

Golden Elephant Glass Technology, Inc.
Form 10-Q
November 14, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 2008

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

Commission File Number: 000-21071

GOLDEN ELEPHANT GLASS TECHNOLOGY, INC

(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of)

88-0309578
(I.R.S. Employer Identification No.)

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incorporation or organization)

Golden Elephant Glass Technology, Inc.

123 Chuangye Road, Haizhou District,

Fuxin City, Liaoning Province, PRC 123000

(Address of principal executive offices, Zip Code)

(86) 418-399-5066

(Registrant's telephone number, including area code)

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

Yes

Q No £

Indicate by check mark whether the registrant is a larger accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer

£ Accelerated filer Non-accelerated filer £ Smaller reporting company Q

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

Yes £ No

Q

The number of shares outstanding of each of the issuer's classes of common equity, as of November 14, 2008 is as follows:

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

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PART I.

FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS.

GOLDEN ELEPHANT GLASS TECHNOLOGY, INC. (FORMERLY NEVSTAR CORPORATION)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30,2008

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Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)
Condensed Consolidated Statements of Income and Other Comprehensive Income
For the three and nine months ended September 30, 2008 and 2007
(Unaudited)
(Stated in US Dollars)

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|---------------------------------------------------|---------------------------|---------------|--------------------------|---------------|
| | <i>September 30</i> | | <i>September 30</i> | |
| | <i>(unaudited)</i> | | <i>(unaudited)</i> | |
| | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> |
| Revenue | | | | |
| Sales revenues - Note 19 | \$ 17,416,252 | \$ 13,146,634 | \$ 44,590,486 | \$ 39,546,567 |
| Cost of sales | (12,158,615) | (9,536,341) | (33,127,631) | (30,335,870) |
| Gross profit | 5,257,637 | 3,610,293 | 11,462,855 | 9,210,697 |
| Other operating income | | | | |
| Bad debts recovered | - | - | 157,794 | - |
| (Increase)/decrease in provision for bad debts | (64,870) | (93,435) | 388,341 | 119,128 |
| Gain on disposal of a subsidiary - Note 3(b) | - | - | 508,981 | - |
| Total other operating income | (64,870) | (93,435) | 1,055,116 | 119,128 |
| Operating expenses | | | | |
| Administrative expenses | 1,341,111 | 629,959 | 2,601,065 | 2,066,606 |
| Selling expenses | 67,885 | 116,041 | 169,738 | 649,792 |
| Total operating expenses | 1,408,996 | 746,000 | 2,770,803 | 2,716,398 |
| Income from operations | 3,783,771 | 2,770,858 | 9,747,168 | 6,613,427 |
| Interest income | 12,815 | 150 | 33,069 | 5,458 |
| Other income | 2,247 | 21,148 | 52,677 | 75,679 |
| Finance costs | (315,662) | (315,567) | (1,053,459) | (711,435) |
| Equity in net loss of an unconsolidated affiliate | - | (13,078) | - | (12,354) |
| Income before income taxes | 3,483,171 | 2,463,511 | 8,779,455 | 5,970,775 |
| Income taxes - Note 5 | 16,882 | (425,949) | (526,969) | (1,058,580) |
| Minority interests shares of loss | - | - | 4,994 | - |
| Net income | \$ 3,500,053 | \$ 2,037,562 | \$ 8,257,480 | \$ 4,912,195 |
| Other comprehensive income | | | | |
| Foreign currency translation adjustments | \$ (163,837) | \$ 147,017 | \$ 975,931 | \$ 328,693 |
| Comprehensive income | \$ 3,336,216 | \$ 2,184,579 | \$ 9,233,411 | \$ 5,240,888 |
| Earnings per share (Note 6) - Basic | \$ 0.13 | \$ 0.09 | \$ 0.32 | \$ 0.21 |
| - Diluted | \$ 0.13 | \$ 0.09 | \$ 0.32 | \$ 0.21 |

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Weighted average number of shares
outstanding (Note 6)

| | | | | |
|-----------|------------|------------|------------|------------|
| - Basic | 27,496,720 | 23,751,710 | 25,421,322 | 23,751,710 |
| - Diluted | 27,577,268 | 23,751,710 | 25,448,172 | 23,751,710 |

See the accompanying notes to condensed consolidated financial statements

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Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)
Condensed Consolidated Balance Sheets
As of September 30, 2008 and December 31, 2007
(Stated in US Dollars)

| | <i>September 30, 2008 (Unaudited)</i> | <i>December 31, 2007 (Audited)</i> |
|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------------|--------------------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 16,899 | \$ 62,660 |
| Restricted cash | 731,731 | 1,275,030 |
| Trade receivables (net of allowance of doubtful accounts of \$107,941 in 2008 and \$27,677 in 2007) - Note 7 | 9,147,391 | 5,749,984 |
| Bills receivable | 35,112 | - |
| Other receivables (net of allowance of doubtful accounts of \$15,201 in 2008 and \$395,576 in 2007) - Note 8 | 3,217,299 | 3,079,943 |
| Advances to staff (net of allowance of doubtful accounts of \$1,786 in 2008 and \$71,131 in 2007) - Note 9 | 333,795 | 316,016 |
| Prepayments - Note 10 | 5,750,048 | 1,794,416 |
| Inventories - Note 11 | 8,891,697 | 4,955,896 |
| Amount due from an unconsolidated affiliate | - | 878,261 |
| Deferred taxes | 11,411 | 132,030 |
| Total current assets | 28,135,383 | 18,244,236 |
| Investment in an unconsolidated affiliate | - | 55,105 |
| Property, plant and equipment, net - Note 12 | 27,881,545 | 27,408,880 |
| Construction in progress | 13,225 | - |
| Land use right | 2,821,261 | 2,930,020 |
| Goodwill | 393,831 | 393,831 |
| Deferred taxes | 185,356 | 177,459 |
| TOTAL ASSETS | \$ 59,430,601 | \$ 49,209,531 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| LIABILITIES | | |
| Current liabilities | | |
| Trade payables | \$ 11,733,242 | \$ 7,819,249 |
| Bills payable | 1,463,000 | 3,331,530 |
| Other payables and accrued expenses - Note 13 | 4,518,380 | 2,587,382 |
| Sales receipt in advance | 521,140 | 6,210,016 |
| Dividend payable | - | 630,660 |
| Income tax payable | 410,590 | 547,656 |
| Amount due to a director | - | 995,400 |
| Secured short-term bank loans - Note 14 | 12,788,668 | 14,589,359 |
| Unsecured loan - Note 15 | 1,740,000 | - |

| | | |
|--------------------------|------------|------------|
| TOTAL LIABILITIES | 33,175,020 | 36,711,252 |
|--------------------------|------------|------------|

COMMITMENTS AND CONTINGENCIES - Note 16**STOCKHOLDERS EQUITY**

| | | |
|-----------------------------------------------------------|------------|-----------|
| Preferred stock : par value \$0.01 per share | | |
| Authorized 10,000,000 shares, none issued and outstanding | - | - |
| Common stock : par value \$0.01 per share - Note 18 | | |
| Authorized 150,000,000 shares in 2008 and 2007; | | |
| issued and outstanding 28,623,996 shares in 2008 | | |
| and 23,751,710 shares in 2007 | 286,240 | 237,517 |
| Additional paid-in capital - Note 18 | 12,001,927 | 7,513,186 |
| Statutory reserves | 665,617 | 665,617 |
| Accumulated other comprehensive income | 2,052,266 | 1,076,335 |
| Retained earnings | 11,249,531 | 3,005,624 |

| | | |
|----------------------------------|------------|------------|
| TOTAL STOCKHOLDERS EQUITY | 26,255,581 | 12,498,279 |
|----------------------------------|------------|------------|

| | | |
|--------------------------------------------------|---------------|---------------|
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | \$ 59,430,601 | \$ 49,209,531 |
|--------------------------------------------------|---------------|---------------|

