

China Jianye Fuel, Inc.  
Form 10-K  
October 13, 2010

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

FORM 10-K

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

For the fiscal year ended: June 30, 2010

OR

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

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

Commission File Number: 000-52496

CHINA JIANYE FUEL, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

20-8296010  
(I.R.S. Employer Identification Number)

100 Wall Street, 15th Floor, New York, NY, 10005  
(Address of principal executive office and zip code)

212-232-0120  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

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

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

Large accelerated filer <input type="radio"/>	Accelerated filer <input type="radio"/>	Non-accelerated filer <input type="radio"/>	Smaller reporting company <input checked="" type="radio"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of October 13, 2010 there were 29,976,923 shares of the Registrant's common stock outstanding.

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CHINA JIANYE FUEL, INC.  
FORM 10-K  
For the Fiscal Year Ended June 30, 2010

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## Forward-Looking Statements

Statements contained in this annual report include “forward-looking statements” within the meaning of such term in Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause actual financial or operating results, performances or achievements expressed or implied by such forward-looking statements not to occur or be realized. Forward-looking statements made in this Report generally are based on our best estimates of future results, performances or achievements, predicated upon current conditions and the most recent results of the companies involved and their respective industries. Forward-looking statements may be identified by the use of forward-looking terminology such as “may,” “will,” “could,” “should,” “project,” “expect,” “believe,” “estimate,” “anticipate,” “intend,” “contingent,” “opportunity” or similar terms, variations of those terms or the negative of those terms or other variations of those terms or comparable words or expressions. Potential risks and uncertainties include, among other things, such factors as:

- our heavy reliance on limited number of consumers;
- strong competition in our industry;
- increases in our raw material costs; and
- an inability to fund our capital requirements.

Additional disclosures regarding factors that could cause our results and performance to differ from results or performance anticipated by this annual report are discussed in Item 1A. “Risk Factors.” Readers are urged to carefully review and consider the various disclosures made by us in this annual report and our other filings with the SEC. These reports attempt to advise interested parties of the risks and factors that may affect our business, financial condition and results of operations and prospects. The forward-looking statements made in this annual report speak only as of the date hereof and we disclaim any obligation to provide updates, revisions or amendments to any forward-looking statements to reflect changes in our expectations or future events.

## PART I

### ITEM BUSINESS

1.

#### Overview

China Jianye Fuel, Inc., through its wholly-owned subsidiary, American Jianye Ethanol Company, Inc., owns 100% of the registered capital of Zhao Dong Jianye Fuel Co., Ltd. (“Zhao Dong Jianye Fuel”), a corporation organized in 2004 under the laws of The People’s Republic of China. Zhao Dong Jianye Fuel is engaged in the business of developing, manufacturing and distributing alcohol-based automobile fuel products in the Peoples Republic of China.

American Jianye Ethanol Company, Inc. was organized under the laws of the State of Delaware in March 2007. It never initiated any business activity. In November 2007 American Jianye acquired 100% of the net assets of Zhao Dong Jianye Fuel in exchange for debt and equity in American Jianye.

Zhao Dong Jianye Fuel Co., Ltd. was founded in April 2004 under the laws of the People’s Republic of China with registered capital of RMB 9 million Yuan (US\$1.3 million). The offices and manufacturing facility operated by Zhao Dong Jianye Fuel are located at 47 Huagong Road, Zhaodong City, Heilongjiang Province, in northeastern China. Zhao Dong Jianye Fuel engages in the development, manufacture, and distribution of alcohol based automobile fuel. The Company’s products are designed to function as a lower-cost, more environmentally friendly alternative to conventional gasoline-based auto fuel

Zhao Dong Jianye Fuel was among the first China-based fuel manufacturers to bring to market alcohol-based automobile fuel. Alcohol fuel is an attractive alternative to gasoline for several reasons, including its environmental benefits. Alcohol-based fuel burns with higher efficiency and significantly lower toxic waste emissions than any lead-free gasoline that meets China's national GB17930-1999 fuel quality standards. With its average total toxic waste emission level being only 1% of the maximum toxic emission level mandated by the Chinese industry regulators, the quality of alcohol fuel is on par with or exceeds the international fuel quality standards for Type IV lead-free gasoline. In addition, due to the lower costs of the raw materials used in the manufacture process, the average integrated cost of such fuels is only about 4,000-4,150 Renminbi ("RMB") (\$590-610) per ton, lower than the prevailing wholesale price of #93 lead-free gasoline in China by as much as 1,000 RMB (\$147) per ton.

Zhao Dong Jianye Fuel has, since its formation, been engaged in developing its products and its refinery. The Company now has a facility capable of producing 300,000 tons of fuel annually, and has developed the core staff needed for full production operations. In the Spring of 2008, the Company began to ship commercial quantities of fuel to customers, although it continues to operate at only a small fraction of its capacity due to a need for working capital to fund the launch of full-scale operations.

The Company is currently capable of producing alcohol-based fuels comparable to lead-free gasoline with octane ratings ranging from #90 to #98. The Company's products include both ethanol-based fuels (E10, E30, E50, E60, E70, E80 and E85), and methanol-based fuels (M10, M30, M50, M60, M70, M80 and M85), although the primary focus of its business plan is on methanol-based fuels due to their environmental and economic advantages. Recently the Company has also been engaged in research and development of methanol/ethanol blended fuels, including ME80 and ME85.

#### The Market for Alcohol-based Fuel

Alcohol fuel is an attractive alternative to gasoline for several reasons, including its environmental benefits. Alcohol-based fuels burn with higher efficiency and significantly lower toxic waste emissions than any lead-free gasoline that meets China's national GB17930-1999 fuel quality standards. With its average total toxic waste emission level being only 1% of the maximum toxic emission level mandated by the Chinese industry regulators, the quality of alcohol fuel is on par with or exceeds the international fuel quality standards for Type IV lead-free gasoline. In addition, due to the lower costs of the raw materials used in the manufacture process, the average integrated cost of such fuels is only about 4,000-4,150 Renminbi ("RMB") (\$540-560) per ton, lower than the prevailing wholesale price of #93 lead-free gasoline in China by as much as 1,000 RMB (\$135) per ton.

China encourages the use of alcohol fuel as the substitute for gasoline due to the economic and environmental reasons, which provides a strong impetus for the development of alcohol fuel industry in the country. It is estimated that by 2010 the annual production capacity of domestic alcohol-based automobile fuel in China will reach 2 million tons. Meanwhile, worldwide demand for alcohol fuel is also gradually increasing, due to the limited supply and high cost of gasoline, and for environmental reasons. The increased demand has caused an increase in both the price and the profit margin for alcohol-based fuel.

#### Research and Development: Our Products

The Company now has a facility capable of producing 300,000 tons of fuel annually, and has developed the core staff needed for full production operations. The Company is currently capable of producing alcohol-based fuels comparable to lead-free gasoline with octane ratings ranging from #90 to #98. The Company's products include both ethanol-based fuels (E10, E30, E50, E60, E70, E80 and E85), and methanol-based fuels (M10, M30, M50, M60, M70, M80 and M85), although the primary focus of its business plan is on methanol-based fuels due to their environmental and economic advantages. Recently the Company has also been engaged in research and development of methanol/ethanol blended fuels, including ME80 and ME85.

Our Chairman, Jianye Wang, controls Heilongjiang Jianye Fuel Co., Ltd. That company has licensed to Zhao Dong Jianye Fuel a portfolio of patents, including technologies to manufacture:

- M80-M90 alcohol-based automobile fuels (No. 2006100105225);
- E80-E90 Alcohol-based automobile fuel (No. 200610010523X);
- an ethanol-based clean automobile fuel (No. 2004100480448);

- an ethyl/methyl alcohol based fuels manufacturing method (No. 2006100105244);
- an M80-M90/E80-E90 alcohol-based automobile fuel catalyst manufacturing method (No. 2006100105102);



- an ethanol/methanol degeneration method (No. 20061009907X); and
- a manufacturing method of high-efficiency alcohol-gasoline blended fuel catalyst (No. 2006100099050).

The licenses are indefinite and royalty-free.

As a forerunner in the alcohol-based fuels industry, the Company itself has set the leading enterprise standards in China, and has been actively engaged in the development of national as well as provincial industry standards. During 2008 China's National Standardization Committee formulated the first set of national standards for alcohol-based fuels. These will standardize the manufacturing practice and quality control of alcohol-based automobile fuel. Because of the Company's involvement in the development of the standards, we are in full compliance with the new standards.

The efficacy of the Company's M85 and E85 fuels in conventional automobiles was tested positively in April 2007 by the Heilongjiang Provincial Control & Test Institute. The efficacy of its ME60, M30, M50, M85 and E85 fuels in conventional automobiles was tested with positive results in January 2007 by the Heilongjiang Automobile Products Quality Control Center. The Company has also been granted High-tech Product and Environmentally Friendly Product certifications by the Heilongjiang Provincial Government and the Zhao Dong Municipal Government.

#### Operations to Date

Until this year, our sales had consisted of samples of our alcohol-based fuels, and occasional resale of fuel additives. In the Spring of 2008, however, Zhao Dong Jianye Fuel commenced shipments of alcohol-based fuels in commercial quantities.

Most of our sales are large bulk shipments that we manufacture to order. Currently our backlog of firm orders amounts to only \$15,000, since we fabricate the products as soon as orders arrive. At this time last year, we had no backlog. At the same time, however, we have two significant production contracts:

- Agreement for the sale of #97 ethanol fuel to Zhuhai Zhonghuan Oil Limited. This agreement contemplates the sale by us of 15,000 tons of fuel per month for a price of \$1,110 per ton.
- Agreement for sale of M30 fuel to Shanxi Province Hanzhong Xilan Liquefied Petroleum Limited. This agreement contemplates the sale by us of 200 to 300 tons per month at prices between \$1,050 and \$1,110 per ton.

These contracts do not qualify as backlog, because neither customer has a binding purchase obligation – the customers have the option to place monthly orders accompanied by payment of a deposit. Nevertheless, the contracts are indicative of the kind of production agreements that we are pursuing and gradually obtaining.

