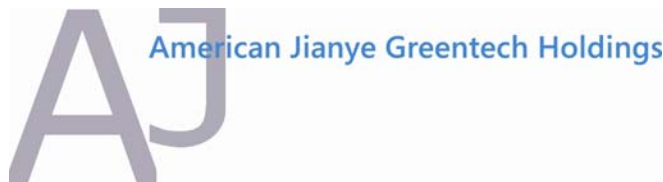


# American Jianye Greentech Holdings, Ltd.

**OTCBB : AJGH**

**June 04, 2010 Close**

DJIA: 9,931.97  
S&P 500: 1,064.88  
NASDAQ Comp: 2,219.17  
Russell 2000: 633.97



**Randy D. Lewis, CFA, MBA – Analyst**  
818.783.5006 / rlewis@equitynet.net

**Recommendation: BUY**

**6 Mo. Price Target: \$2.12**

## COMPANY AND MARKET DATA

Stock Price 6/4/10:	\$0.65	Market Cap.:	\$20.22 M	30-Day Avg. Volume	59,593
52 Week Price Range:	\$0.65 – 1.90	Shares Outstanding:	31.10 M	Current Ratio	1.09
Industry/Sector:	Alternative Fuels	Float (est):	3.40 M	P/E TTM (FY09A)	36.00
FY 2009A EPS	\$0.03	FY 2010E EPS	\$0.20	FY 2010E EBITDA %	14.8%

## BASIS FOR RECOMMENDATION

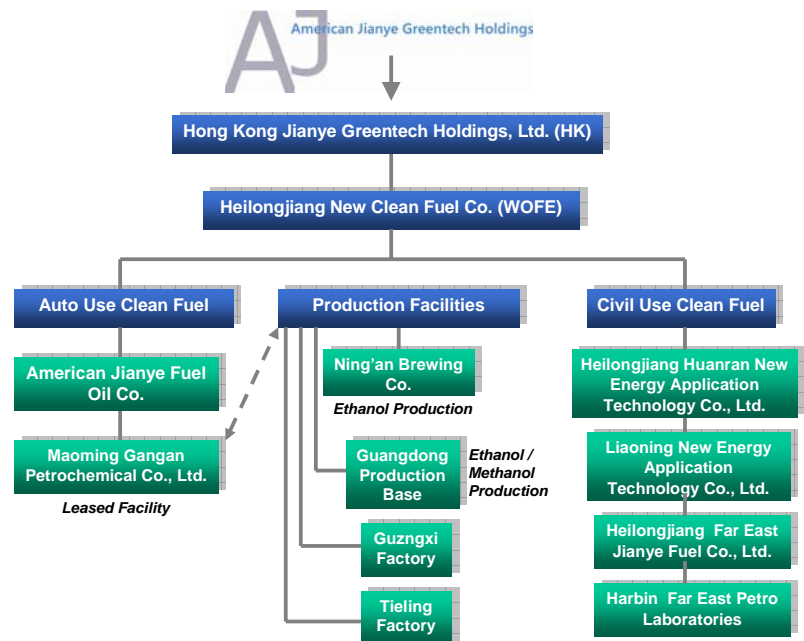
- We are initiating a **BUY** rating for American Jianye Greentech Holdings, Ltd. (OTCBB: AJGH), a Heilongjiang-based developer and distributor of alcohol-based automobile fuel products in the People's Republic of China, including methanol, ethanol and blended fuels.
- Burgeoning Demand for Fuel:** Chinese consumers are forecast to buy a record 15 million vehicles in 2010, shattering the record 13.5 million in 2009 that made the country the world's top car buyer. China has approximately 35 million cars on the road today and experts predict that number will reach 120 million by 2020. Fuel prices in China are set by the central government, which certainly has been to fuel companies' advantage the past 2 ½ years. Beijing has raised retail fuel prices seven times in that timeframe, even as global oil prices have fluctuated wildly.
- Vertical Integration:** The Company recently announced its intention to enter the retail fuel market, having served civil customers and wholesaling to date. In addition, construction of a new clean fuels facility is underway, with capacity to produce 200,000 tons of blended fuels each year. From production through retail sales, the Company should be able to leverage its existing distribution base, thus having more control over the supply chain and improved efficiency over the major players.
- Strong Government Support:** The Company recently signed a Memo of Understanding with the government of Fujian province to build a waste-to-fuel conversion facility to produce renewable, clean fuel. The Fujian provincial government plans to invest US\$100 million to build this technologically advanced facility over the next 18 months.