See the accompanying notes to condensed consolidated financial statements

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)
Condensed Consolidated Statements of Cash Flows
For the nine months ended September 30, 2008 and 2007
(Unaudited)
(Stated in US Dollars)

| | <i>Nine months ended September 30</i> | |
|-----------------------------------------------------------------------------------------|---------------------------------------|--------------|
| | <i>(Unaudited)</i> | |
| | <i>2008</i> | <i>2007</i> |
| Cash flows from operating activities | | |
| Net income | \$ 8,257,480 | \$ 4,912,195 |
| Adjustments to reconcile net income to net cash flows provided by operating activities: | | |
| Depreciation | 2,154,692 | 1,844,613 |
| Amortization of land use right | 46,141 | 46,430 |
| Deferred taxes | 127,338 | 199,294 |
| Gain on disposal of a subsidiary | (508,981) | - |
| Recovery of doubtful debts | (388,341) | (119,128) |
| Equity in net loss of an unconsolidated affiliate | - | 12,354 |
| Minority interests | (4,994) | - |
| Changes in operating assets and liabilities: | | |
| Trade receivables | (3,079,911) | (2,159,085) |
| Other receivables | (410,530) | 1,136,173 |
| Advances to staff | 119,415 | 34,566 |
| Prepayments | (3,744,045) | (3,662,079) |
| Inventories | (3,617,384) | 3,165,523 |
| Bills receivable | (32,650) | - |
| Trade payables | 3,372,031 | 1,139,449 |
| Bills payable | (2,093,377) | 1,044,800 |
| Other payables and accrued expenses | 1,733,704 | 2,251,194 |
| Sales receipt in advance | (6,055,693) | (6,995,607) |
| Amount due to a director | - | 6,991 |
| Amount due from a director | (14,561) | - |
| Amount due from an unconsolidated affiliate | - | (299,767) |
| Income tax payable | (170,977) | 859,286 |
| Net cash flows (used in)/provided by operating activities | (4,310,643) | 3,417,202 |
| Cash flows from investing activities | | |
| Payments to acquire property, plant and equipment | \$ (2,314,870) | \$ (60,155) |
| Sale proceeds for disposal of land use right | 246,759 | - |
| Payment to acquire a subsidiary - Note 3(a) | (135,594) | - |
| Proceeds from disposal of property, plant and equipment | 1,432,393 | 26,120 |
| Cash inflow from RTO | 464 | - |
| Cash outflow from disposal of a subsidiary - Note 3(b) | (163) | - |
| Payment for construction in progress | (5,991) | - |
| Decrease/(increase) in restricted cash | 629,245 | (393,560) |
| Net cash flows used in investing activities | (147,757) | (427,595) |

| Cash flows from financing activities | | |
|-----------------------------------------------------------------------------------|----------------|--------------|
| Advances to related parties | \$ (2,846,451) | \$ - |
| Amount due to Tianyuan | 1,121,022 | - |
| Dividend paid to stockholders/Fuxin Hengrui's ex-stockholders | (642,942) | (574,640) |
| Proceeds from unsecured loan | 5,000,000 | - |
| Proceeds from bank loans | - | 6,063,758 |
| Repayment of bank loans | (2,711,520) | (7,533,216) |
| Proceeds from issuance of shares, net of direct share issue expenses of \$550,000 | 4,524,963 | - |
| Net cash flows provided by/(used in) financing activities | 4,445,072 | (2,044,098) |
| Effect of foreign currency translation on cash and cash equivalents | (32,433) | 41,737 |
| Net (decrease)/increase in cash and cash equivalents | (45,761) | 987,246 |
| Cash and cash equivalents - beginning of period | 62,660 | 529,208 |
| Cash and cash equivalents - end of period | \$ 16,899 | \$ 1,516,454 |

Supplemental disclosures for cash flow information:

| | | |
|---------------------------------------------------------------------------|------------|------------|
| Cash paid for: | | |
| Interest | \$ 905,636 | \$ 450,253 |
| Income taxes | 582,809 | - |
| Non-cash financing activities: | | |
| Consideration of disposal of a subsidiary offset by other payable | \$ 709,200 | \$ - |
| Partial of unsecured loan offset by advances to related parties - Note 15 | 3,260,000 | - |
| See the accompanying notes to condensed consolidated financial statements | | |

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)

Notes to Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Unaudited)

(Stated in US Dollars)

1. Corporation information

Golden Elephant Glass Technology, Inc. (the Company) was incorporated in State of Nevada on December 2, 1993 under the name of Nevstar Corporation. On April 21, 2008, the board of directors of the Company authorized the amendment to the Company's Articles of Incorporation to change its name to "Golden Elephant Glass Technology, Inc." (the "Amendment"). On the same date, stockholders holding a majority of the outstanding shares of the common stock of the Company approved the Amendment by written consent.

The Company's shares are quoted for trading on the Over-The-Counter Bulletin Board (OTCBB) in the United States of America.

On June 11, 2008, as a result of the name change, the Company's trading symbol on the OTCBB has changed from NVSC.OB to "GOEG.OB".

Pursuant to the Share Exchange Agreement dated March 31, 2008, the Company acquired 100% ownership interest in Dollar Come Investments Limited (Dollar Come), a limited company incorporated in the British Virgin Islands on February 12, 2004 with authorized common stock of \$50,000 divided into 50,000 ordinary shares of \$1 each, in consideration for the issuance of the Company's 23,751,710 new shares to the former stockholders of Dollar Come (Dollar Come Former Stockholders).

The aforesaid transaction was completed on March 31, 2008 and thereafter Dollar Come became a wholly owned subsidiary of the Company and Dollar Come Former Stockholders became the majority stockholders of the Company. This transaction constituted a reverse takeover transaction (RTO).

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, subject to approval of an amendment of the Company's Amended and Restated Bylaws, in connection with the Company's reverse acquisition with Dollar Come.

On July 24, 2008, the Company completed a private placement pursuant to which the Company issued and sold 3,338,790 shares of its common stock to certain accredited investors for \$5,074,963 in gross proceeds. In connection with this private placement, the Company paid a fee of \$355,247 to Roth Capital Partners, LLC and WLT Brothers Capital for their services as placement agent for the private placement and issued Roth Capital Partners, LLC a warrant for the purchase of 166,940 shares of the common stock in the aggregate.

On August 29, 2008, the Company issued to New Fortress Group Limited 283,406 shares of its common stock for the advisory and consulting services rendered by Haoaide Investment Advisory Co., Limited in connection with the private placement transaction described above. Haoaide Investment Advisory Co., Limited assigned its rights to receive the common stock to New Fortress Group Limited.

Dollar Come is a holding company whose primary operations are conducted through its subsidiaries located in the Liuling Province of the People's Republic of China (the PRC).

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

Sources Co., Ltd. (Tianyuan).

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)

Notes to Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Unaudited)

(Stated in US Dollars)

1. Corporate information (Cont d)

Fuxin Hengrui was incorporated in the PRC on September 18, 2002 with registered capital of \$5,030,000 (RMB41,600,000, which are not divided into shares) and engaged in manufacture and distribution of float glasses in Liuling Province. The entire equity interest of Fuxin Hengrui was directly held by Dollar Come.

Xianheng was incorporated in the PRC on April 1, 2004 with registered capital of \$60,500 (RMB500,000, which are not divided into shares) of which 25% equity interest was directly held by Dollar Come whilst 75% equity interest was indirectly held by Dollar Come through Fuxin Hengrui. During the reporting periods, Xianheng engaged in manufacture and distribution of float and ultra-clear glasses in Liuling Province since June 1, 2008.

On May 17, 2006, Fuxin Hengrui together with, Madam Lin Tan (Madam Tan), one of the directors of Fuxin Hengrui established Tianyuan in the PRC with registered capital of \$1,251,000 (RMB10 million, which are not dividend into shares). On May 16, 2006, according to the payment schedule, Fuxin Hengrui contributed \$131,355 to its registered capital representing 35% equity interest. Pursuant to a special resolution passed on October 12, 2007, the registered capital of Tianyuan was reduced from \$1,251,000 to \$375,000 which was effective from January 16, 2008. On January 16, 2008, Fuxin Hengrui further acquired 35% equity interest in Tianyuan from Madam Tan at a total consideration of \$143,955, and thereafter, Tianyuan become a subsidiary of Nevstar. 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).