#### Facilities

Zhao Dong Jianye Fuel has, since its formation, been engaged in developing its products and its refinery. The Company now has a facility capable of producing 300,000 tons of fuel annually, and has developed the core staff needed for full production operations.

The Company's refinery is located on Tiewei Street, Tiedong District of Zhao Dong City, with a total usable area of 84737.32 m<sup>2</sup> (912,105 square feet). Zhao Dong Jianye Fuel holds 30-year use rights on the land that will expire in 2035. The Company's production facilities cover a total area of 16,000 m<sup>2</sup> (172,223 square feet), including 12,000 m<sup>2</sup> (129,167 square feet) of actually used area. The physical plant uses clean fuel blending and manufacturing equipment independently developed by the Company itself. The plant has ready access to utilities, including water and electricity, as well as a dedicated railroad siding. The Company has obtained from the government all of the operational safety permits and environmental compliance certificates necessary to engage in production. Our annual expense for compliance with Chinese environmental regulations is \$350.

The Company has developed a patented method for blending the raw materials in its manufacture process. This processing technique enables production of Methanol automobile fuel under normal atmospheric conditions and temperatures, as well as at temperatures as low as -30 (-22 degrees Fahrenheit). The Company's refining process produces no significant amount of hazardous waste or pollution. These qualities, which are superior to those of lead-free gasoline fuel, have been certified by a team of experts organized by the Heilongjiang Province Science & Technology Department.

The key to the efficacy of the Company's fuels is the unique combination of catalysts with methanol to raise the oxygen content and increase the octane rating of the fuels. Prior to September 2006, the Company used methyl tertiary-butyl ether (MTBE) as the primary catalyst in its alcohol fuels, following the then-standard international manufacturing practice. As information became available regarding the risk to the environment of MTBE run-off, the Company had ceased using MTBE as an oxygenate, switching to different, environmental friendly and non-toxic high-carbon derivatives to fulfill the same functions.

To date, the Company has developed six different types of catalysts, which are added into different types of alcohol-based fuels. These catalysts have proven to enhance fuel octane rating and engine power, inhibit the premature oxidation of the fuel, help remove sediment in the carburetor, and prevent the erosion of the engine cylinder surface. Whereas conventional alcohol-based automobile fuels can be used only in specially designed automobile engines, due to problems of corrosion and engine wear, the Company's fuels can be readily used in ordinary motor vehicle engines, either independently or in combination with gasoline of comparable octane rating. The Company manufactures all six types of catalysts in its factory in Zhao Dong City, Heilongjiang Province.

## Marketing

Currently Zhao Dong Jianye Fuel's sales network have five sales companies in the major cities five provinces, including Harbin, Dalian, Shenyang, Qinhuangdao, and Beijing. Each of these five sales companies has 6 full-time sales persons. The Beijing-based sales company coordinates the Company's overall sales efforts.

The Company plans to sell its fuel products primarily through three channels:

1. Direct to private gas stations;
2. Direct to state-owned refined fuel storage and retail facilities;
3. Distribution through CNPC and PetroChina's nationwide network.

We expect the largest channel for distribution will be through the regional branches of CNPC and PetroChina, which have indicated a willingness to distribute our fuels to their affiliated gas stations.

## Employees

The Company consists of six operational departments: technologies, sales, supply, planning, finance and the general office. There are currently 64 full-time employees, including 12 in management and administrative work, and 16 in R&D. 42% of the Company's employees have at least a junior college degree or higher. The average age of the employees is 43.

## ITEM RISK FACTORS

1A.

RISKS RELATED TO OUR BUSINESS

You should carefully consider the risks described below before buying our common stock. If any of the risks described below actually occurs, that event could cause the trading price of our common stock to decline, and you could lose all or part of your investment.

Because we have not yet commenced our full scale production operations, unexpected factors may hamper our efforts to implement our business plan.

Our business plan contemplates that we will become a fully-integrated refiner and marketer of methanol-based fuel oil. To date, however, we have produced and marketed our fuels only in limited quantities. If the necessary funding can be obtained, we will commence operations on a much larger scale. The complexity of this undertaking means that we are likely to face many challenges, some of which are not yet foreseeable. Problems may occur with our raw material acquisition, with the roll-out of efficient manufacturing processes, and with our ability to deliver fuel efficiently. If we are not able to minimize the costs and delays that result, our business plan may fall short of its goals, and we will be unable to achieve profitability.

The capital investments that we plan may result in dilution of the equity of our present shareholders.

Our business plan contemplates that we will invest approximately \$4 million in the start-up of our full-scale operations. We intend to raise a large portion of the necessary funds by selling equity in our company. At present we have no commitment from any source for those funds. We cannot determine, therefore, the terms on which we will be able to raise the necessary funds. It is possible that we will be required to dilute the value of our current shareholders' equity in order to obtain the funds. If, however, we are unable to raise the necessary funds, our growth will be limited, as will our ability to compete effectively.

The market for methanol-based fuel is not developed in China.

One of the greater challenges that we will face in the implementation of our business plan will be the development of widespread acceptance of methanol as automobile fuel. Because our products perform as an alternative to conventional gasoline-based fuel, we will be challenged by the inertial effect of the association of gasoline with automobiles. Until we commence widespread marketing activities, we will not know the extent to which we will be able to persuade distributors and, ultimately, consumers, to trust our fuels in their automobiles. If we are unable to effect a change in the public concept of automobile fuel, our business plan may fail.

Zhao Dong Jianye Fuel's profitability will be dependent on market prices for methanol, ethanol and gasoline.

Zhao Dong Jianye Fuel's profitability and financial condition will be significantly affected by the selling price for methanol-based fuel. That price, in turn, will depend on the market prices for competitive products, specifically gasoline and ethanol. Uncontrolled market forces ultimately drive the price and supply of each of these fuels. Factors that affect these market prices include the level of consumer product demand, governmental regulations and taxes, the level of foreign imports of oil and natural gas, and the overall economic environment. Significant declines in world wide prices for oil could have a material adverse effect on our success in introducing methanol-based fuels.

Zhao Dong Jianye Fuel creates products that may have harmful effects on the environment if not stored and handled properly prior to use, which could result in significant liability and compliance expense.

The distribution of methanol-based fuel involves the controlled use of materials that are hazardous to the environment. Zhao Dong Jianye Fuel cannot eliminate the risk of accidental contamination or discharge and any resulting problems that occur. Government regulations govern the use, manufacture, storage, handling and disposal of these materials. Zhao Dong Jianye Fuel may be named a defendant in any suit that arises from the improper handling, storage or disposal of these products. Zhao Dong Jianye Fuel could also be subject to civil damages in the event of an improper or unauthorized release of, or exposure of individuals to, hazardous materials. Compliance with environmental laws and regulations may be expensive, and current or future environmental regulations may impair Zhao Dong Jianye Fuel's research, development and production efforts.

An increase in raw material prices could increase Zhao Dong Jianye Fuel's costs and decrease its profits.

Changes in the cost of raw materials could significantly affect Zhao Dong Jianye Fuel's business. Although the cost of methanol has traditionally been relatively stable, increased use of methanol for fuel would create increased demand and could introduce volatility into the market for methanol. Our other two primary raw materials, gasoline distillate and ethanol, already trade in volatile markets. The market price for gasoline distillate is a function of the market price of oil, which has been highly volatile in recent years. The market price of ethanol depends primarily on the availability of feedstocks, which again has become volatile in recent years due to the heightened demand caused by the widespread acceptance of ethanol as a fuel supplement. Increased prices in any of these markets could decrease Zhao Dong Jianye Fuel's profitability. Zhao Dong Jianye Fuel does not expect to enter into hedging contracts with

respect to raw material prices, but will rely on its Chairman's network of industry relationships to obtain the best available prices.

Reliance on third party suppliers for raw materials may affect Zhao Dong Jianye Fuel's production and profitability.

To date, Zhao Dong Jianye Fuel has no binding commitments for the supply of raw materials, although it has established a favourable relationship with its primary distillate supplier by making a large advance payment. Even as it develops supply arrangements, Zhao Dong Jianye Fuel's suppliers could terminate the contracts and sell to other buyers, or enter into the methanol-based fuel production business in direct competition with Zhao Dong Jianye Fuel. If Zhao Dong Jianye Fuel's suppliers do not perform their obligations as agreed, Zhao Dong Jianye Fuel will not be able to maintain its refinery operations at an efficient level, and may itself default in satisfying deliver orders, all of which would adversely affect Zhao Dong Jianye Fuel's profitability.

Increased government regulation of our production and/or marketing operations could diminish our profits.

The fuel production and supply business is highly regulated. Government authorities are concerned with effect of fuel distribution on the national and local economy. To achieve optimal availability of fuel, governments regulate many key elements of both production and distribution of fuel. Increased government regulation may affect our business in ways that cannot be predicted at this time, potentially involving price regulation, distribution regulation, and regulation of manufacturing processes. Any such regulation or a combination could have an adverse effect on our profitability.

In addition, the day-to-day operations of our business will require frequent interaction with representatives of the Chinese government institutions. The national, provincial and local governments in the People's Republic of China are highly bureaucratized. The effort to obtain the registrations, licenses and permits necessary to carry out our business activities can be daunting. Significant delays can result from the need to obtain governmental approval of our activities. These delays can have an adverse effect on the profitability of our operations. In addition, compliance with regulatory requirements applicable to fuel manufacturing and distribution may increase the cost of our operations, which would adversely affect our profitability.

Our business and growth will suffer if we are unable to hire and retain key personnel that are in high demand.

Our future success depends on our ability to attract and retain highly skilled engineers, chemists, industrial technicians, production supervisors, and marketing personnel. In general, qualified individuals are in high demand in China, and there are insufficient experienced personnel to fill the demand. In a specialized scientific field, such as ours, the demand for qualified individuals is even greater. If we are unable to successfully attract or retain the personnel we need to succeed, we will be unable to implement our business plan.

We may have difficulty establishing adequate management and financial controls in China.

The People's Republic of China has only recently begun to adopt the management and financial reporting concepts and practices that investors in the United States are familiar with. We may have difficulty in hiring and retaining employees in China who have the experience necessary to implement the kind of management and financial controls that are expected of a United States public company. If we cannot establish such controls, we may experience difficulty in collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet U.S. standards.