## BUSINESS / PRODUCT OVERVIEW

American Jianye Greentech Holdings, Ltd., a Nevada corporation formerly known as Zhao Dong Jianye Fuel Co., Ltd., is an alternative fuel company that distributes – and soon to develop and manufacture - alcohol-based automobile fuel products in the People's Republic of China, including methanol, ethanol and blended fuels. The Company's products are designed to function as a lower-cost, more environmentally friendly alternative to conventional gasoline-based auto fuel. The Company has developed a patented method for blending the raw materials in its manufacture process. that enables production of methanol automobile under normal atmospheric conditions and temperatures, as well as at temperatures as low as -22°F. The key to the efficacy of American Jianye's fuels is the unique combination of catalysts, independently certified by a team of experts organized by the Heilongjiang Province Science & Technology Department, to raise the oxygen content and increase the octane rating of the fuels.

### American Jianye Greentech Organization



### Product Lines / Company Organization

With operating offices in the far northeast (and resource-rich) province of Heilongjiang, the Company's fuels' and fuel additives' environmental protection qualities are all more stringent than the GB17930 quality standard for lead-free gasoline, and meet the type II, lead-free gasoline quality standard of the international fuel criterion. American Jianye produces and sells the following product lines:

- **E15 & E85** – ethanol, anti-corrosive automotive fuel of 15% and 85% ethanol concentration, respectively.
- **M15 & M85** – methanol automotive fuel of 15% and 85% methanol concentration, respectively.
- **Fuel Additives** – alcohol additives sold in low proportion 40% (meaning the amount of the alcohol is lower or equal to 40%); medium proportion between 50%-70%, and high proportion additives of more than 70%.
- **ME60** – methanol and ethanol mixed fuel.

American Jianye's fuels and additives are currently being manufactured and the sales channel initiated through various production bases and subsidiaries. The Company's objective is to expand through the building of new fuel production facilities. Operations are segmented as follows:

1. **Retail automotive use.** Products are produced at the Company's Guangdong production facility and marketed through Heilongjiang New Clean Fuel Co. under the brand name *Maoming*.
2. **Production facilities/refineries.** Located in the city of Ning'an, located roughly 20 km southwest of Mudanjiang, in Heilongjiang province, as well as in the southern province of Guangdong.
3. **Civil use.** Marketed through Heilongjian Far East Jianye Fuel Co. and Harbin Far East Petro Laboratories.

The Company currently distributes its products through a syndicate of regional wholesalers, agents and gas stations in ten provinces including Heilongjiang, Liaoning, Guangdong and Guangxi.

## Company Strategy Brief

**Vertical Integration.** The Company recently announced its intention to enter the retail fuel market, having served civil customers and wholesaling to date. The Laibin municipal government in Guangxi province has agreed to open four new retail gas stations in Guangxi, which will exclusively distribute the Company's fuel. We like this strategy on two fronts. First, the retail strategy should lead to more cash sales, thus improving liquidity. Second, retail stores allow American Jianye to expand into sales of convenience items and higher-margin, value-added products and services, such as auto parts and accessories, and repairs.

**New Product Development / R&D.** The Company has a highly focused development team that is in the process of developing new products and expanding and diversifying the product line(s).

**Retail Expansion.** American Jianye currently has four retail outlets in Guangxi and plans to expand to additional provinces, particularly the ten provinces that it already holds solid distribution networks.

**Increase Capacity.** Construction of a new clean fuels facility is underway, with capacity to produce 200,000 tons of blended fuels each year. Furthermore, with strong ties to several provincial governments, the Fujian provincial government plans to invest US\$100 million to build a waste-to-fuel conversion facility to produce renewable, clean fuel that will be marketed through the Company's wholly owned subsidiary, Heilongjiang New Clean Fuel.

