China Jianye Fuel, Inc.
Form 10-Q
February 16, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2009

o 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)

136-20 38th Ave. Unit 3G, Flushing, NY 11354
(Address of principal executive office and zip code)

718-395-8706
(Registrant's telephone number, including area code)

Indicate by check mark whether the issuer (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 o No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x

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

As of February 11, 2010, 30,176,938 shares of the Registrant’s common stock, $0.001 par value, were outstanding.

CHINA JIANYE FUEL, INC.

FORM 10-Q

For the quarter ended December 31, 2009

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

CHINA JIANYE FUEL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

Assets		December 31, 2009 (Unaudited)		June 30, 2009
Current Assets				
Cash and cash equivalents	$	18,391	$	55,202
Accounts receivable, net of allowance for doubtful accounts of $54,120 and $31,227 at December 31, 2009 and June 30, 2009, respectively		5,380,948		6,214,181
Inventory, net		1,641,704		1,023,372
Advance to supplies		1,037,372		1,011,926
Prepaid and other current assets		309,211		287,373
Due from related parties		70,361		-
Total current assets		8,457,987		8,592,054
Property and Equipment, net		2,511,650		2,548,503
Intangible assets, net		60,723		47,783
Total Assets	$	11,030,360	$	11,188,340

The Accompanying Notes Are an Integral Part of the Financial Statements.

CHINA JIANYE FUEL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2009 (Unaudited)	June 30, 2009
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,228,792	$ 1,659,783
VAT tax payable	448,051	443,356
Income tax payable	574,482	528,957
Due to related parties	1,150,868	1,068,112
Customer deposits	9,623	-
Other current liabilities	21,089	36,602
Total current liabilities	3,432,905	3,736,810
Shareholders' Equity		
Common stock, $0.001 par value, 200,000,000 shares authorized, 29,976,923 shares issued and outstanding as of June 30, 2009 and December 31, 2009	29,977	29,977
Additional paid-in capital	5,695,058	5,695,058
Other comprehensive income	785,377	773,805
Retained earnings	1,087,043	952,690
Total shareholders' equity	7,597,455	7,451,530
Total Liabilities and Shareholders' Equity	$ 11,030,360	$ 11,188,340

The Accompanying Notes Are an Integral Part of the Financial Statements.

CHINA JIANYE FUEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Six Months Ended December 31, 2009 and 2008
(Unaudited)

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2009	2008	2009	2008
Sales	$ 1,036,545	$ 201,588	$ 3,577,545	$ 324,430
Cost of Sales	873,459	183,961	3,260,149	294,770
Gross profit	163,086	17,627	317,396	29,660
Operating costs and expenses:				
Selling, general and administrative expenses	114,809	144,190	138,401	338,055
Income (loss) from operations	48,277	(126,563)	178,995	(308,395)
Other income (expenses)				
Interest expense	(197)	-	(483)	-
Other income (expenses)	625	(96)	625	(330)
Total other income (expense)	428	(96)	142	(330)
Income (loss) before provision for income taxes	48,705	(126,659)	179,137	(308,725)
Provision for income taxes	12,176	-	44,784	-
Net income (loss)	36,529	(126,659)	134,353	(308,725)
Other comprehensive income (loss)				
Foreign currency translation adjustment	(6)	23,407	11,572	47,592
Comprehensive income (loss)	$ 36,523	$ (103,252)	$ 145,925	$ (261,133)
Weighted average number of common shares:				
Basic and diluted	29,976,923	29,976,923	29,976,923	29,976,923
Not income (loss) per share:				
Basic and diluted	$ 0.00	$ (0.00)	$ 0.00	$ (0.01)

The Accompanying Notes Are an Integral Part of the Financial Statements.