Capital outflow policies in China may hamper our ability to pay dividends to shareholders in the United States.

The People's Republic of China has adopted currency and capital transfer regulations. These regulations require that we comply with complex regulations for the movement of capital. Although Chinese governmental policies were introduced in 1996 to allow the convertibility of RMB into foreign currency for current account items, conversion of

RMB into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration of Foreign Exchange. We may be unable to obtain all of the required conversion approvals for our operations, and Chinese regulatory authorities may impose greater restrictions on the convertibility of the RMB in the future. Because most of our future revenues will be in RMB, any inability to obtain the requisite approvals or any future restrictions on currency exchanges will limit our ability to pay dividends to our shareholders.



Currency fluctuations may adversely affect our operating results.

Zhao Dong Jianye Fuel generates revenues and incurs expenses and liabilities in Renminbi, the currency of the People's Republic of China. However, as a subsidiary of China Jianye Fuel, it will report its financial results in the United States in U.S. Dollars. As a result, our financial results will be subject to the effects of exchange rate fluctuations between these currencies. From time to time, the government of China may take action to stimulate the Chinese economy that will have the effect of reducing the value of Renminbi. In addition, international currency markets may cause significant adjustments to occur in the value of the Renminbi. Any such events that result in a devaluation of the Renminbi versus the U.S. Dollar will have an adverse effect on our reported results. We have not entered into agreements or purchased instruments to hedge our exchange rate risks.

We have limited business insurance coverage.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products, and do not, to our knowledge, offer business liability insurance. As a result, we do not have any business liability insurance coverage for our operations. Moreover, while business disruption insurance is available, we have determined that the risks of disruption and cost of the insurance are such that we do not require it at this time. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources.

China Jianye Fuel is not likely to hold annual shareholder meetings in the next few years.

Management does not expect to hold annual meetings of shareholders in the next few years, due to the expense involved. The current members of the Board of Directors were appointed to that position by the previous directors. If other directors are added to the Board in the future, it is likely that the current directors will appoint them. As a result, the shareholders of China Jianye Fuel will have no effective means of exercising control over the operations of China Jianye Fuel.

#### RISKS RELATED TO OUR COMMON STOCK

There is no active trading market for our common stock.

Our common stock is quoted on the Pink Sheets, and we are currently in the process of seeking to reestablish quotation of our common stock on the Over the Counter Bulletin Board quotation service. However, currently, there is no active trading market for any of our securities, and we cannot assure you that a market for our stock will develop. Consequently, our shareholders may not be able to use their shares for collateral or loans and may not be able to liquidate at a suitable price in the event of an emergency. In addition, our shareholders may not be able to resell their shares at or above the price they paid for them or may not be able to sell the shares at all. Accordingly, there can be no assurance as to the liquidity of any markets that may develop for the securities, the ability of holders of the securities to sell their securities, or the prices at which holders may be able to sell their securities.

The shares of common stock eligible for future sale could negatively affect the market price of our common stock.

The Company has approximately a total of 29,976,923 shares of Common Stock issued and outstanding. If the Company's stockholders sell substantial amounts of the Company's common stock in the public market, including shares issued upon the exercise of outstanding options or warrants, the market price of its common stock could fall. These sales also may make it more difficult for the Company to sell equity or equity-related securities in the future at a time and price that the Company deems reasonable or appropriate. Stockholders who have been issued shares will be able to sell their shares pursuant to Rule 144 under the Securities Act of 1933, beginning one year after the

stockholders acquired their shares.

Our common stock may be deemed to be a penny stock and, as such, we are subject to the risks associated with “penny stocks”. regulations relating to “penny stocks” limit the ability of our shareholders to sell their shares and, as a result, our shareholders may have to hold their shares indefinitely.

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We are seeking to reestablish the quotation of our common stock on the Over the Counter Bulletin Board quotation service. The Over the Counter Market is generally considered to be a less efficient market than markets such as NASDAQ or other national exchanges, and may cause difficulty in obtaining future financing. Furthermore, our common stocks may be deemed to be “penny stock” as that term is defined in Regulation Section “240.3a51 -1” of the Securities and Exchange Commission (the “SEC”). Penny stocks are stocks: (a) with a price of less than U.S. \$5.00 per share; (b) that are not traded on a “recognized” national exchange; (c) whose prices are not quoted on the NASDAQ automated quotation system (NASDAQ -where listed stocks must still meet requirement (a) above); or (d) in issuers with net tangible assets of less than U.S. \$2,000,000 (if the issuer has been in continuous operation for at least three years) or U.S. \$5,000,000 (if in continuous operation for less than three years), or with average revenues of less than U.S. \$6,000,000 for the last three years.

Section “15(g)” of the United States Securities Exchange Act of 1934, as amended, and Regulation Section “240.15g(c) 2” of the SEC require broker dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor’s account. Potential investors in the Company’s common shares are urged to obtain and read such disclosure carefully before purchasing any common shares that are deemed to be “penny stock”.

Moreover, Regulation Section “240.15g -9” of the SEC requires broker dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker dealer to: (a) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (b) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (c) provide the investor with a written statement setting forth the basis on which the broker dealer made the determination in (ii) above; and (d) receive a signed and dated copy of such statement from the investor confirming that it accurately reflects the investor’s financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult for investors in the Company’s common shares to resell their common shares to third parties or to otherwise dispose of them. Stockholders should be aware that, according to Securities and Exchange Commission Release No. 34-29093, dated April 17, 1991, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include:

- (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer;
- (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;
- (iii) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons;
- (iv) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and
- (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses.

Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities.



As an issuer of “penny stock” the protection provided by the federal securities laws relating to forward looking statements does not apply to us.

Although the federal securities law provides a safe harbor for forward-looking statements made by a public company that files reports under the federal securities laws, this safe harbor is not available to issuers of penny stocks. As a result, if we are a penny stock we will not have the benefit of this safe harbor protection in the event of any claim that the material provided by us contained a material misstatement of fact or was misleading in any material respect because of our failure to include any statements necessary to make the statements not misleading.

Failure to achieve and maintain effective internal controls in accordance with section 404 of the Sarbanes-Oxley act could have a material adverse effect on our business and operating results and stockholders could lose confidence in our financial reporting.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our operating results could be harmed. We may be required in the future to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires increased control over financial reporting requirements, including annual management assessments of the effectiveness of such internal controls and a report by our independent certified public accounting firm addressing these assessments. Failure to achieve and maintain an effective internal control environment, regardless of whether we are required to maintain such controls could also cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.

Shares eligible for future sale, if at all, may adversely affect the market price of our common stock, as the future sale of a substantial amount of our restricted stock in the public marketplace could reduce the price of our common stock.

From time to time, certain of our stockholders may be eligible, if at all, to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144, promulgated under the Securities Act (“Rule 144”), subject to certain limitations. In general, pursuant to Rule 144, a stockholder (or stockholders whose shares are aggregated) who has satisfied a one-year holding period may, under certain circumstances, sell within any three-month period a number of securities which does not exceed the greater of 1% of the then outstanding shares of common stock or the average weekly trading volume of the class during the four calendar weeks prior to such sale. Rule 144 also permits, under certain circumstances, the sale of securities, without any limitations, by a non-affiliate of our company that has satisfied a two-year holding period. Any substantial sale of common stock pursuant to Rule 144 or pursuant to any resale prospectus may have an adverse effect on the market price of our securities.

We do not expect to pay dividends in the future. any return on investment may be limited to the value of the company’s stock.

We do not anticipate paying cash dividends on our stock in the foreseeable future. The payment of dividends on our stock will depend on our earnings, financial condition and other business and economic factors affecting us at such time as the board of directors may consider relevant. If we do not pay dividends, its stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

## ITEM PROPERTIES

2.

The Company’s refinery is located on Tiewei Street, Tiedong District of Zhao Dong City, with a total usable area of 84737.32 m2 (912,105 square feet). Zhao Dong Jianye Fuel holds 30-year use rights on the land that will expire in

2035. The Company's production facilities cover a total area of 16,000 m<sup>2</sup> (172,223 square feet), including 12,000 m<sup>2</sup> (129,167 square feet) of actually used area.

China Jianye Fuel maintains a mail-drop at the offices of American Union Securities, Inc. in New York City. We do not compensate American Union Securities for this concession.

## ITEM LEGAL PROCEEDINGS

3.

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

## ITEM (REMOVED AND RESERVED).

4.

## PART II

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

## Market for Our Common Stock

Our common stock is quoted under the symbol CJYF.PK. The Company's common stock was previously traded on the OTC Bulletin Board since December 28, 2006. Our common stock has been delisted from the OTC Bulletin Board, due to our failure to satisfy our SEC filing requirements in a timely fashion. Until we are eligible to re-apply for listing on the OTC Bulletin Board, our common stock will be quoted on the "Pink Sheets."

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

	Closing Prices (1)	
	High	Low
Year Ended June 30, 2010		
1st Quarter	\$ 0.10	\$ 0.10
2nd Quarter	\$ 0.10	\$ 0.10
3rd Quarter	\$ 0.10	\$ 0.10
4th Quarter	\$ 0.10	\$ 0.10
Year Ended June 30, 2009		
1st Quarter	\$ 4.00	\$ 4.00
2nd Quarter	\$ 4.00	\$ 4.00
3rd Quarter	\$ 4.00	\$ 4.00
4th Quarter	\$ 0.45	\$ 0.10

(1) The above table sets forth the range of high and low closing prices per share of our common stock as reported by OTC Bulletin Board and the Pink Sheets, as applicable, for the periods indicated.

Approximate Number of Holders of Our Common Stock

On October 13, 2010, there were approximately \_\_ stockholders of record of our common stock.

Dividend Policy

China Jianye Fuel has not declared or paid cash dividends or made distributions in the past, and we do not anticipate that we will pay cash dividends or make distributions in the foreseeable future. We currently intend to retain and reinvest future earnings, if any, to finance our operations.



Recent Sales of Unregistered Securities

None.