Once completed, this facility will be capable of processing 500,000 tons of garbage and 2.7 million tons of sewage sludge annually producing approximately 100,000 tons of clean alcohol fuel Heilongjiang New Clean Fuel will oversee the construction and operate this facility when construction is completed. In addition to domestic expansion, the Company anticipates exporting blended fuels and additives in the coming years.

## MARKET OVERVIEW

### Chinese Retail and Automotive Sales

It's no surprise that China is one of the most lucrative and rapidly expanding retail markets in the world. Even in the midst of the global economic downturn, China's retail sales hit ¥12.5 trillion (\$1.8 trillion) in 2009, up 15.5% over the previous year. China's booming retail sales are underpinned by the steady rise of household income. In 2009, the per capita disposable income in urban areas reached ¥17,175 (\$2,515), nearly triple what it was a decade ago. Within the retail market, personal transportation (motor vehicles, motorcycles, fuel, and auto parts) is among the most lucrative retail businesses in China (see Table 1 above). These businesses contributed over 39% of China's total retail revenue in 2008. A natural consequence of the rise in income comes the increased desire for personal transportation rather than public.

It is also well known that China has, and will have, many new cars on the road over the next number of years. China's sales of passenger cars grew by almost two-thirds in March to 1.26 million after surging over 85% in the first two months of this year. Chinese consumers are forecast to buy a record 15 million vehicles in 2010, shattering the record 13.5 million in 2009 that made the country the world's top car buyer. China has approximately 35 million cars on the road today and experts predict that there will be 120 million cars by 2020. Obviously, with this burgeoning demand for autos, comes, the increased need for fuel.

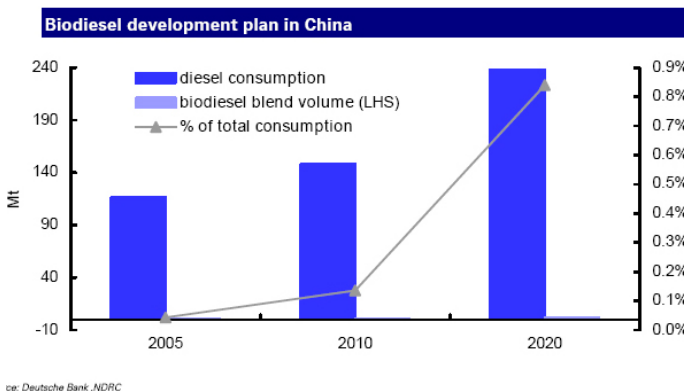
Table 1: China's Retail Market Structure, 2008

Sector	Enterprises (10,000)	Employees (10,000)	Revenue (¥ billion)
<b>Total</b>	<b>54.9</b>	<b>836.9</b>	<b>4,335.3</b>
Autos, motorcycles, fuel, and auto parts	8.0	122.9	1,693.3
Integrated retail	6.4	285.9	1,141.6
Household electric appliances and electronics	9.1	97.3	475.6
Textiles, garments, and daily consumer products	6.0	74.9	219.0
Medicine and medical devices	4.9	62.5	199.9
Hardware, furniture, and decoration materials	7.2	56.9	182.9
Non-shop and other retail	5.2	46.8	159.0
Cultural and sports equipment	3.6	40.5	135.7
Food, beverage, and tobacco	4.5	49.2	128.5

Source: Communiqué on Major Data of the Second National Economic Census (No. 3), PRC National Bureau of Statistics (NBS)

The International Energy Agency (IEA) has predicted that China's gas demand will double between 2007 and 2015 if policies remain unchanged, and almost double again from 2015 to 2030. Indeed, China Petrochemical Corp. (Sinopec Group), China's largest fuel producer which is 86% owned by the state, announced in March that it has set a target to increase retail fuel sales by 6% this year. As the world's second-largest oil consumer, the PRC recently overtook the U.S. as the largest buyer of Saudi oil. American demand for crude oil and petroleum products will average 18.84 million barrels a day this year, while Chinese demand for refined products is projected to jump to 9.12 millions barrels a day, according to figures from the U.S. Energy Dept. and the IEA.