More details and accounting treatment on investment in Tianyuan are set out in Note 3.

2. Description of business

Following the RTO as detailed in note 3, 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 flat 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 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 Liuling Province of the PRC.

3. Basis of presentation

Pursuant to the Share Exchange Agreement dated on March 31, 2008, the Company issued 23,751,710 new shares, par value \$0.01 per share, to the stockholders of Dollar Come, representing approximately 95% of the Company post-exchange issued and outstanding common stock, in exchange for 100% of the outstanding capital stock of Dollar Come.

The RTO 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 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.

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)
Notes to Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2008 and 2007
(Unaudited)
(Stated in US Dollars)

3. Basis of presentation (Cont d)

The accompanying consolidated financial statement of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America.

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 periods are included in the consolidated statement of income and comprehensive income from the effective date of acquisition or up to the date of disposal.

- (a) The Company acquired 35% equity interest in Tianyuan at a consideration of \$143,955 on January 16, 2008. The fair value of Tianyuan as of January 16, 2008 was as follows :-

| | <i>As of January 16, 2008</i> |
|-------------------------------------|---------------------------------------|
| Cash and cash equivalents | \$ 8,361 |
| Other receivables and prepayments | 625,451 |
| Property, plant and equipment, net | 575,726 |
| Inventories | 609,068 |
| Other assets | 76,091 |
| Other payables and accrued expenses | (405,255) |
| Other liabilities | (1,309,628) |
| Net assets | \$ 179,814 |
| 35% equity interest acquired | \$ 62,935 |
| Goodwill | 81,020 |
| Consideration | \$ 143,955 |
| Satisfied by :- | |
| Cash payment | \$ 143,955 |

Net cash paid to acquire Tianyuan \$ 135,594

As of March 31, 2008, the consolidated balance sheet reflects a goodwill identified on acquisition of Tianyuan of \$81,020 which represents the excess of the purchase price of \$143,955 over the attributable share (that is 35%) of fair value of acquired identifiable net assets of Tianyuan of \$62,935.

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)**Notes to Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2008 and 2007****(Unaudited)****(Stated in US Dollars)****3. Basis of presentation (Cont d)**

The following unaudited pro forma financial information presents the combined results of the Company with the operations of Tianyuan for three months ended March 31, 2008 as if the acquisition had occurred as of January 1, 2008 :-

| | <i>Three months ended March</i> | |
|-----------------------------------------------|---------------------------------|--------------|
| | <i>31,</i> | |
| | <i>(Unaudited)</i> | |
| | <i>2008</i> | <i>2007</i> |
| Revenue | \$ 11,825,710 | \$ 9,448,726 |
| Net income/(loss) | \$ 1,981,072 | \$ (393,606) |
| Earnings/(loss) per share : basic and diluted | \$ 0.08 | \$ (0.02) |

This unaudited pro forma financial information is presented for informational purposes only. The unaudited pro forma financial information may not necessarily reflect the future results of operations or the results of operations would have been had the Company owned and operated this business as of the beginning of the period presented.

- (b) According to the share transfer agreement signed between Fuxin Hengrui and a third party, Fuxin Hengrui disposed of its 70% equity interest in Tianyuan to a third party at a total consideration of \$709,200 (RMB5,000,000) with effective date from May 17, 2008.

The assets and liabilities arising from the disposal as of May 17, 2008 were as follows :-

| | |
|---------------------------------------------|------------|
| Property, plant and equipment | \$ 468,371 |
| Construction in progress | 113,626 |
| Inventories | 714,379 |
| Other receivables, deposits and prepayments | 734,812 |
| Cash and cash equivalents | 163 |
| Trade payables | (37,053) |
| Other payables and accruals | (546,570) |
| Amount due to a director | (245,616) |
| Amount due to a shareholder | (974,708) |
| Unsecured short-term loans | (57,120) |
| Minority interests | (51,085) |
| Net assets disposed | \$ 119,199 |
| Release on goodwill | 81,020 |
| Gain on disposal of a subsidiary | 508,981 |
| Consideration | \$ 709,200 |

Satisfied by :-

Non cash transaction arising from disposal :-

| | | |
|---------------------------------------------------|----|---------|
| Consideration offset by other payable of acquirer | \$ | 709,200 |
| Net cash outflow on disposal of Tianyuan | \$ | (163) |

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Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)

Notes to Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Unaudited)

(Stated in US Dollars)

4. Summary of significant accounting policies

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.

Minority interests

Minority interests resulted from the consolidation of 70% owned subsidiary, Tianyuan, where the Company has control over its operation.

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 and the estimation on useful lives of property, plant and equipment. Actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and other receivables. As of September 30, 2008 and December 31, 2007, 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.

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

| <i>Three months ended</i> | | <i>Nine months ended</i> | |
|---------------------------|-------------|--------------------------|-------------|
| <i>September 30</i> | | <i>September 30</i> | |
| <i>(unaudited)</i> | | <i>(unaudited)</i> | |
| <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> |

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| | | | | |
|--------|--------------|-----|--------------|-----|
| Office | \$ 2,178,212 | N/A | \$ 9,197,056 | N/A |
|--------|--------------|-----|--------------|-----|

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Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)

Notes to Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Unaudited)

(Stated in US Dollars)

4. Summary of significant accounting policies (Cont d)

Cash and cash equivalents

Cash and cash equivalents include all cash, deposits in banks and other highly liquid investments with initial maturities of three months or less to be cash equivalents. As of September 30, 2008 and December 31, 2007, 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 of doubtful accounts

The Company establishes an allowance for doubtful accounts based on management's assessment of the collectibility of trade receivables and other receivables. A considerable amount of judgment is required in assessing the amount of the allowance, the Company considers the historical level of credit losses and applies percentages to aged receivable categories. The Company makes judgments 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, the management establishes the general provisioning policy to make allowance equivalent to 10% of gross amount of trade receivables and other receivables due over 6-12 months, 25% gross amount of trade receivables and other receivables due over 1-2 years and 50% of gross amount of trade receivables and other receivables due over 2-3 years and 100% of gross amount of trade receivables and other receivables due over 3 years. Additional specific provision is made against trade receivables aged less than 6 months to the extent which they are considered to be doubtful.

Bad debts are written off when identified. 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 the 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 the 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.

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)**Notes to Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2008 and 2007****(Unaudited)****(Stated in US Dollars)****4. Summary of significant accounting policies (Cont d)**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, the management makes judgments as to future demand requirements compared to current or committed inventory levels. Our reserve requirements generally increase as our projected demand requirements; decrease due to market conditions, product life cycle changes. 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.

Based on the above assessment, the Company establishes a general provision to make a 50% provision for inventories aged over 1 year. As of September 30, 2008 and December 31, 2007, no general provision for inventories were made.

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

Property, plant and equipment

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

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

| | <i>Annual rate</i> | <i>Residual value</i> |
|------------------------|--------------------|-----------------------|
| Buildings | 1.9% | 5% |
| Plant and machinery | 9.5% | 5% |
| Motor vehicles | 11.875% | 5% |
| Office equipment | 19% | 5% |
| Tools | 9.5% | 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.

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)
Notes to Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2008 and 2007
(Unaudited)
(Stated in US Dollars)

4. Summary of significant accounting policies (Cont d)

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.

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 cashflows attributable to such assets. During the reporting periods, the Company has no identified any indicators that would require testing for impairment.

Stock-based compensation

We account for stock-based compensation in accordance with SFAS No. 123(R), *Share-Based Payment*. Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating expected dividends. In addition, judgment is also required in estimating the amount of share-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted.

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 at the time of delivery, the sales price is fixed or determinable and collection is reasonably assured.

Basic and diluted earnings per share

The Company reports basic earnings per share in accordance with SFAS No. 128, *Earnings Per Share*. Basic earnings 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.

