concerning the compensation paid to our directors for services rendered to us during the fiscal year ending December 31, 2009:

Name	Fees earned or paid in cash	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Fuyi Zhao	0	0	0	0	0	0	0
Guangli Yang	0	0	0	0	0	0	0
He Li	0	0	0	0	0	0	0

On February 24, 2009, we entered into independent director agreements with Mr. Fuyi Zhao, Ms. Guangli Yang and Ms. He Li. Under the terms of the independent director agreements, we agreed to pay Mr. Zhao an annual fee of RMB 20,000 (approximately \$3,333), Ms. Yang an annual fee of RMB 25,000 (approximately \$4,167) and Ms. Li an annual fee of RMB 20,000 (approximately \$3,333), as compensation for the services to be provided by them as independent directors. In addition, we agreed to reimburse the directors for pre-approved reasonable business related expenses incurred in good faith in the performance of their duties for the Company. The independent director agreements also contain customary non-competition and confidentiality provisions.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.****Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth, as of December 31, 2009, certain information with respect to the beneficial ownership of our common stock by (i) each director and executive officer, (ii) each person known by us to be the beneficial owner of five percent or more of the outstanding shares of common stock, and (iii) all directors and executive officers as a group. Unless otherwise indicated, the person or entity listed in the table is the beneficial owner of, and has sole voting and investment power with respect to, the shares indicated. Unless otherwise specified, the address of each of the persons set forth below is in care of the Company at 123 Chuangye Road, Haizhou District, Fuxin City, Liaoning Province, People's Republic of China.

Name & Address of Beneficial Owner	Office, If Any	Amount and Nature of Beneficial Ownership <sup>(1)</sup>	Percent of Class <sup>(2)</sup>
Lin Tan <sup>(3)</sup>	Chairman, CEO and President	15,438,612	53.9%
Hong Tan	CFO and Director	1,425,103	5.0%

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Fuyi Zhao	Director	0	*
Guangli Yang	Director	0	*
He Li	Director	0	*
All officers and directors as a group (5 persons named above)		16,863,715	58.9%

**5% Security Holders**

Money Victory Limited	15,438,612	53.9%
LihuiSong <sup>(4)</sup>	15,438,612	53.9%
Win-Win Global Investments Inc.	7,125,513	24.9%
Yan Tan <sup>(5)</sup>	5,700,410	19.9%
Hong Tan <sup>(6)</sup>	1,425,103	5.0%

\*Less than 1%

- (1) Beneficial Ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Each of the beneficial owners listed above has direct ownership of and sole voting power and investment power with respect to the shares of our common stock.
- (2) As of March 31, 2010, a total of 28,623,996 shares of our common stock are considered to be outstanding pursuant to SEC Rule 13d-3(d)(1). For each Beneficial Owner above, any options exercisable within 60 days have been included in the denominator.
- (3) Includes 15,438,612 shares held by Money Victory Limited, a BVI company, of which Lin Tan is a 77.51% owner. Mr. Song disclaims his beneficial ownership of shares of our common stock held by Money Victory Limited except to the extent of his pecuniary interest therein..
- (4) Includes 15,438,612 shares held by Money Victory Limited, a BVI company, of which Ms. Lin Tan, wife of Lihui Song, is a 77.51% owner. Ms. Tan disclaims her beneficial ownership of shares of our common stock held by Money Victory Limited except to the extent of her pecuniary interest therein. Ms. Lin Tan is the sister of Ms. Hong Tan, our CFO, and Ms. Yan Tan.
- (5) Includes 5,700,410 shares held by Win-Win Global Investments Inc., a BVI company, for which Ms. Yan Tan is deemed to be the 80% beneficial owner.
- (6) Includes 1,425,103 shares held by Win-Win Global Investments Inc., a BVI company, for which Ms. Hong Tan is deemed to be the 20% beneficial owner.

#### **Changes in Control**

There are currently no arrangements which may result in a change in control of the Company.