Securities Authorized for Issuance Under Equity Compensation Plans

We currently do not have any equity compensation plans.

ITEM 6. SELECTED FINANCIAL DATA

6.

Not applicable.

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

Overview

China Jianye Fuel, Inc. ("China Jianye") was originally incorporated as Standard Commerce, Inc. ("Standard Commerce"), a Nevada corporation, in December 1994. On November 13, 2007, Standard Commerce acquired the outstanding capital stock of American Jianye Ethanol Company, Inc. ("American Jianye"), a Delaware Corporation, and changed its name to China Jianye Fuel, Inc. ("China Jianye"). China Jianye, through its wholly-owned subsidiary, American Jianye, owns 100% of the registered capital of Zhao Dong Jianye Fuel Co., Ltd. ("Zhao Dong Jianye Fuel"), a corporation organized in 2004 under the laws of The People's Republic of China. Zhao Dong Jianye Fuel is engaged in the business of developing, manufacturing and distributing alcohol-based automobile fuel products in the People's Republic of China.

American Jianye was organized under the laws of the State of Delaware in March 2007. It never initiated any business activity. In November 2007, American Jianye acquired 100% of the net assets of Zhao Dong Jianye Fuel in exchange for debt and equity in American Jianye.

Zhao Dong Jianye Fuel Co., Ltd. was founded in April 2004 under the laws of the People's Republic of China with registered capital of RMB 9 million Yuan (US\$1.3 million). The offices and manufacturing facility operated by Zhao Dong Jianye Fuel are located at 47 Huagong Road, Zhaodong City, Heilongjiang Province, in northeastern China. Zhao Dong Jianye Fuel engages in the development, manufacture, and distribution of alcohol based automobile fuel. The Company's products are designed to function as a lower-cost, more environmentally friendly alternative to conventional gasoline-based auto fuel.

Zhao Dong Jianye Fuel was among the first China-based fuel manufacturers to bring to market alcohol-based automobile fuel. Alcohol-based fuel is an attractive alternative to gasoline for several reasons, including its environmental benefits. Alcohol-based fuel burns with higher efficiency and significantly lower toxic waste emissions than any lead-free gasoline that meets China's national GB17930-1999 fuel quality standards. With its average total toxic waste emission level being only 1% of the maximum toxic emission level mandated by Chinese industry regulators, the quality of alcohol-based fuel is on par with or exceeds the international fuel quality standards for Type IV lead-free gasoline. In addition, due to the lower costs of the raw materials used in the manufacturing process, the average integrated cost of such fuels is only about 4,000-4,150 Renminbi ("RMB") (\$590-610) per ton, lower than the prevailing wholesale price of #93 lead-free gasoline in China by as much as 1,000 RMB (\$147) per ton.

Zhao Dong Jianye Fuel has, since its formation, been engaged in developing its products and its refinery. The Company now has a facility capable of producing 300,000 tons of fuel annually, and has developed the core staff needed for full production operations. In the Spring of 2008, the Company began to ship commercial quantities of fuel to customers, although it continues to operate at only a small fraction of its capacity due to a need for working capital to fund the launch of full-scale operations.

The Company is currently capable of producing alcohol-based fuels comparable to lead-free gasoline with octane ratings ranging from #90 to #98. The Company's products include both ethanol-based fuels (E10, E30, E50, E60, E70, E80 and E85), and methanol-based fuels (M10, M30, M50, M60, M70, M80 and M85), although the primary focus of its business plan is on methanol-based fuels due to their environmental and economic advantages. Recently, the Company has also been engaged in research and development of methanol/ethanol blended fuels, including ME80 and ME85.

Zhao Dong Jianye Fuel commenced operations in 2004. Until the Spring of 2008, however, its activities were essentially developmental. Its research and development efforts have led to the development of a series of fuel products and the award of several patents. With funds provided by its Chairman, Jianye Wang, it has developed a state-of-the-art refinery for the production of methanol-based and ethanol-based fuels. In addition, it has organized a staff of engineers, managers and sales professionals that will be able to support its full-scale entry into the fuel market.

Until the year ended June 30, 2008, the Company's revenue-producing activities had been incidental to the company's research and development activities. Prior to September 30, 2007, Zhao Dong Jianye Fuel sold modest amounts of fuel to a variety of customers, primarily to (a) develop the channels through which it will market when it commences full scale production and (b) introduce new products to those markets for testing and publicity. In the fiscal year ended June 30, 2006 this incidental marketing effort generated \$541,103 in revenue. In the year ended on June 30, 2007, however, Zhao Dong Jianye Fuel suspended most of its revenue-producing activities in order to focus on internal organization activities. As a result, only \$61,555 in revenue was generated during the 2007 fiscal year.

During the quarter ended December 31, 2007, Zhao Dong Jianye Fuel recorded its first significant revenue - \$3,449,434. This occurred because Zhao Dong Jianye Fuel completed a sale and delivery of fuel additives to Zhanjiang Runtong Trading Corp. In the quarter ended March 31, 2008, we realized additional significant revenue from the sale of fuel, as we sold 4,200 tons of methanol-based fuel to CIPC Heilongjiang HuBei, a fuel distributor, for \$3,249,795. These two sales represented approximately 97% of our revenues for the year ended June 30, 2008. Zhanjiang Runtong Trading Corp. and CIPC Heilongjiang HuBei are unrelated third parties, and the transactions were the result of arms length negotiation. After year ended June 30, 2008, however, our sales to Zhanjiang Runtong Trading Corp. and CIPC Heilongjiang HuBei consisted only incidental sales of sales batches.

We expect to develop more consistent revenue streams in the current fiscal year. In July 2008, Zhao Dong Jianye Fuel entered into a contract with Zhuhai Zhonghuan Oil Ltd., which contemplates that the customer will purchase 15,000 tons of ethanol-based automobile fuel per month. Then, in September 2008, Zhao Dong Jianye Fuel entered into contract with Shanxi Province Hanzhong Xilan Liquefied Petroleum Limited to provide the company 200 to 300 tons of M30 fuel each month. Neither of these contracts represents a binding purchase commitment as the customers commit to purchase fuel for only one month at a time. However, these contracts suggest that we are beginning to achieve a consistent stream of revenue.

Our business operates primarily in Chinese Renminbi ("RMB"), but we report our results in our SEC filings in U.S. Dollars. The conversion of our accounts from RMB to U.S. dollars results in translation adjustments. While our net income is added to the retained earnings on our balance sheet, the translation adjustments are added to a line item on our balance sheet labeled "accumulated other comprehensive income," since it is more reflective of changes in the relative values of U.S. and Chinese currencies than of the success of our business. During the year ended March 31, 2010, the effect of converting our financial results to U.S. Dollars added \$33,092 to our accumulated other comprehensive income.

Comparison of Years ended June 30, 2010 and June 30, 2009.

**Revenues.** Revenues increased approximately \$2,513,797, or 233% to approximately \$3,594,810 for the year ended June 30, 2010 from approximately \$1,081,013 for the same period in 2009. This increase was mainly due to the increase in sales to two customers in 2010.

**Cost of Sales.** Our cost of sales increased approximately \$2,440,065, or 252% to approximately \$3,407,712 for the year ended June 30, 2010 from approximately \$967,647 for the same period in 2009. This increase was mainly due to increase in sales revenue.

**Gross Profit.** Our gross profit increased approximately \$73,732, or 65% to approximately \$187,098 for the year ended June 30, 2010 from approximately \$113,366 for the same period in 2009. This increase was mainly due to a increase in sale revenue. As a percentage of revenues, the gross profit decreased to 5.20% during the year ended June 30, 2010 from 10.49% for the same period of 2009. Such decrease of percentage was due to a decrease in sales revenue and a unit cost increase.

**Other Selling, General and Administrative Expenses.** Other selling, general and administrative expenses increased approximately \$5,099,995, or 1,012% to approximately \$5,603,874 for the year ended June 30, 2010 from approximately \$503,879 for the same period in 2009. This increase was mainly due to the increase in the allowance for doubtful accounts of \$4,454,078.

**Loss from operations.** Loss from operations increased approximately \$5,026,263 or 1,287% to approximately \$ 5,416,776 for the year ended June 30, 2010 from approximately \$390,426 for the same period in 2009. This increase was mainly due to the increase in the selling, general and administrative expenses.

**Other expenses.** Other expenses decreased approximately \$55, or 63.22% to approximately \$32 for the year ended June 30, 2010 from approximately \$87 for the same period in 2009. This decrease is immaterial.

**Loss Before Income Tax.** Loss before income taxes increased approximately \$5,026,382, or 1,287% to approximately \$5,026,382 for the year ended June 30, 2010 from approximately \$1,984,929 for the same period in 2009. This increase was mainly due to the increase in the selling, general and administrative expenses.

**Income Tax.** Income taxes did not have changes.

**Net Loss.** Net loss increased approximately \$5,026,382, or 1,287% to approximately \$5,026,382 for the year ended June 30, 2010 from approximately \$1,984,929 for the same period in 2009. This increase was mainly due to the increase in the selling, general and administrative expenses.

**Comparison of Years ended June 30, 2009 and June 30, 2008.**

**Revenues.** Revenues decreased approximately \$5,890,496, or 85% to approximately \$1,081,013 for the year ended June 30, 2009 from approximately \$6,971,508 for the same period in 2008. This decrease was mainly due to the worldwide financial storm which caused price fluctuation and a Chinese government policy change which influenced sales.

**Cost of Sales.** Our cost of sales decreased approximately \$3,423,555, or 78% to approximately \$967,647 for the year ended June 30, 2009 from approximately \$4,391,202 for the same period in 2008. This decrease was mainly due to decrease in sales revenue. As a percentage of revenues, the cost of sales increased to 89.51% during the year ended June 30, 2009 from 62.98% for the same period of 2008. Such increase of percentage was due to decreases in sales revenue and a decrease in the capacity utilizing ratio.

**Gross Profit.** Our gross profit decreased approximately \$2,412,940, or 96% to approximately \$113,366 for the year ended June 30, 2009 from approximately \$2,526,306 for the same period in 2008. This decrease was mainly due to a decrease in sale revenue. As a percentage of revenues, the gross profit decreased to 10.49% during the year ended June 30, 2009 from 36.23% for the same period of 2008. Such decrease of percentage was due to a decrease in sales revenue and a unit cost increase.

