China Jianye Fuel, Inc.
Form 10-Q
November 14, 2008

U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [X]

For the quarterly period ended September 30, 2008

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [ ]

For the transition period from _____ to _____

Commission File No. 0-52496

CHINA JIANYE FUEL, INC.
(Name of Small Business Issuer in its Charter)

Deleware (State or Other Jurisdiction of incorporation or organization)	20-8296010 (IRS Employer I.D. No.)

100 Wall Street, 15th Floor, New York, NY 10005
(Address of Principal Executive Offices)

Issuer's Telephone Number: (212) 232-0120

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 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 X No

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

Large accelerated filer __ Accelerated filer ____ Non-accelerated filer ____ Small 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 ___ No X_

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:
November 14, 2008
Common Voting Stock: 29,976,923

Transitional Small Business Disclosure Format (check one): Yes ___ No X

CHINA JIANYE FUEL, INC

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)

FINANCIAL STATEMENTS

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 (the "Company") as of September 30, 2008, and the related statements of operations and comprehensive income, stockholders' equity, and cash flows for three months ended September 30, 2008. These consolidated financial statements are the responsibility of the Company's management.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons respnsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ Patrizio & Zhao, LLC

Parsippany, New Jersey
November 14, 2008

CHINA JIANYE FUEL, INC

CONSOLIDATED BALANCE SHEET

ASSETS

(UNAUDITED)

	September 30, 2008	June 30, 2008
ASSETS	(Unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	$ 84,801	$ 129,635
Accounts receivable, net of allowance for doubtful accounts of $29,193 and $29,113 at September 30, 2008 and June 30, 2008, respectively	5,402,038	5,793,568
Inventory	659,984	662,571
Advances to suppliers	1,027,111	1,031,406
Prepaid expenses	165,407	203,793
Other Current assets	158,420	147,481
Total Current Assets	7,497,761	7,968,454
PROPERTY AND EQUIPMENT, NET	2,763,787	2,833,086
OTHER ASSETS		
Intangibles, net	52,892	55,040
Total Assets	$ 10,314,440	$ 10,856,580
LIABILITIES AND STOCKHOLDERS’ EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 764,661	$ 1,215,896
VAT tax payable	443,384	434,580
Income tax payable	528,235	526,791
Other current liabilities	930,199	873,471
Total Current Liabilities	2,666,479	3,050,738
Total Liabilities	2,666,479	3,050,738
STOCKHOLDERS’ EQUITY		
Common Stock, $0.001 par value, 200,000,000 shares authorized, 29,976,923 shares issued and outstanding	29,977	29,977
Additional paid-in capital	5,695,058	5,695,058
Retained Earnings	1,161,050	1,343,116
Accumulated other comprehensive income	761,876	737,691
Total Stockholders’ Equity	7,647,961	7,805,842
Total Liabilities and Stockholders' Equity	$ 10,314,440	$ 10,856,580

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

CHINA JIANYE FUEL, INC

CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE INCOME

(UNAUDITED)

	For the Three Months Ended September 30,	
	2008	2007
SALES	$ 122,841	$ 47,888
COST OF GOODS SOLD	110,808	47,256
GROSS PROFIT	12,033	632
OPERATING EXPENSES		
Selling, general and administrative	193,865	12,244
LOSS FROM OPERATIONS	(181,832)	(11,612)
OTHER INCOME (EXPENSES)		
Other expense	(234)	-
INCOME BEFORE PROVISION FOR INCOME TAX	(182,066)	(11,612)
PROVISION FOR INCOME TAX	-	-
NET LOSS	(182,066)	(11,612)
OTHER COMPREHENSIVE INCOME		
Foreign currency translation adjustment	24,185	93,696
COMPREHENSIVE INCOME (LOSS)	$ (157,881)	$ 82,084
BASIC EARNINGS PER SHARE	$ (0.01)	$ (0.00)
DILUTED EARNINGS PER SHARE	$ (0.01)	$ (0.00)
WEIGHTED AVERAGE SHARES OUTSTANDING		
BASIC	29,976,923	4,948,500
DILUTED	29,976,923	4,948,500

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

CHINA JIANYE FUEL, INC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Three Months Ended September 30, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (182,066)	$ (11,612)
Adjustments to reconcile net income (loss) to net cash	-	-
provided by (used in) operating activities:		
Depreciation and amortization	86,430	25,380
Changes in current assets and current liabilities:		
Accounts receivable	407,664	
Inventory	4,407	(27,241)
Advances to suppliers	7,127	
Prepaid expense	38,969	
Other current assets	(10,541)	(25,969)
Accounts payable and accrued expenses	(454,848)	464
VAT tax payable	7,617	(4,739)
Income tax payable		
Due to related parties		106,305
Other current liabilities	54,372	(59,592)
Total Adjustments	141,197	14,608
Net Cash Provided By (Used In) Operating Activities	(40,869)	2,996
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(4,347)	-
Net Cash Used In Investing Activities	(4,347)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to shareholder loans	-	(2,653)
Net Cash Used In Financing Activities	-	(2,653)
EFFECT OF FOREIGN CURRENCY TRANSLATION ON CASH	382	10
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,834)	353
CASH AND CASH EQUIVALENTS – BEGINNING	129,635	561
CASH AND CASH EQUIVALENTS – ENDING	$ 84,801	$ 914

