



China Clean Energy Inc.

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FOR IMMEDIATE RELEASE

China Clean Energy Announces Second Quarter 2011 Financial Results

Fuqing City, China – August 9, 2011 - China Clean Energy Inc. (OTC QB: CCGY) (“China Clean Energy”, the “Company”), a producer of biodiesel fuel and environmentally-friendly specialty-chemical products made from renewable resources, today reported its financial results for the quarter ended June 30, 2011.

Second Quarter 2011 Highlights

- Revenue totaled \$19.3 million, up 36.2% from the second quarter in 2010
- Gross profit totaled \$4.1 million, up 49.1% from the second quarter in 2010
- Gross margins increased to 21.2%, up from 19.4% in the same period in 2010
- Operating income was \$3.4 million, up 58.6% from the second quarter in 2010
- Operating margins increased to 17.2%, up 250 basis points from 15.2% in the same period in 2010.
- Net income was \$3.6 million, or \$0.12 per fully-diluted share, compared to \$1.9 million, or \$0.06 per fully diluted share for the second quarter of 2010
- Cash and cash equivalents were \$22.3 million at the end of June 2011, up from \$13.7 million at year end.

Six Months 2011 Highlights

- Revenue totaled \$38.2 million, up 53.7% from the same period in 2010
- Gross profit totaled \$8.4 million, up 99.5% from the same period in 2010
- Gross margin was 22.1%, compared to 17.0% in the same period in 2010
- Operating income was \$7.0 million, up 122% from the same period in 2010
- Net income was \$6.6 million, or \$0.21 per fully-diluted share, compared to \$2.3 million, or \$0.07 per fully-diluted share in the six months 2010

“Our continued strong financial results for the second quarter reflect the execution of our strategic plan to expand our facilities, boost our production capacity, optimize our sales efforts and migrate to high value products,” said Mr. Tai-ming Ou, China Clean Energy’s Chairman and CEO. “Our continued margin expansion and increase in profitability is evidence of our improved product mix resulting from our ramp up to full capacity at our Jiangyin plant. As anticipated, our amplified scale of production has opened up new marketing opportunities which we expect will drive strong results through the remainder of the year.”

Second Quarter 2011 Results

China Clean Energy's net revenue in the second quarter was \$19.3 million, up 36.2% from the second quarter of 2010. The increase in revenue was driven by increased sales volume and increased average selling prices for the specialty chemicals products. The Company has shifted the focus to the specialty chemicals business due to the strong demand and higher gross margin in this segment. Specialty chemicals sales volume was up 25.8% year-over-year to 9,438 tons, and average selling price was up 24.9% year-over-year to \$1,811 per ton due to the increased demand and better product mix. Biodiesel sales volume was down 55.0% to 2,448 tons in the second quarter of 2011, and average selling price was up 21.8% in the same period to \$857 per ton. The increase in average selling price for biodiesel was driven by an increase in the petroleum diesel wholesale price. Specialty-chemicals and biodiesel represented 89% and 11% of net revenue in the quarter respectively, compared to 74% and 26% for the same period of 2010. Exports totaled \$4.0 million, representing 20.6% of total revenue.

Gross profit in the second quarter of 2011 was \$4.1 million, up 49% from the second quarter of 2010. The increase in gross profit was mostly driven by the increase in revenue. Gross margin was 21.2% in the second quarter 2011, compared to 19.4% in the same period in 2010. This increase in gross margin was primarily driven by the increase of specialty chemicals products in the sales mix, which have a higher sales price and higher gross margins. The gross profit margin for specialty chemicals was 23.5% in the second quarter as compared to 22.0% in the comparable period a year ago. The gross profit margin for biodiesel was 4.8%, down significantly from the 12.1% gross margin in the second quarter of 2010.

Selling and marketing expenses in the second quarter of 2011 was \$0.2 million representing a 27.8% increase from the second quarter of 2010. This increase was due to higher sales volume and domestic shipping fees and commissions.

General and administrative and other operating expenses in the second quarter of 2011 was \$0.5 million representing a 11.9% increase from the second quarter of 2010. This increase was primarily attributable to additional expenses related to professional services and non-cash charges for employee stock-based compensation.