Fuel prices in China are set by the central government based on what we see as modified supply and demand. Rather than pure supply and demand, it is evident that China is looking more at burgeoning demand than anything else. In the beginning of 2009, China put in place a new oil pricing mechanism that allows Beijing to adjust gasoline and diesel prices when the 22-day moving average of global crude shifts more than 4%. China raised fuel prices five times last year compared with only once in 2008, when the average cost of oil dropped dramatically in the second half of the year amid the global economic downturn. In April 2010, the government raised prices of gasoline and diesel both by ¥320 (46.88 US\$) per ton, translating into markups of ¥0.24 for gasoline and ¥0.27 for diesel per litre. We were unable to find a single instance in which China lowered fuel prices in the last 2 ½ years.



Surprisingly, China has recently adopted fuel-efficiency standards for vehicles that are even stricter than the U.S. Beijing's allocation of more than \$220 billion of its \$586 billion stimulus package to green projects seems proof that China as a whole is concerned with reducing harmful emissions. Unlike the U.S. where ethanol is the main alternative fuel, however, China's primary alternative fuel is methanol. Methanol is a clear liquid normally made from natural gas but China makes methanol from coal. China's main use for methanol is in blended gasoline, with taxi and bus fleets running on high-methanol blends. Retail gas pumps are selling low-methanol

blends similar to the U.S. gas pumps using blended ethanol.

China makes a great deal of methanol and is adding more capacity, but it still imports methanol. Chinese imports of methanol have recently been climbing, showing that demand is indeed increasing and the significant room for domestic producers. (Interestingly, China recently realized its first trade deficit in four years).

China's fuel station revenues still depend heavily on gasoline sales. Non-fuel value-added services such as shopping, food, and auto maintenance are just emerging in China but could increase in popularity as car ownership rises, thereby adding another revenue source for the Company.<sup>1</sup>

## PRODUCTS

**Ethanol** - Ethanol is a fuel that comes from agricultural crops such as corn (the most widely used because of its high sugar content), barley, and wheat — and even from trees and grasses. Unlike fossil fuels, such as petroleum, these are renewable resources. Ethanol produced from corn reduces the emissions that contribute

<sup>1</sup> Sources: The China Business Review; Beyondfossilfuel.com; Interfax; Reuters

to global warming by as much as 20%, compared with gasoline. Ethanol made from trees and grasses can cut those emissions by as much as 80%.<sup>2</sup>

Any car can run on blends of up to 10% ethanol / 90% gasoline, but cars that run on higher blends require a few, simple modifications, which in today's emissions conscientious business environment, is getting easier and easier. The Company's fuels, however, can be used in any combustion engine with no modifications.

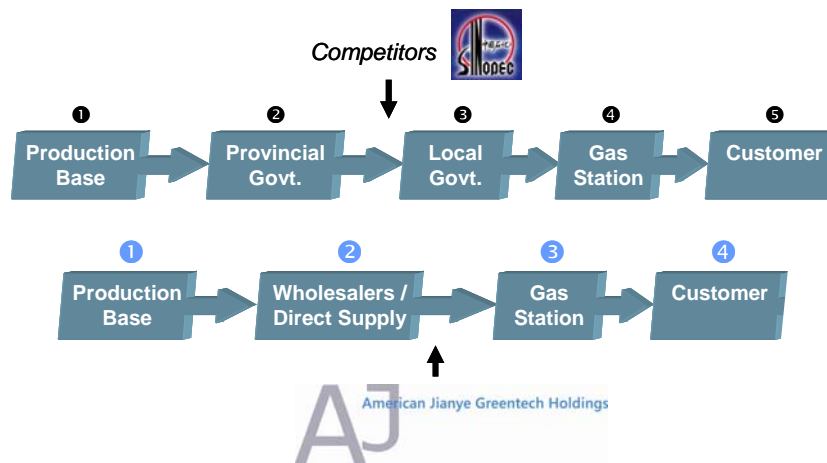
**Methanol** - Also known as *methyl alcohol* (or *wood alcohol*), methanol is a common alternative fuel. Methanol's physical and chemical characteristics result in several inherent advantages as an automotive fuel:

- Low Pollution - Emissions from methanol cars are low in reactive hydrocarbons (which form smog) and in toxic compounds. Methanol-fueled trucks and buses emit almost no particulate matter (which cause smoke and odor, and can also be carcinogenic), and much less nitrogen oxides than their diesel-fueled counterparts.
- Good Fuel Supply Options - Methanol can be manufactured from a variety of carbon-based feedstocks such as natural gas, coal, and biomass (e.g., wood). Use of methanol diversifies a country's fuel supply and reduces its dependence on imported petroleum. Many feel it is a better option than ethanol because of its non-reliance on feedstocks, which have been subject to extreme price volatility in recent years.
- High Performance - Methanol is a high-octane fuel that offers excellent acceleration and vehicle power.
- Economically Attractive - With economies of scale, methanol could be produced, distributed, and sold to consumers at prices competitive with gasoline.

## Sales and Distribution Strategy

American Jianye is pursuing multiple channels in the distribution of its fuels. We feel that the most promising one is the retail strategy, as it allows for higher gross margins and the ability to sell value-added and convenience products and services. While larger competitors have five links in the supply chain, the Company has reduced it to four, as the government has allowed it to sell directly to wholesale distributors. It is possible that when strong refinery operations commence, American Jianye can supply direct to the gas stations or acquire an intermediary with broad distribution capabilities. We assume this could hold a significant competitive advantage for the Company.

### Common Distribution Channels



<sup>2</sup> U.S. News and World Report

**OUTLOOK / VALUATION**

**Historical and Projected Financials**

\$000s Actual - A Estimates - E	Fiscal 2009-A 31-Dec-09	Q1 2010-A 31-Mar-10	Q2 2010-E 30-Jun-10	Q3 2010-E 30-Sep-10	Q4 2010-E 31-Dec-10	Fiscal 2010-E 31-Dec-10	Fiscal 2011-E 31-Dec-11
<b>Net Sales</b>	\$ 9,740 100.0%	\$ 9,654	\$ 13,998	\$ 16,798	\$ 20,158	\$ 60,608 100.0%	\$ 84,851 100.0%
Cost of Sales	8,392 86.2%	8,133	11,759	13,942	16,529	50,758 83.7%	67,881 80.0%
<b>Gross Profit</b>	<b>1,348 13.8%</b>	<b>1,521</b>	<b>2,240</b>	<b>2,856</b>	<b>3,628</b>	<b>10,245 16.9%</b>	<b>16,970 20.0%</b>
<b>Operating Expenses</b>							
Selling, General & Administrative	90 0.9%	29	44	554	665	1,291 2.1%	1,937 2.3%
<b>Total Operating Expenses</b>	<b>90 0.9%</b>	<b>29</b>	<b>44</b>	<b>554</b>	<b>665</b>	<b>1,291 2.1%</b>	<b>1,937 2.3%</b>
<b>Operating Income (Loss) / EBITDA</b>	<b>1,258 12.9%</b>	<b>1,492</b>	<b>2,196</b>	<b>2,302</b>	<b>2,964</b>	<b>8,953 14.8%</b>	<b>15,033 17.7%</b>
Other Expense/(Income)							
Depreciation/Amortization	-	70	140	210	410	830 1.4%	2,330
<b>Income (Loss) Before Taxes</b>	<b>1,258 12.9%</b>	<b>1,422</b>	<b>2,056</b>	<b>2,092</b>	<b>2,554</b>	<b>8,123 13.4%</b>	<b>12,703</b>
Provision for Income Taxes	315 3.2%	356	491	524	639	2,010 3.3%	3,143 4.6%
Effective Tax Rate	25%	24%	24%	25%	25%	25%	25%
<b>Net Income (Loss)</b>	<b>\$ 943 9.7%</b>	<b>\$ 1,066</b>	<b>\$ 1,706</b>	<b>\$ 1,778</b>	<b>\$ 2,324</b>	<b>\$ 6,944 11.5%</b>	<b>\$ 11,890 14%</b>
<b>Basic EPS</b>	<b>\$ 0.03</b>	<b>\$ 0.03</b>	<b>\$ 0.05</b>	<b>\$ 0.05</b>	<b>\$ 0.07</b>	<b>\$ 0.20</b>	<b>\$ 0.30</b>
<b>Fully Diluted EPS</b>	<b>\$ 0.03</b>	<b>\$ 0.03</b>	<b>\$ 0.05</b>	<b>\$ 0.05</b>	<b>\$ 0.07</b>	<b>\$ 0.20</b>	<b>\$ 0.30</b>
<b>Weighted Average Shares:</b>							
Basic Shares Out.	28,407,773	31,100,770	31,100,770	34,100,770	34,100,770	34,100,770	39,101,000
Fully Diluted Shares Out.	28,407,773	31,100,770	31,100,770	34,100,770	34,100,770	34,100,770	39,101,000
<b>2-Year Revenue CAGR (E)</b>	<b>195.2%</b>						