**Other Selling, General and Administrative Expenses.** Other selling, general and administrative expenses decreased approximately \$37,429, or 6.91% to approximately \$503,879 for the year ended June 30, 2009 from approximately \$541,308 for the same period in 2008. This decrease was mainly due to the decrease in revenue. As a percentage of revenues, other selling, general and administrative expenses increased to 46.61% during the year ended June 30, 2009 from 7.76% for the same period of 2008. Such increase of percentage was due to a decrease in revenue.

**Income (loss) from operations.** Income from operations decreased approximately \$2,375,511 or 119.67% to approximately \$390,426 for the year ended June 30, 2009 from approximately \$1,984,929 for the same period in 2008. This decrease was mainly due to decrease in revenue and an increase in unit cost. As a percentage of revenues, income from operations decreased to 36.11% during the year ended June 30, 2009 from 28.47% for the same period of 2008. Such decrease of percentage was due to a decrease in revenues.

**Other Income (expenses).** Income from operations increased approximately \$18, or 2.60% to approximately \$87 for the year ended June 30, 2009 from approximately \$69 for the same period in 2008. This increase was mainly due to a traffic regulation fine.

**Income Before Income Taxes and Minority Interest.** Income before income taxes and minority interest decreased approximately \$2,375,355, or 119.66% to approximately \$1,984,929 for the year ended June 30, 2009 from approximately \$390,426 for the same period in 2008. This decrease was mainly due to a decrease in revenues, an increase in unit cost, and decrease in operating profits. As a percentage of revenues, income before income taxes and minority interest decreased to 36.11% during the year ended June 30, 2009 from 28.47% for the same period of

2008. Such increase/decrease of percentage was due to a decrease in revenues, an increase in unit cost, and a decrease in operating profits.

Income Taxes. Income taxes decreased approximately \$497,147, or 100.00% to approximately \$-0- the year ended June 30, 2009 from approximately \$497,147 for the same period in 2008. This decrease was mainly due to lack of profits. As a percentage of revenues, income taxes decreased to -0- during the year ended June 30, 2009 from 7.13% for the same period of 2008. Such decrease of percentage was due to lack of profits.

Net Income. Net income decreased approximately \$1,878,211 or 126.24% to approximately \$390,426 for the year ended June 30, 2009 from approximately \$1,487,782 for the same period in 2008. This decrease was mainly due to 2009 revenue coming from additives which being lower volume and higher margin ratio to more than 60%, and 2008 revenue come from finished products which being higher volume and lower margin ratio to 10%. As a percentage of revenues, net income increased to 36.11% during the year ended June 30, 2009 from 21.34% for the same period of 2008. Such increase of percentage was due to 2009 revenue coming from additives which being lower volume and higher margin ratio to more than 60%, and 2008 revenue coming from finished products which being higher volume and lower margin ratio to 10%.

#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition or results of operations.

#### Critical Accounting Policies and Estimates

In preparing our financial statements we are required to formulate working policies regarding valuation of our assets and liabilities and to develop estimates of those values. In our preparation of the financial statements for fiscal year 2009, there were two estimates made which were (a) subject to a high degree of uncertainty and (b) material to our results. These estimates were:

- Our decision, described in Note 2 to the Consolidated Financial Statements, to record a provision of only \$4,485,305 for uncollectible accounts, against total related accounts receivable of \$6,084,445. This decision was based on our relationship with the debtors and our knowledge of their capacity to repay the debts.
- Our decision, described in Note 2 to the Consolidated Financial Statements, to record no provision for obsolete inventories. This decision was based on fact that our inventory at June 30, 2010 amounted to less than two months' sales and was primarily usable raw materials.

We have made no material changes to our critical accounting policies in connection with the preparation of financial statements for fiscal year 2010.

#### Impact of Accounting Pronouncements

There were no recent accounting pronouncements that have had a material effect on the Company's financial position or results of operations.

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

Not applicable.

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

#### Consolidated Financial Statements

The full text of our audited consolidated financial statements as of June 30, 2010, and 2009 begins on page F-1 of this Report.

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

On July 28, 2010, our board of directors accepted the resignation of KCCW Accountancy Corp. (“KCCW”) as our independent registered public accounting firm.



KCCW's reports for the periods during which they served as our accountant, from October 22, 2009 through July 28, 2010, did not contain any adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the period from the end of the most recently completed fiscal year through July 28, 2010, the date of KCCW's resignation, there were no disagreements, resolved or not, with KCCW on any matters of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of KCCW, would have caused it to make reference to such disagreements in its reports.

We provided KCCW with a copy of the Form 8-K, filed on July 28, 2010, prior to its filing with the Securities and Exchange Commission and requested that KCCW furnish us with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements and, if it does not agree, the respects in which it does not agree. A copy of such letter dated July 28, 2010, is filed as Exhibit 16.1 to the Form 8-K filed July 28, 2010.

Concurrent with the resignation of KCCW, we engaged Albert Wong & Co., registered certified public accounts, as our independent registered public accounting firm. On July 28, 2010, our board of directors approved the change of accountants to Albert Wong & Co.

Prior to engaging Albert Wong & Co., we did not consult with Albert Wong & Co. regarding the application of accounting principles to a specific completed or contemplated transaction or regarding the type of audit opinion that might be rendered by Albert Wong & Co. on our financial statements. Furthermore, Albert Wong & Co. did not provide any written or oral advice regarding such principles or audit opinion on any matter that was the subject of a disagreement or reportable event set forth in Items 304(a)(1)(iv) and (v) of Regulation S-K.

#### ITEM 9A(T).CONTROLS AND PROCEDURES.

Evaluation of disclosure controls and procedures.

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this annual report (the "Evaluation Date"). Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, such controls and procedures were effective.

Changes in internal controls.

The term "internal control over financial reporting" (defined in SEC Rule 13a-15(f)) refers to the process of a company that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated any changes in the Company's internal control over financial reporting that occurred during the fourth quarter of the year covered by this annual report, and they have concluded that there was no change to the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. We have assessed the effectiveness

of those internal controls as of June 30, 2009, using the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) Internal Control – Integrated Framework as a basis for our assessment.

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

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. In the course of making our assessment of the effectiveness of internal controls over financial reporting, we identified two material weaknesses in our internal control over financial reporting. These material weaknesses consisted of:

a. Lack of expertise in U.S accounting principles among the personnel in our Chinese headquarters. Our books are maintained and our financial statements are prepared by the personnel employed at our executive offices in Heilongjiang Province in the People's Republic of China. Few of our employees have experience or familiarity with U.S accounting principles. The lack of personnel in our Heilongjiang office who are trained in U.S. accounting principles is a weakness because it could lead to improper classification of items and other failures to make the entries and adjustments necessary to comply with U.S. GAAP.

b. Lack of independent control over related party transactions. Jianye Wang is the sole director of China Jianye Fuel and of its subsidiary, Zhao Dong Jianye Fuel. From time to time Mr. Wang has made loans and capital contributions to finance the operations of Zhao Dong Jianye Fuel. The absence of other directors to review these transactions is a weakness because it could lead to improper classification of such related party transactions.

Management is currently reviewing its staffing and their training in order to remedy the weaknesses identified in this assessment. To date, we are not aware of significant accounting problems resulting from these weaknesses; so we have to weigh the cost of improvement against the benefit of strengthened controls. However, because of the above conditions, management's assessment is that the Company's internal controls over financial reporting were not effective as of June 30, 2010.

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

ITEM OTHER INFORMATION.  
9B.

None

PART III

ITEM DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.  
10.

Directors and Executive Officers

The following individuals are the members of China Jianye Fuel's Board of Directors and its executive officers.

Name	Age	Position with the Company
Jianye Wang(i)	58	Chairman and Director since 2007

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Shubo Yu	31	Chief Executive Officer and Director since April 27, 2010
Haishen Fei	35	Chief Financial Officer and Director since April 27, 2010

(i) Effective April 27, 2010, Jianye Wang resigned as Chief Executive Officer and Chief Financial Officer.

All directors hold office until the next annual meeting of our shareholders and until their successors have been elected and qualify. Officers serve at the pleasure of the Board of Directors.

Jianye Wang founded Zhao Dong Jianye Fuel Co., Ltd. in the People's Republic of China in 2004, and has served as its Chairman and majority shareholder since that time. For the twenty years prior to founding Zhao Dong Jianye Fuel Co., Ltd., Mr. Wang was engaged in a variety of entrepreneurial activities involving real estate or the civil engineering services industry. Mr. Wang presently serves on the boards of the China National Methanol/Ethanol Fuel and Clean Fuel Automobile Professional Committee, the Heilongjiang Petroleum Association, and the Petroleum Business Committee of the China Federation of Industry and Commerce. Mr. Wang was awarded a certificate in civil engineering by the Harbin Architectural and Civil Engineering Institute.

Shubo Yu served as Operations Manager since joining our company in 2006 until her appointment to the position of Chief Executive Officer. From 2005 through 2006, Mr. Yu served as general manager of Beijing Chi Hao Yuan Science and Technology Company. From 2003 until 2006, Mr. Yu served as an administrator at Beijing Prosperous Investment Advisory Co., Ltd. Mr. Yu, a graduate of Jilin Business Institute, is an accountant.

Haishen Fei, has served as a director in our Financial Services Department since 2002 until her appointment to the position of Chief Financial Officer. From 1999 through 2002, Ms. Fei was an accountant at Harbin Red Sun Group. Ms. Fei, a graduate of Harbin University of Commerce, is an accountant.

#### Nominating, Compensation and Audit Committees

The Board of Directors does not have an audit committee, a compensation committee or a nominating committee, due to the small size of the Board. The Board will also not have an "audit committee financial expert" within the definition given by the Regulations of the Securities and Exchange Commission.

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

Under U.S. securities laws, directors, certain executive officers and persons holding more than 10% of our common stock must report their initial ownership of the common stock, and any changes in that ownership, to the SEC. The SEC has designated specific due dates for these reports. Based solely on our review of copies of such reports filed with the SEC by and written representations of our directors and executive officers, we believe that our directors and executive officers filed the required reports on time in 2010 fiscal year.

#### Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers has been convicted in a criminal proceeding, excluding traffic violations or similar misdemeanors, or has been a party to any judicial or administrative proceeding during the past five years that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws (except where not subsequently dismissed without sanction or settlement), or from engaging in any type of business practice, or a finding of any violation of federal or state securities laws. To the best of our knowledge, no petition under the federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of any of our directors or officers, or any partnership in which any of our directors or officers was a general partner at or within two years before the time of such filing, or any corporation or business association of which any of our directors or officers was an executive officer at or within two years before the time of such filing. Except as set forth in our discussion below in "Certain Relationships and Related Transactions, and Director Independence," none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant

to the rules and regulations of the SEC.

#### Code of Ethics

As of June 30, 2010, we have not adopted a Code of Ethics for Financial Executives, which would include our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

## ITEM EXECUTIVE COMPENSATION

11.

## Summary Compensation Table

The following table sets forth all compensation awarded to, earned by, or paid by China Jianye Fuel, Inc. and its subsidiaries to each of the Named Executive Officers, during the three years since Zhao Dong Jianye Fuel commenced operations. There were no executive officers whose total salary and bonus for the fiscal year ended June 30, 2010 exceeded \$100,000.

	Fiscal Year	Salary	Bonus	Stock Awards	Option Awards	Other Compensation
Jianye Wang(i)	2010	\$ 30,000	--	--	--	\$ --
	2009	\$ 30,500	--	--	--	\$ --
	2008	\$ 30,770	--	--	--	\$ --
Shubo Yang	2010	--	--	--	--	--
	2009	--	--	--	--	--
	2008	--	--	--	--	--
Haishen Fei	2010	--	--	--	--	--
	2009	--	--	--	--	--
	2008	--	--	--	--	--

## Equity Awards

The following tables set forth certain information regarding the stock options acquired by the executive officer named in the table above during the year ended June 30, 2010 and those options held by him on June 30, 2010.

## Option Grants in the Last Fiscal Year

	Number of securities underlying option granted	Percent of total options granted to employees in fiscal year	Exercise Price (\$/share)	Expiration Date	Potential realizable value at annual appreciation for option term	
					5%	10%
Jianye Wang	--	--	--	--	--	--
Shubo Yang	--	--	--	--	--	--
Haishen Fei	--	--	--	--	--	--

The following tables set forth certain information regarding the stock grants received by the executive officer named in the table above during the year ended June 30, 2010 and held by him unvested at June 30, 2010.

Unvested Stock Awards in the Last Fiscal Year

	Number of Shares That Have Not Vested	Market Value of Shares That Have Not Vested
Jianye Wang	0	--
Shubo Yang	--	--
Haishen Fei	--	--

Remuneration of Directors

None of the members of the Board of Directors receives remuneration for service on the Board.



ITEM SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND  
12. RELATED STOCKHOLDER MATTERS.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information known to us with respect to the beneficial ownership of our common stock as of the date of this prospectus by the following:

- each shareholder known by us to own beneficially more than 5% of our common stock;
- Shubo Yu, our Chief Executive Officer and Haishen Fei, our Chief Financial Officer (the "Named Executive Officers")
- each of our directors; and
- all directors and executive officers as a group.

Except as otherwise indicated, we believe that the beneficial owners of the common stock listed below have sole voting power and investment power with respect to their shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership (2)	Percentage of Class
Jianye Wang	15,288,231	50.66%
Shubo Yu	1,798,615	5.96%
Haishen Fei	0	0
Meili Xu	2,997,692	9.93%
Haipeng Wang	2,697,923	8.94%
All officers and directors as a group (3 persons)	17,086,906	56.5%

(1) Except as otherwise noted, each shareholder's address is c/o Zhao Dong Jianye Fuel Co., Ltd., 47 Huagong Road, Zhao Dong City, Heilongjiang Province, P.R. China.

(2) Except as otherwise noted, all shares are owned of record and beneficially.

Equity Compensation Plan Information

The information set forth in the table below regarding equity compensation plans (which include individual compensation arrangements) was determined as of June 30, 2010.

Number of securities to be issued upon exercise	Weighted average exercise price of	Number of securities remaining available for
--	---------------------------------------	---

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	of outstanding options, warrants and rights	outstanding options, warrants and rights	future issuance under equity compensation plans
Equity compensation plans approved by security holders	0	--	0
Equity compensation plans not approved by security holders	0	--	500,000
<b>Total</b>	<b>0</b>	<b>--</b>	<b>500,000</b>

### Changes in Control

There are no arrangements known to us, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of the Company.

### ITEM CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS.

13.

#### Transactions with Related Persons

Our Chairman, Jianye Wang, has a majority equity interest in Heilongjiang Jianye Fuel Co., Ltd. Approximately 70% of the revenue realized by Zhao Dong Jianye Fuel during the 2007 fiscal year resulted from sales to Heilongjiang Jianye Fuel Co., Ltd. The parties had this arrangement because at that time Zhao Dong Jianye Fuel has not yet received the government authorization necessary for issuing certain invoices. For that reason, the sales were processed through Heilongjiang Jianye Fuel Co., which had the requisite government authorization.

Jianye Wang has loaned money to Zhao Dong Jianye Fuel from time to time to provide it working capital. At June 30, 2008, all amounts due from Zhao Dong Jianye Fuel to Jianye Wang had been repaid. In the future, however, until Zhao Dong Jianye Fuel obtains adequate financing, Mr. Wang may continue to provide it working capital loans, when needed. The loans are due on demand and do not bear interest.

Other than the aforesaid relationship, Jianye Wang has not engaged in any transaction with China Jianye Fuel, American Jianye or Zhao Dong Jianye Fuel during the past two fiscal years or the current fiscal year that had a transaction value in excess of \$60,000.

#### Promoters and Certain Control Persons

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

#### Director Independence

None of the members of the Board of Directors is independent, as “independent” is defined in the rules of the NASDAQ Stock Market.

### ITEM PRINCIPAL ACCOUNTANT FEES AND SERVICES.

14.

The following table sets forth the aggregate fees billed to us for fiscal years ended June 30, 2010 and 2009 by Albert Wong & Co. and KCCW Accountancy Corp., the Company’s independent registered public accounting firms for these two years:

	2010	2009
Audit fees(1)	\$ 4,000	\$ 66,000
Audit-related fees(2)	-	-
Tax fees(3)	-	-
All other fees	-	-
Total	4,000	66,000

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- (1) Consists of fees billed for the audit of our annual financial statements, review of financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.
- (2) Audit-Related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of Company's consolidated financial statements and are not reported under "Audit Fees".
- (3) "Tax Fees" consisted of fees billed for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning.

Pre-Approval Policies and Procedures

Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by our auditors must be approved in advance by our Board to assure that such services do not impair the auditors' independence from us. In accordance with its policies and procedures, our Board pre-approved the audit service performed by Albert Wong & Co. for our consolidated financial statements as of and for the year ended June 30, 2010.

PART IV

ITEM EXHIBITS, FINANCIAL STATEMENTS SCHEDULES.

15.

Exhibit No.	Description
3.1	Articles of Incorporation – filed as an exhibit to the Registration Statement on Form 10-SB (File No. 000-52496) filed on March 12, 2007.
3.2	Certificate of Amendment of Articles of Incorporation effective on January 17, 2008 – filed as an exhibit to the Current Report on Form 8-K filed on January 18, 2008.
3.3	By-laws– filed as an exhibit to the Registration Statement on Form 10-SB (File No. 000-52496) filed on March 12, 2007.
10.1	2008 Equity Incentive Plan – filed as an exhibit to the S-8 Registration Statement (File No. 333-148895) filed on January 28, 2008.
10.2	Merger Agreement dated as of November 12, 2007 by and among Standard Commerce, Inc., Jianye Acquisition Corp., and American Jianye Ethanol Company, Inc., filed as an exhibit to Form 8-K/A filed on June 20, 2008.
21	Subsidiaries of the registrant.*
31.1	Certification of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	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.*
32.2	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.*

Exhibits (including those incorporated by reference).

\* Filed herewith.

\*\* Represents management contract or compensatory plan or arrangement.



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHINA JIANYE FUEL INC.

Date: October 13, 2010

By: /s/ Shubo Yu  
Name: Shubo Yu  
Title: Chief Executive Officer  
(principal executive officer)

By: /s/ Haishen Fei  
Name: Haishen Fei  
Title: Chief Financial Officer  
(principal accounting officer)

CHINA JIANYE FUEL, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009



CHINA JIANYE FUEL, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
China Jianye Fuel, Inc.

We have audited the accompanying consolidated balance sheets of China Jianye Fuel, Inc. and subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of income and other comprehensive income, shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China Jianye Fuel, Inc. and subsidiaries as of June 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hong Kong,  
China  
October 12, 2010

/s/ Albert Wong  
& Co.  
Albert Wong &  
Co.  
Certified Public  
Accountants

## CHINA JIANYE FUEL, INC.

## Consolidated Balance Sheets

	June 30, 2010	June 30, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,312	\$ 55,202
Accounts receivable, net of allowance for doubtful accounts of \$4,485,305 and \$31,227 at June 30, 2010 and 2009, respectively	43,881	6,214,181
Inventory, net	1,599,140	1,023,372
Advances to suppliers	57,854	1,011,926
Due from related parties	57,307	-
Prepaid expenses and other current assets	299,434	287,373
Total current assets	2,063,928	8,592,054
Property and equipment, net	2,315,009	2,548,503
Intangibles, net	45,596	47,783
Total assets	\$ 4,424,533	\$ 11,188,340
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 144,535	\$ 1,659,783
VAT tax payable	458,314	443,356
Income tax payable	530,304	528,957
Due to related parties	1,188,006	1,068,112
Other current liabilities	35,560	36,602
Total current liabilities	2,356,719	3,736,810
Total liabilities	2,356,719	3,736,810
Stockholders' equity:		
Common Stock, \$0.001 par value, 200,000,000 shares Authorized, 29,976,923 shares issued and outstanding at June 30, 2010 and 2009	29,977	29,977
Additional paid-in capital	5,695,058	5,695,058
Retained Earnings (Accumulated Deficits)	(4,464,118 )	952,690
Accumulated other comprehensive income	806,897	773,805
Total stockholders' equity	2,067,814	7,451,530
Total liabilities and stockholders' equity	\$ 4,424,533	\$ 11,188,340

The accompanying notes are an integral part of these consolidated financial statements.