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)

Notes to Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Unaudited)

(Stated in US Dollars)

4. Summary of significant accounting policies (Cont d)

Recently issued accounting pronouncements

In May 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 162, The Hierarchy of Generally Accepted Accounting Principles . Effective 60 days following the SEC 's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The Board does not expect that this Statement will result in a change in current practice. However, transition provisions have been provided in the unusual circumstance that the application of the provisions of this Statement results in a change in practice. The management is in the process of evaluating the impact that SFAS 162 will have on the Company 's financial statements upon adoption.

In March 2008, FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment to FASB Statement No. 133". SFAS No. 161 is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. Entities are required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early adoption encouraged. The management is in the process of evaluating the impact that SFAS 160 will have on the Company 's financial statements upon adoption.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar assets and liabilities. The requirements of SFAS 159 are effective for our fiscal year beginning January 1, 2008. The management is in the process of evaluating the impact that SFAS 159 will have on the Company 's financial statements upon adoption.

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)

Notes to Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Unaudited)

(Stated in US Dollars)

5. Income taxes

United States

The Company is incorporated in the United States of America and is subject to United States of America tax law. No provisions for income taxes have been made as the Company has no taxable income for the reporting periods. The applicable income tax rates for the Company for the reporting periods are 34%. The Company has not provided deferred taxed on undistributed earnings of its non-U.S. subsidiaries as of September 30, 2008, 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, 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 tax 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 25.0% on all domestic-invested enterprises and FIEs, unless they qualify under certain limited exceptions. Therefore, nearly all FIEs are subject to the new tax rate alongside other domestic businesses rather than benefiting from the old tax laws applicable to FIEs, and its associated preferential tax treatments, beginning January 1, 2008.

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

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

Under the income tax law and the related implementing rules, FIEs engaging in manufacturing businesses with a term of operation exceeding ten years may, subject to approval from local taxation authorities, be entitled to a

two-year tax exemption from PRC EIT starting from the year they become profitable and a 50.0% tax reduction for the three years thereafter.

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)**Notes to Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2008 and 2007****(Unaudited)****(Stated in US Dollars)****5. Income taxes (Cont d)**

As approved by the relevant PRC tax authority, Fuxin Hengrui and Xianheng was entitled to a two-year exemption from EIT followed by a 50.0% tax exemption for the next three years, commencing from the first cumulative profit-making year in the fiscal financial year. The tax holiday of Fuxin Hengrui commenced in 2004. Accordingly, Fuxin Hengrui is entitled to a 50% reduction on EIT tax rate of 12.5% for 2008 and 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 September 30, 2008.

6. Earnings per share

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

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|------------------------------------------------------------|---------------------------|--------------|--------------------------|--------------|
| | <i>September 30</i> | | <i>September 30</i> | |
| | <i>(Unaudited)</i> | | <i>(Unaudited)</i> | |
| | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> |
| Numerator: | | | | |
| Net income | \$ 3,500,053 | \$ 2,037,562 | \$ 8,257,480 | \$ 4,912,195 |
| Denominator: | | | | |
| Weighted average common shares used to compute basic EPS | 27,496,720 | 23,751,710 | 25,421,322 | 23,751,710 |
| Dilutive potential from assumed exercise of warrants | 80,548 | - | 26,850 | - |
| Weighted average common shares used to compute diluted EPS | 27,577,268 | 23,751,710 | 25,448,172 | 23,751,710 |
| Earnings per share - Basic | \$ 0.13 | \$ 0.09 | \$ 0.32 | \$ 0.21 |
| Earnings per share - Diluted | \$ 0.13 | \$ 0.09 | \$ 0.32 | \$ 0.21 |

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

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)**Notes to Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2008 and 2007****(Unaudited)****(Stated in US Dollars)****7. Trade receivables**

| | <i>September 30, 2008 (Unaudited)</i> | <i>December 31, 2007 (Audited)</i> |
|---------------------------------|---------------------------------------------------|------------------------------------------------|
| Trade receivables | \$ 9,255,332 | \$ 5,777,661 |
| Allowance for doubtful accounts | (107,941) | (27,677) |
| | \$ 9,147,391 | \$ 5,749,984 |

The Company incurred \$77,776 of doubtful debt expense and had \$154,161 of doubtful debt recovery for the nine months ended September 30, 2008 and 2007 respectively.

8. Other receivables

| | <i>September 30, 2008 (Unaudited)</i> | <i>December 31, 2007 (Audited)</i> |
|---------------------------------------|---------------------------------------------------|------------------------------------------------|
| Advances to third parties - Note 8a | \$ 1,717,176 | \$ 896,601 |
| Advances to related parties - Note 8b | 920,432 | 2,027,046 |
| Other receivables | 562,456 | 551,872 |
| Other tax recoverable | 32,436 | - |
| | 3,232,500 | 3,475,519 |
| Allowance of doubtful debts | (15,201) | (395,576) |
| | \$ 3,217,299 | \$ 3,079,943 |

Note :-

a. The amounts are interest-free, unsecured and repayable on demand.

b. The amounts represent advances made to Madam Tan and Fuxin Zhonglin Industry Limited and W.T. Construction Inc., both are wholly owned by Madam Tan and are interest-free, unsecured and repayable on demand.

c. The Company had \$394,179 of doubtful debt recovery and incurred \$15,898 of doubtful debt expense for the nine months ended September 30, 2008 and 2007 respectively.

9. Advances to staff

The amounts are interest-free, unsecured and repayable on demand. The Company had \$71,938 of doubtful debt recovery and incurred \$19,135 of doubtful debt expense for the nine months ended September 30, 2008 and 2007 respectively.

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)**Notes to Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2008 and 2007****(Unaudited)****(Stated in US Dollars)****10. Prepayments**

| | <i>September</i> <i>30,</i> <i>2008</i> <i>(Unaudited)</i> | <i>December</i> <i>31,</i> <i>2007</i> <i>(Audited)</i> |
|-------------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------|
| Prepayment for raw materials | \$ 4,086,177 | \$ 718,220 |
| Prepayment for rental expenses | 1,239,853 | 814,236 |
| Prepayment for factory construction | 178,157 | 28,052 |
| Prepayment for factory tools | - | 34,973 |
| Prepayment for utilities expenses | 245,861 | 191,306 |
| Prepayment for other expenses | - | 7,629 |
| | \$ 5,750,048 | \$ 1,794,416 |

11. Inventories

| | <i>September</i> <i>30,</i> <i>2008</i> <i>(Unaudited)</i> | <i>December</i> <i>31,</i> <i>2007</i> <i>(Audited)</i> |
|----------------|---------------------------------------------------------------------|------------------------------------------------------------------|
| Raw materials | \$ 4,501,986 | \$ 871,549 |
| Finished goods | 4,348,818 | 4,046,025 |
| Consumables | 40,893 | 38,322 |
| | \$ 8,891,697 | \$ 4,955,896 |

No (recovery of)/provision for obsolete inventories were (credited)/charged to operations during the period.

As of September 30, 2008, totally 222,251 boxes of finished goods with carrying value of \$2,036,109 were pledged to the banks for the bank loans (Note 14a) granted to the Company.

12. Property, plant and equipment

| | <i>September</i> <i>30,</i> <i>2008</i> <i>(Unaudited)</i> | <i>December</i> <i>31,</i> <i>2007</i> <i>(Audited)</i> |
|---------------------|---------------------------------------------------------------------|------------------------------------------------------------------|
| Costs: | | |
| Buildings | \$ 14,377,681 | \$ 14,478,246 |
| Plant and machinery | 22,049,811 | 18,901,987 |
| Office equipment | 127,308 | 112,554 |

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| | | |
|--------------------------|--------------|--------------|
| Tools | 186,819 | 175,071 |
| Leasehold improvements | 3,864,022 | 3,621,035 |
| Motor vehicles | 474,192 | 447,358 |
| | 41,079,833 | 37,736,251 |
| Accumulated depreciation | (13,198,288) | (10,327,371) |

Net \$ 27,881,545 \$ 27,408,880

As of September 30, 2008, certain property, plant and equipment with aggregate net book value of \$13,058,173 was pledged to banks to secure general banking facilities (Note 14b).