CHINA JIANYE FUEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended December 31, 2009 and 2008
(Unaudited)

	For the Six Months Ended December 31, 2009	December 31, 2008
Cash flows from operating activities		
Net income (loss)	$ 134,353	$ (308,725)
Adjustments to reconcile net income to net cash used in operating activities:		
Amortization and depreciation	28,773	154,867
Changes in assets and liabilities:		
Decrease in accounts receivable	841,373	407,818
Increasein inventory	(616,683)	(48,454)
Decrease (increase) in advance to supplies	(24,055)	24,788
Decrease in prepaid and other assets	(21,436)	47,607
Decrease in accounts payable and accured expenses	(444,654)	(439,560)
Increase in VAT tax payable	4,694	20,890
Increase in income tax payable	45,517	-
Increase (decrease) in other current liabilities	(2,804)	75,253
Net cash used in operating activities	(54,922)	(65,516)
Cash flows from investing activities		
Acquisition of property and equipment	-	(31,811)
Net cash used in investing activities	-	(31,811)
Cash flows from financing activities		
Due to (from) related parties	18,052	-
Net cash provided by financing activities	18,052	-
Effect of exchange rate changes on cash and cash equivalents	59	530
Net decrease in cash and cash equivalents	(36,811)	(96,797)
Cash and cash equivalents		
Beginning	55,202	129,635
Ending	$ 18,391	$ 32,838
Supplemental disclosure of cash flows		
Cash paid during the period for:		
Interest expense	$ 483	$ -
Income tax	$ -	$ -

The Accompanying Notes Are an Integral Part of the Financial Statements.

CHINA JIANYE FUEL, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation— The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial reporting and in accordance with instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements contained in this report reflect all adjustments that are normal and recurring in nature and considered necessary for a fair presentation of the financial position and the results of operations for the interim periods presented. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The results of operations for the interim period are not necessarily indicative of the results expected for the full year. These unaudited, condensed consolidated financial statements, footnote disclosures and other information should be read in conjunction with the financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2009.

Organization — 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.

Basis of Consolidation — The consolidated financial statements include the accounts of China Jianye Fuel, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions are eliminated.

Financial Statement Presentation — Certain changes to the 2008 financial statements have been made to conform to the 2009 financial statement format.

Use of Estimates — The preparation of financial statements in conformity 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. Actual results could differ from those estimates.

Cash and Cash Equivalents— Cash and cash equivalents include cash and all highly liquid instruments with original maturities of three months or less.

Inventory — Inventory is stated at the lower of cost or market. Cost is determined by using the weighted-average method. The Company periodically reviews the age and turnover of its inventory to determine whether any inventory has become obsolete or has declined in value, and charges to operations for known and anticipated inventory obsolescence. The Company did not record any provision for slow-moving and obsolete inventory as of December 31, 2009 and June 30, 2009.

Intangible Assets — Intangible assets consist of "Rights to use land" for 32 years in China and therefore amortized over 32 years based on straight-line method.

Recently Issued Accounting Pronouncements — In August 2009, the FASB issued Accounting Standards Update 2009-05, "Measuring Liabilities at Fair Value" to provide guidance on measuring the fair value of liabilities under ASC 820, "Fair Value Measurements and Disclosures." It establishes that a Level 1 fair value measurement should be used to measure the fair value of a liability and alternative valuation techniques that should be used in the absence of a Level 1 measurement. ASU 2009-05 is effective for the first reporting period beginning after issuance; thus, it became effective for the Company on October 1, 2009. The adoption of ASU 2009-05 does not have a material impact on its financial statements.

In October 2009, the FASB issued Accounting Standards Update 2009-13, "Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force," to provide amendments to the criteria in Subtopic 609-24 of the Codification for separating consideration into multiple-deliverable revenue arrangements. ASU 2009-13 establishes a selling price hierarchy for determining the selling price of each specific deliverable which includes vendor-specific objective evidence ("VSOE") if available, third party evidence if VSOE is not available or estimated selling price if neither VSOE nor third party evidence is available. ASU 2009-13 also eliminates the residual method for allocating revenue between the elements of an arrangement and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, which allocates any discount in the arrangement proportionally to each deliverable on the basis of each deliverable's selling price. This Update expands the disclosure requirements regarding a vendor's multiple-deliverable revenue arrangements. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is currently evaluating the impact of ASU 2009-13 on its consolidated financial statements.

NOTE 2 - INVENTORY

Inventory at December 31, 2009 and June 30, 2009 consists of the following:

	December 31, 2009	June 30, 2009
Raw material	$ 466,324	$ 723,231
Supplies	38,478	28,975
Finished goods	1,136,902	271,166
Total	$ 1,641,704	$ 1,023,372

NOTE 3 - RELATED-PARTY TRANSACTIONS

The advances to or from its affiliated entities are unsecured, non-interest bearing and without fixed terms of repayment.