## CHINA JIANYE FUEL, INC.

## Consolidated Statements of Operations and Comprehensive Income (loss)

	For the Years Ended June 30,	
	2010	2009
Sales	\$ 3,594,810	\$ 1,081,013
Cost of sales	3,407,712	967,647
Gross profit	187,098	113,366
Operating expenses		
Selling, general and administrative	5,603,874	503,879
Loss from operations	(5,416,776 )	(390,513 )
Other income (expenses)	(32 )	87
Loss before provision for income tax	(5,416,808 )	(390,426 )
Provision for income tax	-	-
Net loss	(5,416,808 )	(390,426 )
Other comprehensive income		
Foreign currency translation adjustment	33,092	36,114
Comprehensive loss	\$ (5,383,716 )	\$ (354,312 )
Basic earnings (loss) per share	\$ (0.18 )	\$ (0.01 )
Diluted earnings (loss) per share	\$ (0.18 )	\$ (0.01 )
Weighted average number of common shares outstanding:		
Basic	29,976,923	29,976,923
Diluted	29,976,923	29,976,923

The accompanying notes are an integral part of these consolidated financial statements.

## CHINA JIANYE FUEL, INC.

## Consolidated Statements of Stockholders' Equity

	Common Stock Number	Par Value	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated other Comprehensive Income	Total Stockholders' Equity
Balance at June 30, 2008	29,976,923	\$29,977	\$5,695,058	\$1,343,116	\$ 737,691	\$ 7,805,842
Net loss	-	-	-	(390,426 )	-	(390,426 )
Other comprehensive income	-	-	-	-	36,114	36,114
Balance at June 30, 2009	29,976,923	\$29,977	\$5,695,058	\$952,690	\$ 773,805	\$ 7,451,530
Balance at June 30, 2009	29,976,923	\$29,977	\$5,695,058	\$952,690	\$773,805	\$7,451,530
Net loss	-	-	-	(5,416,808)	-	(5,416,808)
Other comprehensive income	-	-	-	-	33,092	33,092
Balance at June 30, 2010	29,976,923	\$29,977	\$5,695,058	\$(4,464,118)	\$806,897	\$2,067,814

The accompanying notes are an integral part of these consolidated financial statements.

## CHINA JIANYE FUEL, INC.

## Consolidated Statements of Cash Flows

	For the Years Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net Income (Loss)	\$ (5,416,808 )	\$ (390,426 )
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	248,328	345,864
Provision for bad debts	4,483,311	1,994
Changes in current assets and current liabilities:		
Accounts receivable	1,694,559	(398,782 )
Inventory, net	(567,985 )	(358,076 )
Advances to suppliers	955,513	23,721
Prepaid expense and other current assets	(10,490 )	65,345
Accounts payable and accrued expenses	(1,517,815 )	461,391
VAT tax payable	12,549	6,990
Income tax payable	(1,459 )	-
Other current liabilities	(1,231 )	15,659
Total adjustments	5,295,280	164,106
Net cash used in operating activities	(121,528 )	(226,320 )
Cash flows from investing activities:		
Acquisition of property and equipment	-	(38,146 )
Net cash used in investing activities	-	(38,146 )
Cash flows from financing activities:		
Due to related parties	56,674	189,501
Net cash provided by financing activities	56,674	189,501
Effect of foreign currency translation on cash	15,964	532
Net increase (decrease) in cash and cash equivalents	(48,890 )	(74,433 )
Cash and cash equivalents at beginning of year	55,202	129,635
Cash and cash equivalents at end of year	\$ 6,312	\$ 55,202

The accompanying notes are an integral part of these consolidated financial statements.

## CHINA JIANYE FUEL, INC.

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

### Note 1 – Organization and Description of Business

China Jianye Fuel Inc. was incorporated as Standard Commerce, Inc. (“Standard Commerce”) in December 1994 in Nevada. On November 13, 2007, Standard Commerce acquired the outstanding capital stock of American Jianye Ethanol Company, Inc., a Delaware corporation (“American Jianye”) and changed its name to China Jianye Fuel Inc. For accounting purposes, the acquisition was treated as a recapitalization of American Jianye. American Jianye is a holding company that owns 100% of Zhao Dong Jianye Fuel Co., Ltd. (“Zhao Dong”), a corporation organized under the laws of the People’s Republic of China. The accompanying consolidated financial statements include the financial statements of China Jianye Fuel Inc. and its subsidiaries (the “Company”). The Company’s primary business is to manufacture and distribute ethanol and methanol as alternative fuel for automobile use.

### Note 2 – Summary of Significant Accounting Policies

#### Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of China Jianye Fuel Inc. and its wholly-owned subsidiaries. All inter-company transactions and balances have been eliminated in consolidation.

#### Use Of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation reserves for accounts receivable, inventory and income taxes. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

The Company considers all highly liquid instruments with original maturities of three months or less to be cash and cash equivalents.

#### Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at the end of the period. Based on its assessment of the credit history with customers having outstanding balances and current relationships with them, management makes conclusions whether any realization of losses on balances outstanding at the end of the period will be deemed uncollectible based on the age of the receivables. The Company reserves 0.5% of accounts receivable balances that have been outstanding less than one year, 50% of accounts receivable balances that have been outstanding between one year and two years, and 100% of receivable balances that have been outstanding more than two years. The allowance for doubtful accounts at June 30, 2010 and 2009 was \$4,485,305 and \$31,227, respectively.



## Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the weighted-average cost method. Provisions are made for excess, slow moving and obsolete inventory as well as inventory whose carrying value is in excess of net realizable value. Management continually evaluates the recoverability based on assumptions about customer demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory reserves or write-downs may be required that could negatively impact our gross margin and operating results. The Company did not record any provision for slow-moving and obsolete inventory as of June 30, 2010 and 2009.

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CHINA JIANYE FUEL, INC.

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated based on the straight-line method over the estimated useful lives of the assets as follows:

Vehicles	5 years
Furniture, machinery and equipment	5 to 10 years
Buildings and improvements	15 years

The carrying value of long lived assets is evaluated whenever changes in circumstances indicate the carrying amount of such assets may not be recoverable. If necessary, the Company recognizes an impairment loss for the difference between the carrying amount of the assets and their estimated fair value. Fair value is based upon current and anticipated future undiscounted cash flows. Expenditures for maintenance and repairs are charged to operations as incurred; additions, renewals and betterments are capitalized. Based upon its most recent analysis, the Company believes that no impairment of property and equipment was needed for the years ended June 30, 2010 and 2009.

Long-Lived Assets

The Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 360, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("ASC 360"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. Per ASC 360, the Company is required to periodically evaluate the carrying value of long-lived assets and to record an impairment loss when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal. Based on its review, the Company concluded that as of June 30, 2010 and 2009 there were no significant impairments of its long-lived assets.

Intangible Assets

Intangible assets consist of “Rights to use land” for 32 years and therefore amortized over 32 years based on straight-line method.

Revenue Recognition

The Company derives its revenues primarily from distribution of fuel for automobile use. Revenue is recognized when all of the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;
- The seller's price to the buyer is fixed or determinable, and
- Collection is reasonably assured.

#### Advertising Costs

The Company expenses the cost of advertising as incurred. Advertising costs for the years ended June 30, 2010 and 2009 were insignificant.

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CHINA JIANYE FUEL, INC.

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. No differences were noted between the book and tax bases of the Company's assets and liabilities, respectively. Therefore, there were no deferred tax assets or liabilities for the years ended June 30, 2010 and 2009.

Zhao Dong is subject to PRC Enterprise Income Tax on net income at a rate of 25% for the fiscal year ended June 30, 2010. China Jianye and American Jianye are subject to federal corporate income taxes in the United States at a rate of range from 15% to 35% for the fiscal years ended June 30, 2010 and 2009.

Value Added Tax

The Company is subject to value added tax ("VAT") for manufacturing products. The applicable VAT tax rate is 17% for products sold in the PRC. The amount of VAT liability is determined by applying the applicable tax rate to the invoiced amount of goods sold (output VAT) less VAT paid on purchases (input VAT). Normally, output VAT is recorded as a payable, but when the Company has more purchases than sales, input VAT is recorded as an asset.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, investment securities, accounts receivable, accounts payable, accrued expenses and other obligations, approximate their fair value due to the short-term maturities of the related instruments.

Foreign Currency Translation and Transactions

The financial position and results of operations of the Company is determined using local currency (Chinese Yuan) as the functional currency. Assets and liabilities are translated at the prevailing exchange rate in effect at each year end. Contributed capital accounts are translated using the historical rate of exchange when capital is contributed. Income statement accounts are translated at the average rate of exchange during the year. Currency translation adjustments arising from the use of different exchange rates are included in accumulated other comprehensive income in shareholders' equity. Gains and losses resulting from foreign currency transactions are included in the consolidated statements of operations.

June 30, 2010      June 30, 2009

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Year ended RMB: US\$ exchange rate	6.8086	6.8448
Average yearly RMB: US\$ exchange rate	6.8367	6.8482

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CHINA JIANYE FUEL, INC.

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies (continued)

Comprehensive Income

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other consolidated financial statements. The Company's current components of other comprehensive income are the foreign currency translation adjustments.

Recent Accounting Pronouncements

ASC 105, Generally Accepted Accounting Principles ("ASC 105") (formerly Statement of Financial Accounting Standards No.168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No.162) reorganized by topic existing accounting and reporting guidance issued by the Financial Accounting Standards Board ("FASB") into a single source of authoritative generally accepted accounting principles ("GAAP") to be applied by nongovernmental entities. All guidance contained in the Accounting Standards Codification ("ASC") carries an equal level of authority. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. Accordingly, all other accounting literature will be deemed "non-authoritative". The implementation of this guidance changed the Company's references to GAAP authoritative guidance but did not impact the Company's financial position or results of operations.