We feel that multiple comparisons, such as price-to-earnings ratio (P/E), and price-to-sales ratio (P/S), also have the best value in our opinion in that they show the current market values of similar companies. To form the basis of our valuation we are using the underlying assumption that the value of the Company should mirror that of its closest peers - based on at least one of the following: product(s), target markets, sales and corporate strategies:

**Peer Data**

	Longwei Petroleum Investment Holding Ltd. (LPIH.OB)	China Integrated Energy, Inc. (CBEH)	China Recycling Energy Corp. (CREG)	BioFuel Energy Corp.* (BIOF)	China Industrial Waste Management, Inc. ** (CIWT.OB)	China Clean Energy, Inc. (CCGY.OB)	Puda Coal Inc.** (PUDA)	Pacific Ethanol, Inc. * (PEIX)
TTM Sales (000)	\$ 276,468	\$ 340,330	\$ 50,040	\$ 418,910	\$ 13,044	\$ 23,865	\$ 226,320	\$ 301,170
TTM EBITDA (000)	\$ 50,890	\$ 43,160	\$ 6,940	\$ 23,390	\$ 5,132	\$ 223	\$ 22,430	\$ (1,930)
EBITDA Margin	18%	13%	14%	6%	39%	1%	10%	-1%
Net Earnings (000)	14,736	42,030	10,820	(14,070)	2,723	210	8,810	(298,300)
Shares Outstanding (000)	90,972	33,570	38,780	25,450	15,337	31,512	19,760	69,860
Earnings Per Share	\$ 0.16	\$ 1.25	\$ 0.28	\$ (0.55)	\$ 0.18	\$ 0.01	\$ 0.45	\$ (4.27)
Price as of 06/04/10 close	\$ 2.16	\$ 8.51	\$ 3.11	\$ 1.91	\$ 1.63	\$ 0.65	\$ 8.72	\$ 0.78
Market Capitalization (000)	\$ 196,500	\$ 285,681	\$ 120,606	\$ 48,610	\$ 24,999	\$ 20,483	\$ 172,307	\$ 54,491
Enterprise Value (000)	N/A	\$ 249,100	N/A	\$ 289,220	N/A	N/A	\$ 130,490	\$ 348,180
Price/Sales	0.71	0.84	2.41	0.12	1.92	0.86	0.76	0.18
Price/Earnings	13.33	6.80	11.15	N/A	9.18	97.54	19.56	N/A
EV/Sales	N/A	0.73	N/A	0.69	N/A	N/A	0.58	1.16
EV/EBITDA	N/A	5.77	N/A	12.37	N/A	N/A	5.82	N/A

Note: All figures as of 06/04/10 as reported. EV approximate.

\* U.S. based

\*\* - provides raw material to chemical and fuel refiners

### Peer Valuation Matrix

#### AJGH Actual and Projected

##### Averages:

##### Weighted:

EV/EBITDA (TTM)	3.52
P/E	12.45
EV/Sales (TTM)	0.44
P/S	0.96

<b>AJGH Estimate</b>	
FY10E Sales (000) \$	60,608
FY10E EBITDA (000)	8,953
EBITDA Margin	15%
FY10E Net Earnings (000) \$	6,944
Shares Outstanding (000)	34,101

<b>AVERAGE</b>	<b>\$</b>	<b>72,187</b>
<b>FMV PER SHARE</b>	<b>\$</b>	<b>2.12</b>

<b>Proj Market Cap based on Avg.</b>	
P/E (\$000) \$	86,479
<b>Proj Market Cap based on Avg.</b>	
P/S (\$000) \$	57,895

For our final valuation, we have taken the weighted average of the P/S multiples, as well as the P/E of the six companies that had positive earnings and applied it American Jianye to get an estimate of the Company's FMV. Applying our estimates of the Company's FY10 revenue and earnings (\$60.6 and \$6.9 million, respectively) to the weighted average of the peer multiples, we obtain our current fair value of **\$2.12 per share**.