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

This Quarterly Report on Form 10-Q contains "forward-looking" statements, as such term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements consist of information relating to the Company that is based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate," "believe," "estimate," "expect" and "intend" and words or phrases of similar import, as they relate to the Company or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors including, without limitations, competitive factors, general economic conditions, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein and in other filings made by the Company with the Securities and Exchange Commission. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.

BUSINESS OVERVIEW

China Jianye Fuel, Inc., through its wholly-owned subsidiary, American Jianye Ethanol Company, Inc. ("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 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. Those shares represent the only asset of 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.

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, however, 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 our first 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 – the customer's commit to one month of purchases at a time. But they 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 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 six-month period ended December 31, 2009, the effect of converting our financial results to Dollars was to add $11,572 to our accumulated other comprehensive income.

RESULTS OF OPERATIONS

Results of Operations for the Three Months Ended December 31, 2009 and December 31, 2008:

	For the Three Months Ended December 31,		Increase / (Decrease)
	2009	2008	
Revenues	$ 1,036,545	201,588	834,957
Cost of Sales	873,459	183,961	689,498
Gross Profit	163,086	17,627	149,459
Selling, General and Administrative Expenses	114,809	144,190	(29,381)
Income (loss) from operations	48,277	(126,563)	174,840

Other Income (expenses)		428	(96)	524
Income (loss) before provision for income taxes		48,705	(126,659)	175,364
Income taxes		12,176	-	12,176
Net Income (loss)		36,529	(126,659)	163,188
Other Comprehensive Income (loss)		(6)	23,407	(23,413)
Comprehensive Income (Loss)	$	36,523	(103,252)	139,775

Revenues. Revenues increased approximately $834,957, or 414 %, to $1,036,545for the three months ended December 31, 2009 from $201,588 for the same period in 2008. This increase was mainly due to the increase in sales to two customers for the period ended December 31, 2009, while the sales for the same period in 2008 represents the sales of sample batches to potential customers.

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Cost of Sales. Our cost of sales increased approximately $689,498, or 375%, to $873,459 for the three months ended December 31, 2009 from $183,961 for the same period in 2008. This increase was mainly due to sales increase.

Gross Profit. Our gross profit increased approximately $145,459, or 825%, to $163,086for the three months ended December 31, 2009 from $17,627 for the same period in 2008. This increase was mainly due to an increase in sales revenue. As a percentage of revenues, the gross profit increased to 15.7% during the three months ended December 31, 2009 from 8.7% for the same period of 2008. Such increase of percentage was due to the reason that the sales for the recent sales consists larger quantities of fuels. The production in quantities makes efficient use of our refinery and ship in quantities that enable us to obtain wholesale shipping charges. These gross profit percentages for the periods ended December 31, 2009 and 2008 are not meaningful, however, since we have not commenced full scale production.

Other Selling, General and Administrative Expenses. Other selling, general and administrative expenses decreased approximately $29,381, or 20%, to $114,809for the three months ended December 31, 2009 from $144,190 for the same period in 2008. This decrease was mainly due to a decrease in rent, and depreciation expenses, which is partially offset by an increase in bad debt and traveling expenses. As a percentage of revenues, other selling, general and administrative expenses decreased to 1% during the three months ended December 31, 2009 from 72% for the same period of 2008. Such decrease of percentage was due to an increase in sales revenue.

Income (loss) from operations. Income (loss) from operations increased approximately $174,840 or 138 %, to $48,277 for the three months ended December 31, 2009 from $(126,563) for the same period in 2008. This increase was mainly due to an increase in revenue and a decrease in operating expenses. As a percentage of revenues, income (loss) from operations increased to 5% during the three months ended December 31, 2009 from (63)% for the same period of 2008. Such increase of percentage was due to an increase in revenue and a decrease in operating expenses.

Other Income (expenses). Other income increased approximately $524, or 546%, to $428 for the three months ended December 31, 2009 from approximately $(96) for the same period in 2008. The change was not significant.

Income(loss) Before Provision of Income Taxes. Income before income taxes increased approximately $175,364, or 138%, to $48,705 for the three months ended December 31, 2009 from $126,659 for the same period in 2008. This decrease was mainly due to an increase in revenues, an increase in operating profits, and a decrease in operating expenses. As a percentage of revenues, income (loss) before income taxes and minority interest increased to 5% during the three months ended December 31, 2009 from (63)% for the same period of 2008. Such increase of percentage was due to the same reason above.