In August 2009, the FASB issued FASB ASU 2009-05, "Measuring Liabilities at Fair Value". FASB ASU 2009-05 amends FASB ASC 820, "Fair Value Measurements". Specifically, FASB ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following methods: 1) a valuation technique that uses a) the quoted price of the identical liability when traded as an asset or b) quoted prices for similar liabilities or similar liabilities when traded as assets and/or 2) a valuation technique that is consistent with the principles of FASB ASC 820 of the Accounting Standards Codification (e.g. an income approach or market approach). FASB ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to adjust to include inputs relating to the existence of transfer restrictions on that liability. The adoption of such standard did not have a material impact on the Company's consolidated financial statements.

In 2010, ASC 855 "Subsequent Events" codified SFAS No. 165, "Subsequent Events", which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements. The standard was subsequently amended by FASB ASU 2010-09 which exempts an entity that is an SEC filer from the requirement to disclose the date through which subsequent events have been evaluated. In February 2010, the FASB issued Accounting Standards Update 2010-09 (ASU 2010-09), "Subsequent Events (Topic 855)." The amendments remove the requirements for an SEC filer to disclose a date, in both issued and revised financial statements, through which subsequent events have been reviewed. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. ASU 2010-09 is effective for interim or annual financial periods ending after June 15, 2010. The provisions of ASU 2010-09 did not

have a material effect on the Company's consolidated financial statements.

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## CHINA JIANYE FUEL, INC.

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

## Note 2 – Summary of Significant Accounting Policies (continued)

In 2010, the FASB issued ASC Update ("ASU") No.2010-21, Accounting for Technical Amendments to Various SEC Rules and Schedules. This update amends various SEC paragraphs in the FASB Accounting Standards Codification pursuant to SEC Final Rule, "Technical Amendments to Rules Forms, Schedules and Codification of Financial Reporting Policies". The adoption of this update did not have any material impact on the Company's financial statements.

## Recent Accounting Pronouncements (CONTINUED)

In 2010, the FASB issued ASC Update ("ASU") No.2010-22, Accounting for Various Topics. This update amends various SEC paragraphs in the FASB Accounting Standards Codification based on external comments received and the issuance of Staff Accounting Bulletin (SAB) No. 112 which amends or rescinds portion of certain SAB topics. SAB 112 was issued to bring existing SEC guidance into conformity with ASC 805 "Business Combination" and ASC 810 "Consolidation". The adoption of this update did not have any material impact on the Company's financial statements.

## Earnings (Loss) Per Share

Basic earnings per share is computed by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing net income attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the year. Ordinary equivalent shares consist of the ordinary shares issuable upon the conversion of the convertible preferred shares (using the if-converted method) and ordinary shares issuable upon the exercise of outstanding share options (using the treasury stock method).

## Note 3 – Inventory

Inventory at June 30, 2010 and 2009 consists of the following:

	June 30, 2010	June 30, 2009
Raw materials	\$ 475,880	\$ 723,231
Packaging supplies	29,211	28,975
Finished goods	1,094,049	271,166
<b>Total</b>	<b>\$ 1,599,140</b>	<b>\$ 1,023,372</b>

## Note 4 – Advances to Suppliers

As a common business practice in China, the Company is required to make advance payments to certain suppliers for raw material procurement and equipment. Such advances are interest-free and unsecured. The advances to suppliers for the years ended June 30, 2010 and 2009 was \$57,854 and \$1,011,926, respectively.



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## CHINA JIANYE FUEL, INC.

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

## Note 5– Property and Equipment

Property and equipment at June 30, 2010 and 2009 consists of the following:

	June 30, 2010	June 30, 2009
Property and equipment	\$ 3,460,793	\$ 3,442,490
Less: accumulated depreciation	1,145,784	893,987
Total	\$ 2,315,009	\$ 2,548,503

Depreciation expense for the years ended June 30, 2010 and 2009 was \$246,029 and \$338,379, respectively.

## Note 6– Intangible Assets

Intangible assets at June 30, 2010 and 2009 consist of the following:

	June 30, 2010	June 30, 2009
Rights to use land	\$ 73,877	\$ 73,690
Less: accumulated amortization	28,281	25,907
Total	\$ 45,596	\$ 47,783

Amortization expense for the years ended June 30, 2010 and 2009 was \$2,299 and \$7,485, respectively.

## Note 7 – Due From/To Related Parties

The Company and its affiliated entities regularly borrow money from each other, which is unsecured and non-interest bearing. The balance due to these entities for the years ended June 30, 2010 and 2009 was \$1,188,006 and \$1,068,112, respectively. The balance due from these entities for the years ended June 30, 2010 and 2009 was \$57,307 and nil, respectively.

## Note 8 – Income Taxes

The Company and its subsidiaries are subject to income taxes on an entity basis on income arising in, or derived from, the tax jurisdiction in which they operate.

China Jianye and American Jianye are subject to the United States federal corporate income tax at a rate of 34%. The operating subsidiary, Zhao Dong, established in the PRC is subject to PRC enterprise income taxes at a rate of 25%.

Under the China's Unified Corporate Income Tax Law, foreign-owned enterprises as well as domestic companies are subject to a unified tax rate of 25%. Accordingly, Zhao Dong in the PRC has been subject to the PRC corporate income tax at a rate of 25% on their taxable income arising in the PRC commencing from January 1, 2008.



## CHINA JIANYE FUEL, INC.

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

Reconciliation from the expected income tax expenses calculated with reference to the statutory tax rate in the PRC of 25% for 2010 and 2009 is as follows:

	June 30, 2010	June 30, 2009
Income / (loss) before income taxes	\$ (5,416,808 )	\$ (390,426 )
Income tax (benefits) expenses computed at the PRC statutory rate of 25% based on loss before tax	\$ (1,354,202 )	\$ (97,607 )
Valuation allowance	1,354,202	97,607
	\$ -	\$ -

The change in valuation allowance from June 30, 2009 to June 30, 2010 is primarily related to the tax effects of the increase in the net operating loss in the current fiscal year. The Company has net operating loss carry forwards totaling approximately \$5.4 million as of June 30 2010 (2009: \$0.4 million), primarily relating to operations in the PRC. A valuation allowance has been established for the full amount of the deferred tax benefit related to those loss carry forwards and other deferred tax assets as management believes that their realization is uncertain. The Company did not have any interest and penalty recognized in the income statements for the years ended June 30, 2010 and 2009 or balance sheet as of June 30, 2010 and 2009.

The Company did not have uncertainty tax positions or events leading to uncertainty tax position within the next 12 months. The Company's 2007, 2008 and 2009 U.S. Corporation Income Tax Return are subject to U.S. Internal Revenue Service examination. The Company's 2007, 2008 and 2009 China Corporate Income Tax are subject to China State Administration of Taxation examination.

## Note 9– Stockholders' Equity and Related Financing Agreements

On November 13, 2007 Standard Commerce acquired the outstanding capital stock of American Jianye. American Jianye is a holding company that owns all of the registered capital of Zhao Dong, a corporation organized under the laws of The People's Republic of China. Zhao Dong is engaged in the business of manufacturing and marketing ethanol and methanol for use as automobile fuel in The People's Republic of China. The majority shareholder of American Jianye is Jianye Wang, who is the sole director and chief executive officer of Standard Commerce.

In exchange for the capital stock of American Jianye, Standard Commerce issued to the shareholders of American Jianye 189,901,500 shares of its common stock, representing 97.46% of the outstanding shares of Standard Commerce. At the same time, Jianye Wang purchased 3,000,000 shares of Standard Commerce common stock from Huaqin Zhou, Ying Wang and Huakang Zhou for a price of \$550,000.

## Note 10 – Earnings (Loss) Per Share

The Company presents earnings per share on a basic and diluted basis. Basic earnings per share have been computed by dividing net earnings by the weighted average number of common shares outstanding. Diluted earnings per share have been computed by dividing net earnings plus convertible preferred dividends and interest expense (after-tax) on convertible debt by the weighted average number of common shares outstanding including the dilutive effect of equity securities. The weighted average number of common shares calculated for diluted EPS excludes the potential common stock that would be exercised under the options and warrants granted to officers because the inclusion of the potential shares from these options and warrants would cause an anti-dilutive effect by increasing the net earnings per share.

## CHINA JIANYE FUEL, INC.

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

	June 30, 2010	June 30, 2009
Net income (loss)	\$ (5,416,808 )	\$ (390,426 )
Weighted average common shares	29,976,923	29,976,923
Effect of diluted securities:	-	-
Weighted average common shares	29,976,923	29,976,923
Basic earnings (loss) per share	\$ (0.18 )	\$ (0.01 )
Diluted earnings (loss) per share	\$ (0.18 )	\$ (0.01 )

## Note 11 – Employee Welfare Plan

The Company has established an employee welfare plan in accordance with Chinese laws and regulations. The Company makes annual contributions of 14% of all employees' salaries to the employee welfare plan.

## Note 12 – Risk Factors

For the fiscal year ended June 30, 2010, the Company had two vendors that provided approximately 98% of the Company's raw materials. Total purchases from this vendors amounted to \$4,268,994. For the fiscal year ended June 30, 2009, the Company had three vendors that provided approximately 69% of the Company's raw materials. Total purchases from these vendors amounted to \$726,246.

For the fiscal year ended June 30, 2010, one customer accounted for approximately 98% of the Company's net sales. Total sales made to this customer amounted to \$3,518,491. For the fiscal year ended June 30, 2009, two customers accounted for approximately 68% of the Company's net sales. Total sales made to these two customers amounted to \$737,751.

The Company's operations are carried out in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC as well as by the general state of the PRC's economy. The Company's business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

## Note 13 - Concentrations Of Credit Risk

Financial instruments which potentially subject the Company to credit risk consist principally of cash on deposit with financial institutions. Management believes that the financial institutions that hold the Company's cash and cash equivalents are financially sound and minimal credit risk exists with respect to these investments.

Note 14 - Subsequent Events

None.

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