#### **Securities Authorized for Issuances under Equity Compensation Plans**

We do not have in effect any compensation plans under which our equity securities are authorized for issuance and we do not have any outstanding stock options.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

##### **Related Party Transactions**

The following includes a summary of transactions since the beginning of the 2009 fiscal year, or any currently proposed transaction, in which we were or are to be a participant and the amount involved that exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years, and in which any related person had or will have a direct or indirect material interest (other than compensation described under Item 11. Executive Compensation ). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

At December 31, 2008, \$1,108,343 was due from Ms. Lin Tan, a controlling shareholder and CEO of the Company's holding company. This loan to Ms. Tan is interest free and due on demand. The total amount of \$1,108,343 was offset by loan from Ms. Tan in 2009.

On May 6, 2008, Dollar Come entered into a loan agreement with Ms. Tan to borrow \$5,000,000 at the annual interest rate of 8% for working capital. The loan was unsecured and due no later than May 5, 2010. Under a July 30, 2008 agreement, \$3,260,000 of this loan was paid down with payment made to Fuxin Zhonglin Industry Limited and W.T. Construction Inc., both wholly owned by Ms. Tan. An additional \$1,108,343 of this loan was offset by advances to related party during 2009. The balance of this debt at December 31, 2009 is \$631,657.

The Company accrued interest payable related to amounts due to Ms. Tan totaling \$50,536 during 2009, and \$150,055 during 2008, respectively.

Except as set forth in our discussion above, none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

The company is controlled by Money Victory Limited, a holding company that owns 53.9% of our outstanding common stock, and by Win-Win Global Investments Inc., a holding company that owns 24.9% of our outstanding common stock. Money Victory Limited is owned 77.51% by Ms. Lin Tan and Win-Win Global Investments Inc. is owned 20% by Ms. Hong Tan and 80% by Ms. Yan Tan.

#### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

##### Independent Auditors Fees

The following is a summary of the fees billed to the Company by PKF Hong Kong, Certified Public Accounts and NW Pacific CPA, LLC for professional services rendered for the fiscal years ended December 31, 2009 and 2008:

	Year Ended December 31,	
	2009	2008
Audit Fees	\$ 90,354	\$ 98,022
Audit-Related Fees	\$ 0	\$ 34,596
Tax Fees	\$ 0	\$ 0
All Other Fees	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 90,354</b>	<b>\$ 132,618</b>

Audit Fees consisted of fees billed for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our Form 10-Q or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

Audit-Related Fees consisted of fees billed for assurance and related services by the principal accountant that were reasonably related to the performance of the audit or review of the our financial statements and are not reported under the paragraph captioned Audit Fees above.

Tax Fees consisted of fees billed for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning.

All Other Fees consisted of fees billed for products and services provided by the principal accountant, other than the services reported above under other captions of this Item 14.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

#### Financial Statements and Schedules

The financial statements are set forth under Item 8 of this Annual Report on Form 10-K. Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

#### Exhibit List

The following exhibits are filed as part of this report or incorporated by reference:

Exhibit No.	Description
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<u>31.1</u>	<u>Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.2</u>	<u>Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.1</u>	<u>Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>32.2</u>	<u>Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

**SIGNATURES**

In accordance with section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereto duly authorized individual.

Date: December 22, 2010

**GOLDEN ELEPHANT GLASS TECHNOLOGY, INC.**

By: /s/ Lin

Tan

Lin Tan

Chief Executive Officer and President

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ Lin Tan Lin Tan	Chairman, Chief Executive Officer and President (Principal Executive Officer)	December 22, 2010
/s/ Hong Tan Hong Tan	Chief Financial Officer, Treasurer, Secretary and Director (Principal Financial and Accounting Officer)	December 22, 2010
/s/ Fuyi Zhao Fuyi Zhao	Director	December 22, 2010
/s/ Guangli Yang Guangli Yang	Director	December 22, 2010
/s/ He Li He Li	Director	December 22, 2010