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)**Notes to Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2008 and 2007****(Unaudited)****(Stated in US Dollars)****13. Other payables and accrued expenses**

| | <i>September 30, 2008 (Unaudited)</i> | <i>December 31, 2007 (Audited)</i> |
|----------------------------------------------------------|---------------------------------------------------|------------------------------------------------|
| Accrued audit fee | \$ 77,539 | \$ 180,698 |
| Payable for acquisition of property, plant and equipment | - | 313,484 |
| Accruals for factory construction | 1,405,474 | 179,379 |
| Amounts due to third parties - Note 13a | 745,529 | 505,079 |
| Amount due to Tianyuan - Note 13a | 1,139,798 | - |
| Other accrued expenses | 676,744 | 602,197 |
| Staff welfare payable - Note 13b | 245,623 | 692,533 |
| Other payables | 227,673 | 114,012 |
| | \$ 4,518,380 | \$ 2,587,382 |

Note :-

a. The amounts are interest-free, unsecured and not repayable until the Company is in a position to do so.

b. Staff welfare payable represents accrued staff medical, industry injury claims, labor 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.

14. Secured short-term bank loans

| | <i>September 30, 2008 (Unaudited)</i> | <i>December 31, 2007 (Audited)</i> |
|----------------------------------|---------------------------------------------------|------------------------------------------------|
| Bank loans repayable as follows: | | |
| Within 1 year | \$ 12,788,668 | \$ 14,589,359 |

As of September 30, 2008, the Company's banking facilities were as follows:

| <i>Facilities granted</i> | <i>Granted</i> | <i>Amount utilized</i> | <i>Unused</i> |
|---------------------------|----------------|----------------------------|---------------|
| Secured bank loans | \$ 15,039,640 | \$ 12,788,668 | \$ 2,250,972 |

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)

Notes to Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Unaudited)

(Stated in US Dollars)

14. Secured short-term bank loans (Cont d)

The above banking loans were secured by the following :-

- a. Finished goods with carrying value of \$2,036,109 (Note 11);
- b. Property, plant and equipment with carrying value of \$13,058,173 (Note 12);
- c. Land use right with carrying value of \$2,821,261;
- d. Guarantees executed by Mr. Song Lihui who is a director of Golden Elephant Glass Technology, Inc. and third parties; and
- e. All the bank loans are denominated in RMB and carry interest rates ranging from 4.785% to 8.964% per annum with maturity dates within 1 year.

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

15. Unsecured loan

On May 6, 2008, Dollar Come entered into a loan agreement with Madam Tan to borrow \$5,000,000 at the annual interest rate of 8%. The agreement has a two-year term and the loan proceed was used as working capital of the Company. Pursuant to the agreement dated on July 30, 2008, \$3,260,000 unsecured loan was offset with advances made to Fuxin Zhonglin Industry Limited and W.T. Construction Inc., both are wholly owned by Madam Tan.

16. Commitments and contingencies

a. Capital commitment

As of September 30, 2008, the Company had no capital commitments in respect of the acquisition of property, plant and equipment which were contracted for but not provided in the financial statements.

b. Operating lease arrangement

As of September 30, 2008, the Company had a non-cancelable operating lease for its warehouse. The lease will expire in 2015 and the expected payments are as follows:-

| | | |
|-----------------|----|---------|
| Within one year | \$ | 430,110 |
|-----------------|----|---------|

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| | |
|-------------------|-----------|
| Two to five years | 1,720,440 |
| After five years | 501,795 |

\$ 2,652,345

The rental expenses relating to the operating leases were \$322,553 and \$293,850 for the nine months ended September 30, 2008 and 2007, respectively.

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Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)

Notes to Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Unaudited)

(Stated in US Dollars)

16. Commitments and contingencies (Cont'd)

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 \$2,948 and \$1,700 for the nine months ended September 30, 2008 and 2007 respectively.

17. State pension contribution plan

The Company has a defined contribution plan for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the plan at the rates specified in the plan. The only obligation of the Company with respect to retirement scheme is to make the required contributions under the plan. No forfeited contribution is available to reduce the contribution payable in the future years. The defined contribution plan contributions were charged to the condensed consolidated statements of operations. The Company contributed \$71,653 and \$57,477 for the nine months ended September 30, 2008 and 2007 respectively.

Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)
Notes to Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2008 and 2007
(Unaudited)
(Stated in US Dollars)

18. Common stock and additional paid-in capital

| | <i>Common stock of par value \$0.01 per share</i> | | <i>Additional paid -in capital</i> |
|---------------------------------------------------|-----------------------------------------------------------|---------------|--------------------------------------------|
| | <i>Number of shares</i> | <i>Amount</i> | |
| Balance, January 1, 2007 and December 31, 2007 | 23,751,710 | \$ 237,517 | \$ 7,513,186 |
| Recapitalization | 1,250,090 | 12,501 | - |
| Private placement | 3,338,790 | 33,388 | 4,491,575 |
| Shares issued to a consultant | 283,406 | 2,834 | (2,834) |
| Balance, September 30, 2008 | 28,623,996 | \$ 286,240 | \$ 12,001,927 |

Note :-

- 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 stock of Dollar Come.
- The Company's issued and outstanding number of common stock immediately prior to the RTO is 1,250,090 shares are accounted for at \$(1,072) of net book value at the time of the RTO.
- On July 24, 2008, the Company completed a private placement which issued 3,338,790 new shares of common stock, par value \$0.01 per share, to certain accredited investors.
- On August 29, 2008, the Company issued 283,406 new shares of common stock, par value \$0.01 per share, to New Fortress Group Limited for the advisory and consulting services rendered by Haoaide Investment Advisory Co., Limited in connection with the private placement transaction described above.

19. Segment information

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

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

| <i>Three months ended September 30 (Unaudited)</i> | <i>Nine months ended September 30 (Unaudited)</i> |
|------------------------------------------------------------|-----------------------------------------------------------|
|------------------------------------------------------------|-----------------------------------------------------------|

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| | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> |
|-------|---------------|---------------|---------------|---------------|
| PRC | \$ 17,416,252 | \$ 12,174,732 | \$ 43,473,671 | \$ 36,872,572 |
| Other | - | 971,902 | 1,116,815 | 2,673,995 |
| Total | \$ 17,416,252 | \$ 13,146,634 | \$ 44,590,486 | \$ 39,546,567 |

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Golden Elephant Glass Technology, Inc. (Formerly Nevstar Corporation)**Notes to Condensed Consolidated Financial Statements****For the three and nine months ended September 30, 2008 and 2007****(Unaudited)****(Stated in US Dollars)****20. Stock-based compensation**

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 options gave consideration to historical exercises, post-vesting cancellations and the options contractual term. The risk-free rate for the expected term of the option is based on the U.S. Treasury Constant Maturity at the time of grant. The assumptions used to value options granted during the period ended September 30, 2008 were as follows:

*Nine months
ended
September
30, 2008*

| | |
|-------------------------|-------|
| Risk free interest rate | 2.92% |
| Expected volatility | 214% |
| Expected life (years) | 3 |

Stock Compensation-The Company granted a warrant for the purchase of 166,940 shares of common stock to Roth Capital Partners, LLC for the services in connection with the private placement on July 24, 2008. 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.

21. Subsequent events

On October 17, 2008, the Company filed a registration statement under the Securities Act of 1993 on Form S-1 (Amendment No. 1) with the Securities and Exchange Commission which covering the resale of the shares and any other shares of common stock issued to the accredited investors under the Securities Purchase Agreement dated on July 24, 2008.

22. Reclassification of item in the Consolidated Financial Statements

Decrease in provision for doubtful debts of \$119,128 for the nine months ended September 30, 2007, which was originally presented after income from operations in the Consolidated Statements of Income and Other Comprehensive Income, was reclassified to present before income from operations.