Income Taxes. Income taxes increased to approximately $12,176 for the three months ended December 31, 2009 from approximately $0 for the same period in 2008. This increase was mainly due to an increase in net income. As a percentage of revenues, income taxes increased to 1% during the three months ended December 31, 2009 from 0% for the same period of 2008. Such increase of percentage was due to an increase in net income.

Net Income (loss). Net income increased approximately $163,188, or 129%, to $36,529 for the three months ended December 31, 2009 from $(126,659) for the same period in 2008. This increase in profitability for the period ended December 31, 2009 was due to the reasons described above.

Results of Operations for the Six Months Ended December 31, 2009 and December 31, 2008:

	For the Six Months Ended December 31,	Increase / (Decrease)

	2009	2008	
Revenues	3,577,545	324,430	3,253,115
Cost of Sales	3,260,149	294,770	2,964,379
Gross Profit	317,396	29,660	287,736
Selling, General and Administrative Expenses	138,401	338,055	(199,654)
Income (loss) from operations	178,995	(308,395)	487,390
Other Income (expenses)	142	(330)	472
Income (loss) before provision for income taxes	179,137	(308,725)	487,862
Income taxes	44,784	-	44,784
Net Income (loss)	134,353	(308,725)	443,078
Other Comprehensive Income (loss)	11,572	47,592	(36,020)
Comprehensive Income (Loss)	145,925	(261,133)	407,058

Revenues. Revenues increased approximately $3,253,115, or 1,003 %, to $3,577,545 for the six months ended December 31, 2009 from $324,430 for the same period in 2008. This increase was mainly due to the increase in sales to two customers for the period ended December 31, 2009, while the sales for the same period in 2008 represents the sales of sample batches to potential customers.

Cost of Sales. Our cost of sales increased approximately $2,965,379, or 1,006%, to $3,260,149 for the six months ended December 31, 2009 from $294,770 for the same period in 2008. This increase was mainly due to sales increase.

Gross Profit. Our gross profit increased approximately $287,736, or 970%, to $317,396 for the six months ended December 31, 2009 from $29,660 for the same period in 2008. This increase was mainly due to an increase in sales revenue. As a percentage of revenues, the gross profit decreased to 8.9% during the six months ended December 31, 2009 from 9.1% for the same period of 2008. Such decrease of percentage was due to the reason that the sales for the same period in 2008 consists mainly the distribution of sample batches to potential customers and we charge a higher margin for the sample sales. These gross profit percentages for the periods ended December 31, 2009 and 2008 are not meaningful, however, since we have not commenced full scale production.

Other Selling, General and Administrative Expenses. Other selling, general and administrative expenses decreased approximately $199,654, or 59%, to $138,401 for the six months ended December 31, 2009 from $338,055 for the same period in 2008. This decrease was mainly due to a decrease in rent, and depreciation expenses, which is partially offset by an increase in bad debt and traveling expenses. As a percentage of revenues, other selling, general and administrative expenses decreased to 4% during the six months ended December 31, 2009 from 104% for the same period of 2008. Such decrease of percentage was due to an increase in sales revenue.

Income (loss) from operations. Income (loss) from operations increased approximately $487,390 or 158 %, to $178,995 for the six months ended December 31, 2009 from $(308,395) for the same period in 2008. This increase was mainly due to an increase in revenue and a decrease in operating expenses. As a percentage of revenues, income (loss) from operations increased to 5% during the six months ended December 31, 2009 from (95)% for the same period of 2008. Such increase of percentage was due to an increase in revenue and a decrease in operating expenses.

Other Income (expenses). Other income increased approximately $472, or 143%, to $142 for the six months ended December 31, 2009 from approximately $(330) for the same period in 2008. The change was not significant.

Income(loss) Before Provision of Income Taxes. Income before income taxes increased approximately $487,862, or 158%, to $179,137 for the six months ended December 31, 2009 from $(308,725) for the same period in 2008. This decrease was mainly due to an increase in revenues, an increase in operating profits, and a decrease in operating expenses. As a percentage of revenues, income (loss) before income taxes and minority interest increased to 5% during the six months ended December 31, 2009 from (95)% for the same period of 2008. Such increase of percentage was due to the same reason above.