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

CHINA JIANYE FUEL, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

BASIS OF PRESENTATION

The Company’s Consolidated Financial Statements include the accounts of its direct wholly-owned subsidiaries and its indirect proportionate share of subsidiaries owned by the wholly-owned subsidiaries. All intercompany balances and transactions are eliminated in consolidation. The accompanying unaudited financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Regulation S-X applicable to small business issuers. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Interim results are not necessarily indicative of results for a full year. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position and the results of operations and cash flows for the interim periods have been included.

NOTE 2 - INTERIM FINANCIAL STATEMENTS

These interim financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2008, as not all disclosures required by generally accepted accounting principles for annual financial statements are presented. The interim financial statements follow the same accounting policies and methods of computations as the audited financial statements for the year ended June 30, 2008.

NOTE 3 – 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 has 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.

NOTE 3 – EARNINGS (LOSS) PER SHARE (continued)

	Three Months Ended Sept. 30, 2008		2007	
Net loss	$	(182,066)	$	(11,612)
Weighted average common shares		29,976,923		4,948,500
Effect of diluted securities:		-		-
Weighted average common shares		29,976,923		4,948,500
Basic net income per share	$	(0.01)	$	(0.00)
Diluted net income per share	$	(0.01)	$	(0.00)

NOTE 4 – INVENTORY

Inventory at September 30, 2008 and June 30, 2008 consisted of the following:

		September 30,2008		June 30,2008
Raw materials	$	566,795	$	594,495
Packaging supplies		28,935		32,058
Finished goods		64,254		36,018
Total	$	659,984	$	662,571

NOTE 5 – 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 construction. Such advances are interest-free and unsecured.

CHINA JIANYE FUEL, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SEPTEMBER 30, 2008 AND 2007

(UNAUDITED)

NOTE 6– PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2008 and June 30, 2008 consisted of the following:

	September 30,2008	June 30,2008
Property and equipment	$ 3,402,714	$ 3,386,419
Less: accumulated depreciation	638,927	553,333
Total	$ 2,763,787	$ 2,833,086

Depreciation expense for the three months ended September 30, 2008 and 2007 was $84,129 and $24,859, respectively.

NOTE 7– INTANGIBLE ASSETS

Net intangible assets at September 30, 2008 and June 30, 2008 were as follows:

	September 30,2008	June 30,2008
Rights to use land	$ 73,589	$ 73,387
Less: accumulated amortization	20,697	18,347
Total	$ 52,892	$ 55,040

Amortization expense for the three months ended September 30, 2008 and 2007 amounted to $2,301 and $521, respectively.

NOTE 8 – OTHER PAYABLE

Other payable represents a short-term loan from a third party individual for purchasing raw materials. It is unsecured and non-interest bearing.

NOTE 9 – EMPLOYEE WELFARE PLAN

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

NOTE 10 – RISK FACTORS

For the three months ended September 30, 2008 and 2007, the Company had two vendors that provided approximately 99% and 50% of the Company’s raw materials. Total purchases from these vendors amounted to $77,625 and 34,380 for the three months ended September 30, 2008 and 2007, respectively.

For the three months ended September 30, 2008, four customers accounted for approximately 72% of the Company’s net sales. Total sales made to these two customers amounted to $88,370. For the three months ended September 30, 2007, one major customer accounted for approximately 48% of the net sales. Total sales made to this customer were $23,096.

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 11 - 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.

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

Forward-Looking Statements: No Assurances Intended

In addition to historical information, this Quarterly Report contains forward-looking statements, which are generally identifiable by use of the words “believes,” “expects,” “intends,” “anticipates,” “plans to,” “estimates,” “projects, similar expressions. These forward-looking statements represent Management’s belief as to the future of Eastern Environment Solutions, Corp. Whether those beliefs become reality will depend on many factors that are not under Management’s control. Many risks and uncertainties exist that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled “Management’s Discussion and Analysis—Risk Factors That May Affect Future Results.” Readers are cautioned not to place undue reliance on these forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements.

Results of Operations

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. And 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.

During the quarter ended December 31, 2007, however, Zhao Dong Jianye Fuel recorded its first significant revenue - $3,449,434, with 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. In the 4th quarter of the year ended June 30, 2008, however, our sales totaled only $212,335, primarily consisting of incidental sales of sample batches.