The reclassification of item mentioned above has no impact on the sales revenues, income from operations, net income and cash flows of the Company for the nine months ended September 30, 2007 and the total assets and total liabilities of the Company as of December 31, 2007.

ITEM 2.

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

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the following Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include, among others, those concerning our expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and that a number of risks and uncertainties could cause actual results of the Company to differ materially from those anticipated, expressed or implied in the forward-looking statements. The words "believe," "expect," "anticipate," "project," "targets," "optimistic," "intend," "aim," "will" or similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. Risks and uncertainties that could cause actual results to differ materially from those anticipated include risks related to new and existing products; any projections of sales, earnings, revenue, margins or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements regarding future economic conditions or performance; uncertainties related to conducting business in China; any statements of belief or intention; any of the factors mentioned in the "Risk Factors" section of our Current Report on Form 8-K filed on March 31, 2008, and other risks and uncertainties mentioned in subsequent SEC filings. The Company assumes no obligation and does not intend to update any forward-looking statements, except as required by law.

Certain Terms

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

•

Golden Elephant, the Company, we, us, and our refer to the combined business of Golden Elephant Glass Technology, Inc. and its direct and indirect subsidiaries;

•

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Dollar Come refers to Dollar Come Investments Limited, a British Virgin Islands corporation and our direct, wholly owned subsidiary, and/or its direct and indirect subsidiaries, as the case may be;

•

Fuxin Hengrui refers to Fuxin Hengrui Technology Co. Ltd., a PRC corporation and our indirect, wholly-owned subsidiary;

•

Fuxin Xianheng refers to Fuxin Xianheng Float Glass Co. Ltd., a PRC corporation and our indirect, wholly-owned subsidiary;

•

China, Chinese and PRC refer to the People's Republic of China;

•

BVI refers to the British Virgin Islands;

•

RMB refers to Renminbi, the legal currency of China;

•

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

•

Securities Act refers to the Securities Act of 1933, as amended; and

•

Exchange Act refers to the Securities Exchange Act of 1934, as amended.

Overview

Golden Elephant Glass Technology, Inc. is a Nevada holding company whose primary business operations are conducted through its direct wholly owned subsidiary Dollar Come and Dollar Come's Chinese subsidiary Fuxin Hengrui.

Our operating subsidiary, Fuxin Hengrui, is a leading China-based float glass manufacturer whose product offerings include float glass, ultra-clear glass (also called crystal glass), colored float glass and high grade, processed glass products such as mirrors, glass artwork, tempered glass, insulated glass, laminated glass, lacquered glass and similar products. Our glass is used in a variety of end products, such as 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. Our glass products are manufactured in a broad range of specifications and marketed primarily under the "Golden Elephant" brand name. 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.

Our total annual production capacity of our glass products is currently 4.95 million weight cases and we operate two production lines which have an aggregate daily melting capacity of over 800 tons.

Third Quarter 2008 Financial Results

During the third quarter of 2008, the glass market in China, especially the market demand for specialty glass products, continued to expand. We benefited from this overall growth trend as we significantly increased our sales revenue and net income in the third quarter of 2008 as compared to the same period for 2007. Our positive financial performance resulted primarily due to sales of our higher margin ultra-clear glass products and also due to the increased per unit sales price of our glass products.

The following are some of our financial highlights for the third quarter of 2008:

•

Sales Revenue: Sales revenue increased \$4.3 million, or 32.8%, to \$17.4 million for the third quarter of 2008 from \$13.1 million for the same period last year.

•

Gross Margin: Gross margin was 30.2% for the third quarter of 2008, as compared to 27.5% for the same period in 2007.

•

Net Income: Net income increased \$1.5 million, or 75.0%, to \$3.5 million for the third quarter of 2008, from \$2.0 million for the same period of last year.

•

Fully diluted net income per share: Fully diluted net income per share was \$0.13 for the third quarter of 2008, as compared to \$0.09 for the same period last year, notwithstanding a \$3.8 million increase of the total shares outstanding.

Taxation

United States

Golden Elephant Glass Technology, Inc. is subject to United States tax at a tax rate of 34%. No provision for income taxes in the United States has been made as Golden Elephant had no income taxable in the United States during the third quarter of 2008.

British Virgin Islands

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 enterprise income tax ("EIT") law (as discussed below), Foreign Invested Enterprises ("FIEs") established in the PRC are generally subject to an EIT rate of 33.0%, which includes a 30.0% state income tax and a 3.0% local income tax. On March 16, 2007, the National People's Congress of China passed the new Corporate Income Tax Law (the "EIT Law"), and on November 28, 2007, the State Council of China passed the Implementing Rules for the EIT Law (the "Implementing Rules") which took effect on January 1, 2008. The EIT Law and Implementing Rules impose a unified EIT of 25.0% on all domestic-invested enterprises and FIEs, unless they qualify under certain limited exceptions. Therefore, nearly all FIEs are subject to the new tax rate alongside other domestic businesses rather than benefiting from the old tax laws applicable to FIEs, and its associated preferential tax treatments, beginning January 1, 2008.

Despite these pending changes, the EIT Law gives the FIEs established before March 16, 2007 (the "Old FIEs"), such as our subsidiaries Fuxin Hengrui and Fuxin Xianheng, a five-year grandfather period during which they can continue to enjoy their existing preferential tax treatment. During this five-year grandfather period, the Old FIEs which enjoyed tax rates lower than 25% under the original EIT law shall gradually increase their EIT rate by 2% per year until the tax rate reaches 25%. In addition, the Old FIEs that are eligible for the "two-year exemption and three-year half reduction" or "five-year exemption and five-year half-reduction" under the original EIT law, are allowed to remain to enjoy their preference until these holidays expire. The discontinuation of any such special or preferential tax treatment or other incentives would have an adverse effect on any organization's business, fiscal condition and current operations in China.

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

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

As approved by the relevant PRC tax authority, each of Fuxin Hengrui and Fuxin Xianheng is entitled to a two-year exemption from EIT followed by a 50.0% tax exemption for the next three years, commencing from the first cumulative profit-making year in the fiscal financial year. The tax holiday of Fuxin Hengrui commenced in 2004. Accordingly, Fuxin Hengrui is entitled to a 50% reduction on EIT tax rate of 12.5% for 2008 and will be subject to an EIT rate of 25% from 2009. The tax holiday of our subsidiary, Fuxin Xianheng, commenced in 2008, therefore, Fuxin Xianheng is exempted from EIT in 2008 and 2009 and will be subject to a reduced EIT rate of 12.5% from 2010 to 2012.

Results of Operations

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

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

| Three Months Ended | | | | Nine Months Ended | | | |
|---------------------------|----------------|------------------|----------------|--------------------------|----------------|------------------|----------------|
| September 30 | | | | September 30 | | | |
| (unaudited) | | | | (unaudited) | | | |
| 2008 | | 2007 | | 2008 | | 2007 | |
| In | As a % | In | As a % | In | As a % | In | As a % |
| Thousands | of Sale | Thousands | of Sale | Thousands | of Sale | Thousands | of Sale |

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| | Revenue | | Revenue | | Revenue | | Revenue | |
|----------------------------|----------|-------|----------|-------|----------|-------|----------|-------|
| Sales revenue | \$17,416 | 100% | \$13,146 | 100% | \$44,590 | 100% | \$39,547 | 100% |
| Cost of sales | (12,159) | 69.8% | (9,536) | 72.5% | (33,128) | 74.3% | (30,336) | 76.7% |
| Gross profit | 5,257 | 30.2% | 3,610 | 27.5% | 11,462 | 25.7% | 9,211 | 23.3% |
| Other operating income | (65) | 0.4% | (93) | 0.7% | 1,055 | 2.4% | 119 | 0.3% |
| Operating expenses | | | | | | | | |
| Administrative expenses | 1,341 | 7.7% | 630 | 4.8% | 2,601 | 5.8% | 2,067 | 5.2% |
| Selling expenses | 68 | 0.4% | 116 | 0.9% | 170 | 0.4% | 650 | 1.6% |
| Total operating expenses | 1,409 | 8.1% | 746 | 5.7% | 2,771 | 6.2% | 2,717 | 6.8% |
| Income before income taxes | 3,483 | 20.0% | 2,464 | 18.7% | 8,779 | 19.7% | 5,971 | 15.1% |
| Income taxes | 17 | 0.1% | (426) | 3.2% | (527) | 1.2% | (1,059) | 2.7% |
| Net income | \$3,500 | 20.1% | \$2,038 | 15.5% | \$8,257 | 18.5% | \$4,912 | 12.4% |