Income Taxes. Income taxes increased approximately $44,784 for the six months ended December 31, 2009 from approximately $0 for the same period in 2008. This increase was mainly due to an increase in net income. As a percentage of revenues, income taxes increased to 1% during the six months ended December 31, 2009 from 0% for the same period of 2008. Such increase of percentage was due to an increase in net income.

Net Income (loss). Net income increased approximately $443,078, or 144%, to $134,353 for the six months ended December 31, 2009 from $(308,725) for the same period in 2008. This increase in profitability for the period ended December 31, 2009 was due to the reasons described above.

LIQUIDITY AND CAPITAL RESOURCES

Our operations to date have been funded primarily by capital contributions and short-term loans from our Chairman, Jianye Wang, which have been adequate to bring us to the point where we are prepared to commence full scale production.

Our working capital at December 31, 2009 totaled $5,025,082. Included in our working capital, however, was $5,380,948 in accounts receivable, almost all of which are owed by the two customers. We are not certain when those receivables will be paid. Also included in working capital was an advance payment to the raw material suppliers in the amount of $1,037,372.The recipient of this advance payment will be our primary source of petroleum distillate, and we made this payment in accord with Chinese custom, to enable the refinery to expand its production capacity in anticipation of doing a large amount of business with us. We have, therefore, only a small amount of liquid assets.

For the six months ended December 31, 2009, our operations in that period decreased our cash position by $36,811. This occurred primarily because the amount that we applied to reduce our accounts payable and accrued expenses, $444,654, and increase inventory of $616,683, which was partially offset by the amount that we collected on our accounts receivable, $841,373. This offset enabled us to preserve the goodwill of our vendors. During the same period we realized $2,804 in value from customer prepayments and other payable , which partially offset by an increase in our advance to suppliers in the amount $24,055, allowing us to preserve our cash.

CRITICAL ACCOUNTING POLICIES

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 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, indicated in the Consolidated Financial Statements, to record a provision of only $54,120 for uncollectible accounts, against total related accounts receivable of $5,435,068. 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 1 to the Consolidated Financial Statements, to record no provision for obsolete inventories. This decision was based on fact that our inventory at December 31, 2009 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 included in this Quarterly Report on Form 10-Q.

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.

Recently Issued Accounting Policies

In August 2009, the FASB issued Accounting Standards Update 2009-05, "Measuring Liabilities at Fair Value" to provide guidance on measuring the fair value of liabilities under ASC 820, "Fair Value Measurements and Disclosures." It establishes that a Level 1 fair value measurement should be used to measure the fair value of a liability and alternative valuation techniques that should be used in the absence of a Level 1 measurement. ASU 2009-05 is effective for the first reporting period beginning after issuance; thus, it became effective for the Company on October 1, 2009. The adoption of ASU 2009-05 does not have a material impact on its financial statements.

In October 2009, the FASB issued Accounting Standards Update 2009-13, "Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force," to provide amendments to the criteria in Subtopic 609-24 of the Codification for separating consideration into multiple-deliverable revenue arrangements. ASU 2009-13 establishes a selling price hierarchy for determining the selling price of each specific deliverable which includes vendor-specific objective evidence ("VSOE") if available, third party evidence if VSOE is not available or estimated selling price if neither VSOE nor third party evidence is available. ASU 2009-13 also eliminates the residual method for allocating revenue between the elements of an arrangement and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, which allocates any discount in the arrangement proportionally to each deliverable on the basis of each deliverable's selling price. This Update expands the disclosure requirements regarding a vendor's multiple-deliverable revenue arrangements. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is currently evaluating the impact of ASU 2009-13 on its consolidated financial statements.

Earnings (Loss) Per Share

In accordance with SFAS No. 128, “Computation of Earnings Per Share” (“SFAS No. 128”) and EITF No. 03-6, “Participating Securities and the Two-Class Method under FASB Statement No. 128” (“EITF No. 03-6”), 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).

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.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

Not applicable due to smaller reporting company status.

Item 4T. 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 quarterly 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 Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated whether any changes in the Company's internal control over financial reporting had occurred during the most recently completed fiscal quarter, 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors

Not applicable.

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

None.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

CHINA JIANYE FUEL INC.

By: /s/ Jianye Wang
Jianye Wang
Chief Executive Officer and Chief Financial Officer

Date: February 16, 2010