### Capital Resources

At first glance of the Company's latest filing, it would appear American Jianye is short on cash. To date, the Company's operations have been funded primarily by capital contributions and short-term loans from its Chairman, Haipeng Wang. The good news is that it is also evident that the Company is operating lean, having incurred only approximately \$120,000 of SG&A (less depreciation) since Q4 of last year. Of that amount, about \$70,000 was payable as of March 31, 2010.

So far, the Company has operated solely as a marketing intermediary and has significant product-related receivables and payables on the books. Management has indicated that there was a licensing delay that has now been resolved and the Company has now invoiced its receivables. This gives us some measure of comfort on two fronts. First, we feel it would be problematic if invoices were not being paid. The fact that invoices are just going out explains why the aging and amount of receivables has been quite large. Second, it indicates that the Company has good relationships with suppliers and the government, which is a central theme to American Jianye's business model.

American Jianye has indicated that it will need to raise \$4 million for start-up financing, presumably for the Ning'an plant, showing that it does in fact need capital to pursue its growth plan. We do not know exactly when this will take place, but have included an additional three million shares to our EPS calculation. American Jianye will most likely have to undertake steps to raise additional capital if it chooses to pursue strategic acquisitions. Cash requirements for 2010 and beyond will depend primarily upon the level of product sales, inventory levels, product development, sales and marketing expenses, capital expenditures, and the ability to collect on its receivables.

## Risk Factors

*Competitive Threat.* The fuel industry both within China and globally is increasingly competitive. The Company's competitors could include large oil companies that are eager to enter the Chinese market for alternative fuels, and who would most likely have significantly more financial resources to penetrate the market.

*Closely Held Company.* As of March 31, 2010, just over 80% of the outstanding shares were owned by the Company's Chairman of the Board and President, Mr. Haipeng Wang. Obviously, this leads to sole majority voting power and a relatively small public float, which could lead to stock price volatility.

*Political Risks.* China has gone through a near-complete transformation when it comes to business, namely the allowance of private enterprise after decades of a complete state-run economic system. The Chinese central government, while making great strides in building a free-market system, still has a tendency to be unpredictable. Furthermore, the commodity markets are under more state control than some other industries. However, it should be pointed out that this can work for a company as much as against it. It is paramount to maintain solid civil relationships in the PRC, but the risk of uncertainty remains.

*Customer Concentration.* For the year ended December 31, 2009, the Company had just two customers, representing approximately 58% and 42% of total revenues, respectively. Customer diversification will undoubtedly expand when the retail strategy comes to fruition, however.

*Commodity Pricing.* As an alternative fuel provider, American Jianye is subject to commodity pricing, both in its raw materials and finished products, as well as the prices of substitute fuels such as oil. Any significant price changes in oil could impact revenue and earnings of the Company, though as stated earlier, China has not shown a willingness to lower fuel prices in the midst of its economic expansion despite strong volatility in global oil prices.

*Dilution.* All else being equal, the raising of future equity financing for capital expenditures and/or working capital could depress share price and thus significantly affect our share valuation. Full ratchet, make-good provisions, warrant coverage and/or anti-dilution adjustments for subsequent lower price issuances by the Company could be even more dilutive.

## Competitive Advantages

Despite the risk of current and potential competition, which will always be present in the ever-changing Chinese economy, we believe that the Company holds several key, competitive advantages:

- **Superior Product.** 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.
- **Cost Efficiency.** Due to the lower costs of the raw materials used in the manufacture process, the average integrated cost of the Company's fuels has been consistently lower than the prevailing wholesale price of 93 octane unleaded gasoline in China.
- **Vertical Integration.** The Company's business model entails controlling the supply chain from production to retail sales, thereby eliminating unnecessary middlemen and improving margins.
- **R&D.** With strong ties to local and provincial governments, the Company enjoys elevated status with the Heilongjiang Province Science & Technology Department, and has obtained the Heilongjiang High-Tech Products Certificate, as well as the Heilongjiang Environmentally-Friendly Products Certificate.
- **Diversification.** Unlike many of its competitors, and though the bulk of its sales are currently from one product, American Jianye plans to rely on a relatively diverse production model, as evidenced by the new proposed waste-to-fuel conversion facility in Fujian. We feel this huge, as the Company will not have to rely on commodities (coal, corn, etc.), and their associated price fluctuations, for raw material.