Entering the first quarter of the fiscal year of 2009, the company continued its efforts to test and publicize various types of fuel products in the markets. As a result of these efforts, our sales revenue for the three months ended September 30, 2008 was $122,841, compared to $47,888 for the quarter ended on September 30, 2007. These sales again represent our distribution of sample batches to potential customers, and do not represent the type of marketing that will accompany full production.

During the three months ended September 30, 2008, we have achieved initial success in developing new businesses relationships. Specifically, we have executed long-term supply contracts with two customers for our fuel products. 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. 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. However, neither of these contracts represents a binding purchase commitment – the customers commit to one month of purchases at a time – and neither contract produced significant sales during the quarter ended September 30, 2008. But the contracts do suggest the manner in which we are expecting to achieve the goal of a consistent stream of revenue from the sale of our main products of fuels.

Our gross profit margin during the quarter ended September 30, 2008 was 10%. This figure is not meaningful, however, since we have not commenced full scale production. When we start our full production and sales of our major fuel products, we expect our gross profit margin to be significantly higher than that which is customary for refiners of petroleum-based fuels. This should occur because the market price of the raw materials for methanol-based fuels (i.e. methanol and petroleum distillate) are substantially lower than the market price for gasoline. At current market prices, we believe that we will be able to produce methanol-based fuel for $27 to $40 per ton less than the prevailing cost of refining gasoline with comparable octane levels. The price advantage can only be achieved, however, when we produce our fuels in quantities that make efficient use of our refinery and ship it in quantities that enable us to obtain wholesale shipping charges. Those conditions will be achieved only after we obtain the funds necessary to bring our operations up to the full production level.

Our selling, general and administrative expenses increased significantly from the first quarter of 2007 ($12,244) to the first quarter of 2008 ($193,865). The main reasons for the increase were (a) increased expenses of operating our facility, as we prepare for full production, and (b) the professional and other costs attendant to functioning as a U.S. public company, a situation initiated in November 2007. As we commence full-scale production, our operating expenses will continue to increase, primarily due to (a) increased staff required for production and marketing, (b) increased selling expense required to develop and expanded market for our products, and (c) increased depreciation expense. Currently, we only depreciate the portion of our facility that has been put into active use. The denominator for our depreciation calculation will increase when our entire facility is engaged in production.

Due to our lack of significant revenues, the Company's revenue less expenses produced a net loss of $182,066 in the quarter ended September 30, 2008, compared to our net loss of $11,612 in the three months ended on September 30, 2007. During the quarter ended on September 30, 2007, as we organized our business, our net loss remained modest, despite our lack of gross profit.

During the three months ended September 30, 2008, our operations reduced our cash position by $40,869. This occurred primarily because we reduced out accounts payable and accrued expenses by $454,848, in order to preserve the goodwill of our vendors, while the two customers who accounted for 97% of our sales in fiscal 2008 paid only a small portion of their debt to us, resulting in a net reduction of $407,664 in our accounts receivable.

Our business operates primarily in Chinese RMB ("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 quarter ended on September 30, 2008, the effect of converting our financial results to Dollars was to add $24,185 to our accumulated other comprehensive income.

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 September 30, 2008 totaled $4,831,282. Included in our working capital, however, was $5,402,038 in accounts receivable, almost all of which are owed by the two customers who were the source of

97% of our 2008 revenue. 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 $1,027,111. 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.

In order to commence full scale operations, we will need approximately $4,000,000 to purchase raw materials and fund our initial receivables. On our September 30, 2008 balance sheet, we have property and equipment with a book value of $2,763,787 on which there is no lien. We expect that some amount of the funds that we require can be obtained by pledging those assets to secure a loan. The remainder, however, will be obtained from the sale of equity. To date we have no commitment from any source for either debt or equity financing.

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.

Risk Factors That May Affect Future Results

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' 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' 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 RMB, 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 RMB. In addition, international currency markets may cause significant adjustments to occur in the value of the RMB. Any such events that result in a devaluation of the RMB 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.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISKS

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

The term “disclosure controls and procedures” (defined in SEC Rule 13a-15(e)) refers to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized and reported within required time periods. The Company’s management, with the participation of the Chief Executive Officer and the 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 report (the “Evaluation Date”). Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, such controls and procedures were effective.

(b) 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 fiscal quarter covered by this quarterly 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.

PART II - OTHER INFORMATION

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The company is not party to any material legal proceeding.

ITEM 2. CHANGES IN SECURITIES

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

31	Rule 13a-14(a) Certification – CEO
31	Rule 13a-14(a) Certification - CFO

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.

Date: November 14, 2008
By: /s/ Jianye Wang
Jianye Wang, Director
Chief Executive Officer and Chief Financial Officer