Comparison of Three Months Ended September 30, 2008 and September 30, 2007

Sales Revenue. Our sales revenue is generated from sales of our glass products, primarily float glass and ultra-clear glass. Sales revenue increased \$4.3 million, or 32.8%, to \$17.4 million for the three-month period ended September 30, 2008 from \$13.1 million for the same period in 2007. The increase in our sales revenue was mainly attributable to the increased sales of our higher margin and higher unit-price ultra-clear glass products which contributed approximately 38.6% of the total sales revenue in the three months ended September 30, 2008. In addition, the per-unit price of other glass products increased approximately 15.3% as compared to that of the same period last year.

Cost of Sales. Our cost of sales is primarily comprised of the costs of our raw materials, components, labor and overhead. Our cost of sales increased \$2.7 million, or 28.4%, to \$12.2 million for the three-month period ended September 30, 2008 from \$9.5 million for the same period in 2007. As a percentage of sales revenue, the cost of sales decreased to 69.8% for the three month period ended September 30, 2008 from 72.5% for the same period in 2007. The decrease was primarily attributable to the factors as discussed in the paragraph immediately below.

Gross Profit. Our gross profit is equal to the difference between our sales revenue and our cost of sales. Our gross profit increased \$1.7 million, or 47.2%, to \$5.3 million for the three-month period ended September 30, 2008 from approximately \$3.6 million for the same period in 2007. Gross profit as a percentage of sales revenue was 30.2% for the three-month period ended September 30, 2008, as compared to 27.5% for the same period in 2007. Such increase in gross margin was mainly due to the change of product portfolio. In this quarter, sales of our higher margin ultra-clear glass products constituted a larger percentage of our total sales revenue as compared to that in the same quarter last year.

Administrative Expenses. Our administrative expenses consist of the costs associated with staff and support personnel who manage our business activities and professional fees paid to third parties. Our administrative expenses increased \$711,152, or 112.9%, to \$1.3 million for the three month period ended September 30, 2008 from \$629,959 for the same period in 2007. As a percentage of sales revenue, administrative expenses increased to 7.7% for the three-month period ended September 30, 2008, as compared to 4.8% for the same period in 2007. This percentage increase was primarily attributable to increased professional expenses related to the costs of being a public reporting company and increased investment in research and development.

Selling Expenses. Our selling expenses mainly include transportation expenses, salaries and fringe benefits of sales personnel, after-sale support services and other sales-related costs. Transportation expenses usually account for a majority of our selling expenses. Our selling expenses decreased \$48,156, or 41.5%, to \$67,885 for the three month period ended September 30, 2008 from \$116,041 for the same period in 2007. As a percentage of sales revenue, selling expenses decreased to 0.4% for the three-month period ended September 30, 2008, as compared to 0.9% for the same period in 2007. The dollar and percentage decreases are primarily attributable to the decrease of transportation costs.

For export sales, our contracts are normally FOB (free on board) contracts, that is, our customers bear freight charge, but we bear transportation costs from our factories to ports and related custom expenses. However, for domestic sales, except for sales of our new product ultra-clear glass products and our deep-processed glass products, our customers generally bear transportation costs. As a result, transportation costs associated with export sales are generally higher than those in domestic sales. Export sales constituted approximately 7.4% of our total sales revenue in the three-month period ended September 30, 2007, and we had no export sales in this quarter. In addition, even though we sold more ultra-clear glass products in the three months ended September 30, 2008 than that of the same period last year and we generally bear costs for sales of ultra-clear glass products, the per-container sea freight rate dropped significantly in the three months ended September 30, 2008. Such rate decrease more than offset the increase of the sales volume of our ultra-clear glass products.

Total Operating Expenses. Our total expenses increased \$662,996, or 88.9%, to \$1.4 million for the three-month period ended September 30, 2008 from \$746,000 for the same period in 2007. As a percentage of sales revenue, total expenses increased to 8.1% for the three month period ended September 30, 2008, as compared to 5.7% for the same period in 2007. Such dollar and percentage increases are primarily attributable to increased costs as a result of being a public reporting company and increased investment in research and development.

Income Taxes. Our income taxes decreased to \$(16,882) for the three-month period ended September 30, 2008 from \$425,949 for the same period in 2007, primarily due to the decrease of EIT rate of our subsidiary Fuxin Hengrui and our strategic move of part of our operations from Fuxin Hengrui to Fuxin Xianheng. The EIT rate of our subsidiary Fuxin Hengrui was 16.5% last year as compared to 12.5% this year. In addition, our subsidiary Fuxin Xianheng is exempted from EIT in 2008 and 2009. We made a strategic decision to move part of our operations to Fuxin Xianheng in 2008 to take advantage of its tax-exempted status. In the three months ended September 30, 2008, a large portion of our income before income tax was generated by Fuxin Xianheng.

Net Income. Our net income increased \$1.5 million, or 71.8%, to \$3.5 million for the three month period ended September 30, 2008 from \$2.0 million for the same period in 2007, as a result of the factors described above.

Comparison of Nine Months Ended September 30, 2008 and September 30, 2007

Sales Revenue. Sales revenue increased \$5.1 million, or 12.9%, to \$44.6 million for the nine-month period ended September 30, 2008 from \$39.5 million for the same period in 2007. This increase was mainly attributable to increased demand of our products and to increased per-unit price of our products.

Cost of Sales. Our cost of sales increased \$2.8 million, or 9.2%, to \$33.1 million for the nine-month period ended September 30, 2008 from \$30.3 million for the same period in 2007. This increase was mainly due to the increase of sales volume. As a percentage of sales revenue, the cost of goods sales decreased to 74.3% for the nine-month period ended September 30, 2008 from 76.7% for the same period in 2007. The percentage decrease was primarily due to the change of product portfolio and the increase of our per unit sales prices which outpaced the increase of raw material prices. Sales of higher margin ultra-clear glass products constituted a larger percentage of the total sales revenue in the nine months ended September 30, 2008 as compared to that of the same period last year. We also benefited from more efficient cost control management which allowed us to reduce raw material consumption per unit of production.

Gross Profit. Our gross profit increased \$2.3 million, or 25.0%, to \$11.5 million for the nine-month period ended September 30, 2008 from approximately \$9.2 million for the same period in 2007. Gross profit as a percentage of sales revenue was 25.7% for the nine-month period ended September 30, 2008, as compared to 23.3% for the same period in 2007. Such percentage increase was mainly due to the factors discussed in the preceding paragraph.

Administrative Expenses. Our administrative expenses increased \$534,459, or 25.9%, to \$2.6 million for the nine-month period ended September 30, 2008 from approximately \$2.1 million for the same period in 2007. As a percentage of sales revenue, administrative expenses increased to 5.8% for the nine-month period ended September 30, 2008, as compared to 5.2% for the same period in 2007. Such dollar and percentage increases are primarily attributable to increased professional expenses related to the costs of being a public reporting company and increased investment in research and development.

Selling Expenses. Our selling expenses decreased \$480,054, or 73.9%, to \$169,738 for the nine-month period ended September 30, 2008 from \$649,792 for the same period in 2007. As a percentage of sales revenue, selling expenses decreased to 0.4% for the nine-month period ended September 30, 2008, as compared to 1.6% for the same period in 2007. This decrease is primarily attributable to the decrease of transportation costs resulting from the decrease of export sales and per-container sea freight rate. As stated above, our transportation costs associated with export sales are generally higher than those in domestic sales. Exports sales constituted approximately 2.5% of our total sales revenue in the nine-month period ended September 30, 2008, as compared to 6.8% for the same period last year. In addition, since the per-container sea freight rate dropped significantly in the three months ended September 30, 2008 as compared to that in the same period last year, we incurred less transportation costs in connection with our sales of ultra-clear glass products in the nine months ended September 30, 2008.