## Recommendation and Conclusion

We are initiating coverage of American Jianye Greentech Holdings, Ltd. with a BUY rating and 6-month price target of \$2.12 a share. We feel that the Company is certainly in the right place at the right time. It is obvious that demand is and will remain very strong for alternative, alcohol-based fuels in China, which certainly solidifies our confidence in the Company's market moving forward. Furthermore, it seems apparent that American Jianye enjoys strong relationships with suppliers, distributors and the various government agencies. We feel comfortable that management is in tune with local and regional business best-practices and has the contacts necessary to successfully execute its business model. The large potential capacity, while 18 months off, is already huge for essentially a start-up company. Furthermore, entering the lucrative retail market in the PRC affords the Company many diversified opportunities to expand if executed properly.

Operating results and stock performance could be subject to greater volatility as the Company grows and we would expect fundamentals to improve once receivables begin to be collected and American Jianye begins producing its own fuels. With the stock at these levels, long-term investors might be interested in using this period as an opportunity to build positions with risk capital in anticipation of stronger performance in FY2010 and beyond.



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## About EquityNet Research

EquityNet Research was formed to provide the investing public with professional, independent, objective research on under-followed public companies. It does this by preparing detailed research that highlights the key aspects of the subject company and its industry. Though some reports are commissioned, EquityNet prides itself on eliciting the facts, both positive and negative, about the firms it chooses to cover. EquityNet strictly maintains independence and objectivity according to the Standards of Professional Conduct of the CFA Institute (CFAI). Price targets should be construed as fair-market-value (FMV) as of the date of this report, using industry-standard methodologies. Many factors can cause stock prices to deviate from FMV, including supply and demand issues, and general equity market conditions.

## About the Analyst

Randy Lewis, CFA, founder and Senior Equity Analyst of EquityNet, has more than 14 years experience in equity and portfolio analysis, as well as financial consulting and strategic planning. Prior to forming EquityNet, Mr. Lewis served as an equity analyst at SSI Investment Management, Inc., a \$500-million, money management firm, specializing in sophisticated, hedged investment strategies, and serving institutional and high net worth clients. Previous to SSI, Mr. Lewis was a financial analyst for Griffin Financial Services, the securities brokerage arm of Home Savings of America, the then-largest savings and loan in the U.S. Mr. Lewis has had several articles published, most recently in HFR Journal of Hedge Fund Research on the subject of merger arbitrage. He received his Bachelors Degree with honors in Finance from California State University, Fullerton, his MBA at the Anderson School of Management at UCLA, and has earned the Chartered Financial Analyst (CFA) designation. He is also an assistant professor of business at Pierce College in Los Angeles and a member of the National Association of Certified Valuation Analysts (NACVA).

## Explanation of Ratings

- **STRONG BUY** – The analyst feels that the stock is significantly undervalued and holds superior long-term price appreciation potential.
- **BUY** — The stock appears attractively valued and the analyst feels the stock's total return will exceed that of the market over the next 12 months.
- **SPECULATIVE BUY** - Under current conditions, the stock appears to be appropriately valued, but short-term event(s) could dramatically alter the future landscape of the company in terms of revenue, earnings and cash flow.
- **HOLD** — The stock appears appropriately valued and the analyst believes the stock's total return will be relatively inline with the market over the next 12 months.
- **SELL** — The stock appears overvalued and the analyst believes the stock's total return will be below the market over the next 12 months.

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EquityNet Research ♦ 4740 Ventura Canyon Avenue ♦ Sherman Oaks ♦ CA ♦ 91423  
Phone: 818-783-5006 Email: [info@equitynet.net](mailto:info@equitynet.net)