Total Operating Expenses. Our total expenses increased \$54,405, or 2.0%, to \$2.8 million for the nine-month period ended September 30, 2008 from \$2.7 million for the same period in 2007. As a percentage of sales revenue, total expenses decreased to 6.2% for the nine-month period ended September 30, 2008, as compared to 6.8% for the same period in 2007. This percentage decrease was primarily attributable to the decrease of selling expenses which more than offset the increase of our administrative expenses.

Income before Income Taxes. Income before income taxes increased \$2.8 million, or 46.7%, to \$8.8 million for the nine-month period ended September 30, 2008 from \$6.0 million for the same period in 2007. Income before income taxes as a percentage of sales revenue increased to 19.7% for the nine-month period ended September 30, 2008, as compared to 15.1% for the same period in 2007.

Income Taxes. Our income taxes decreased to \$526,969 for the nine-month period ended September 30, 2008 from \$1.1 million for the same period in 2007. Such decrease was primarily attributable to the decrease of EIT rate of our subsidiary Fuxin Hengrui, which was 16.5% last year as compared to 12.5% this year, and the transition of part of our manufacturing operations to our tax-exempt subsidiary Fuxin Xianheng as discussed above.

Net Income. Our net income increased \$3.3 million, or 67.3%, to \$8.3 million for the nine-month period ended September 30, 2008 from \$4.9 million for the same period in 2007, as a result of the factors described above.

Liquidity and Capital Resources

As of September 30, 2008, we had cash and cash equivalents of \$16,899. The following table sets forth a summary of our cash flows for the periods indicated:

Statement of Cash Flow
(in thousands of U.S. Dollars)

| | Nine months Ended | |
|---------------------------------------------------------------------|--------------------------|-------------|
| | September 30, | |
| | 2008 | 2007 |
| Net cash (used in) provided by operating activities | \$(4,311) | \$3,417 |
| Net cash (used in) investing activities | (148) | (428) |
| Net cash provided by (used in) financing activities | 4,445 | (2,044) |
| Effect of foreign currency translation on cash and cash equivalents | (32) | 42 |
| Net cash flow | \$(46) | \$987 |

Operating Activities:

Net cash used in operating activities was \$4.3 million for the nine-month period ended September 30, 2008, which is a decrease of \$7.7 million from the \$3.4 million net cash provided by operating activities for the same period in 2007. The decrease in net cash provided by operating activities was mainly due to the increase of inventories. We purchased more raw materials in the third quarter of 2008 in anticipation of transportation difficulties in the winter season and in preparation for productions in the fourth quarter.

Investing Activities:

Our main uses of cash for investing activities are payments for the acquisition of property, plant and equipment and restricted cash pledged as deposit for bills payable issuance.

Net cash used in investing activities in the nine-month period ended September 30, 2008 was \$147,757, which is a decrease of \$279,838 from net cash used in investing activities of \$427,595 in the same period of 2007. The decrease in net cash used in investing activities was mainly attributable to proceeds from sales of certain assets that are unrelated to our core business.

Financing Activities:

Net cash provided by financing activities was \$4.4 million in the nine months ended September 30, 2008, compared to net cash used in finance activities of \$2.0 million in the same period in fiscal year 2007. The increase in net cash is attributable to the receipt of \$4.5 million through the issuance of stock in a private placement completed in July 2008 and a \$5 million loan from our major shareholder Lin Tan. In the third quarter, \$3.26 million of Ms. Tan's loan was offset against a previous advancement made to her before our acquisition of Dollar Come.

As of September 30, 2008, the amount, maturity date and term of each of our bank loans are as follows:

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

| Bank | Amount | Maturity Date | Duration |
|-------------|---------------|----------------------|-----------------|
|-------------|---------------|----------------------|-----------------|

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| | | | |
|---------------------------------------|---------------|----------------------|----------|
| China CITIC Bank, Shenyang Branch | 2.6 | November 26, 2008 | 1 year |
| China Construction Bank, Fuxin Branch | 2.9 | March 24, 2009 | 1 year |
| Shanghai Pudong Development Bank | 4.3 | May 28, 2009 | 1 year |
| China Construction Bank, Fuxin Branch | 2.9 | November 22, 2008 | 6 months |
| Total | \$12.7 | | |

On July 24, 2008, we consummated a private placement transaction in which we issued and sold to certain accredited investors approximately 3.3 million shares of our common stock for an aggregate purchase price of approximately \$5 million.

We have approximately \$12.7 million bank loans that will mature in the next 12 months and we may decide to refinance these loans upon maturity. We believe that we maintain good relationships with the banks we deal with and our current available working capital, after receiving the aggregate proceeds from the private placement proceeds and bank loans referenced above, should be adequate to sustain our operations at our current levels through the next twelve months.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. We also have other key accounting policies, which involve the use of estimates, judgments, and assumptions that are significant to understanding our results. See Item 2, Management's Discussion and Analysis of Results of Operations and Financial Condition in the Company's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2008 for a discussion of the Company's critical accounting policies. Although we believe that our estimates, assumptions, and judgments are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments, or conditions.

Recently issued accounting pronouncements

In May 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 162, The Hierarchy of Generally Accepted Accounting Principles. Effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The Board does not expect that this Statement will result in a change in current practice. However, transition provisions have been provided in the unusual

circumstance that the application of the provisions of this Statement results in a change in practice. Our management is in the process of evaluating the impact that SFAS 162 will have on our financial statements upon adoption.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment to FASB Statement No. 133*. SFAS No. 161 is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. Entities are required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early adoption encouraged. Our management is in the process of evaluating the impact that SFAS 160 will have on our financial statements upon adoption.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115 (SFAS 159)*. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar assets and liabilities. The requirements of SFAS 159 are effective for our fiscal year beginning January 1, 2008. Our management is in the process of evaluating the impact that SFAS 159 will have on our financial statements upon adoption.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

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 work in the winter season.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEMS 4.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

We maintain a system of disclosure controls and procedures. The term "disclosure controls and procedures," as defined by regulations of the SEC, means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit to the SEC under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit to the SEC under the Exchange Act is accumulated and communicated to the our management, including our principal executive officer and our principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions to be made regarding required disclosure. Each of Lihui Song, our President and Chief Executive Officer, and Qiang Hao, our Chief Financial Officer, have evaluated the design and operating effectiveness of our disclosure controls and procedures as of September 30, 2008. Based upon their evaluation, these executive officers have concluded that our disclosure controls and procedures are effective as of September 30, 2008.

Changes in Internal Control over Financial Reporting.

There has been no change to our internal control over financial reporting during the quarter ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management decided to exclude recently acquired Dollar Come and its subsidiaries from its evaluation of controls and procedures above because it was not possible to conduct an assessment of the acquired companies' controls and procedures in the period between the consummation date and the date of management's assessment.

PART II

OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS

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

ITEM 1A.

RISK FACTORS

Not Applicable.

ITEM 2.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3.

DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5.

OTHER INFORMATION

None.

ITEM 6.

EXHIBITS

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

| Exhibit No. | Description |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>31.1</u> | <u>Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>31.2</u> | <u>Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>32.1</u> | <u>Certifications of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>32.2</u> | <u>Certifications of Principal Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |

SIGNATURES

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

DATED: November 14, 2008

GOLDEN ELEPHANT GLASS TECHNOLOGY, INC.

By: /s/ Qiang Hao
Qiang Hao
Chief Financial Officer
(On behalf of the Registrant and as
Principal Financial Officer)

EXHIBIT INDEX

| Exhibit No. | Description |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>31.1</u> | <u>Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>31.2</u> | <u>Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>32.1</u> | <u>Certifications of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
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