Net income for the second quarter of 2011 was \$3.6 million, or \$0.12 per fully-diluted share, compared to \$1.9 million, or \$0.06 per fully-diluted share, in the second quarter of 2010. Net income for the second quarter included non-cash income of \$1.2 million due to the change in fair value measurement of the warrants issued in connection with the Company's 2008 private placement.

Adjusted net income, excluding a \$1.2 million non-cash income due to change in the fair value of warrants and a \$0.2 million stock-based compensation expense, totaled \$2.6 million or \$0.08 per fully-diluted share, compared to \$1.7 million in the second quarter of 2010, or \$0.05 per fully-diluted share. For a complete reconciliation of adjusted financial information to nearest GAAP equivalent, please see the table elsewhere in this press release.

Six Months 2011

Revenue for the first six months of 2011 was \$38.2 million, up 53.7% from revenue of \$24.9 million for the first six months of 2010. Gross profit was \$8.4 million, up 99.5% from gross profit of \$4.2 million for the six months of 2010. Gross margin was 22.1%, compared to 17.0% for the first six months of 2010. Net income was \$6.6 million, or \$0.21 per fully-diluted share, compared to \$2.3 million, or \$0.07 per fully-diluted share in the six months of 2010. After adjusting for the changes in fair value of warrant liabilities and stock-based compensation, non-GAAP net income for the first six months of 2011 was \$5.3 million, or \$0.17 per fully-diluted share, compared to \$2.5 million in the corresponding period of 2010, or \$0.08 per fully-diluted share.

Financial Condition

As of June 30, 2011, China Clean Energy had \$22.3 million in cash and cash equivalents, an increase from \$13.7 million from year end 2010. The Company had approximately \$17.6 million in working capital, and \$7.3 million in total debt, which it intends to repay through cash generated from its business operations. Stockholders' equity as of June 30, 2011 stood at \$47.2 million, or approximately \$1.50 per share.

China Clean Energy believes that its current cash, cash flow from operations and access to capital provides it with sufficient funds to carry out its normal operations as well as to realize its stated objective of acquiring an upstream feedstock supplier to mitigate its feedstock supply risk and feedstock price fluctuation.

Recent Developments

In May 2011, the Board of Directors of China Clean Energy has authorized the repurchase of up to \$1 million of its outstanding common shares through May 16, 2012, subject to market and other conditions. Under this plan, the Company can repurchase shares from time to time for cash in open market purchases in accordance with applicable federal securities laws.

Mr. William Chen, the Company's Chief Financial Officer, is scheduled to present at the Rodman & Renshaw Annual Global Investment Conference to be held in New York from September 11-13. Additional information as to the exact date and time of the Company's presentation will be announced.

Business Outlook

"We are pleased with the operating performance of our new plant, which is meeting our expectations. The added capacity has enabled us to shift our focus to the specialty chemicals business from biodiesel, where we see both continued strong demand and high, sustainable margins. For the first six months of the year, we increased our domestic and international sales by 59% and 37%, respectively, relative to the year ago period, evidence of the success of this strategy," stated Mr. Tai-ming Ou, China Clean Energy's Chairman and CEO. "We are on pace to deliver solid results for the remainder of the year. We reiterate our guidance for the full year 2011 and expect revenue and operating income to be approximately \$75 million and \$14 million, respectively. We would also expect to see adjusted earnings reach \$0.36 per fully-diluted share for 2011," concluded Mr. Ou.

Conference Call

China Clean Energy will hold its second quarter 2011 conference call at 10:00 a.m. Eastern Time on Tuesday, August 9, 2011 to discuss its financial results. To participate in the live conference call, please dial the following number five to ten minutes prior to the scheduled conference call time: +1 (866) 759-2078. International callers should dial +1 (706) 643-0585. When prompted by the operator, mention conference pass code 89461112. If you are unable to participate in the call at this time, a replay will be available for 14 days starting on Tuesday, August 9, 2011, at 11:00 a.m. Eastern Time. To access the replay, please dial +1 (855) 859-2056, international callers dial +1 (404) 537-3406, and enter the pass code 89461112.

About China Clean Energy

China Clean Energy, through its wholly-owned subsidiaries, Fujian Zhongde Technology Co., Ltd. and Fujian Zhongde Energy Co., Ltd, is engaged in the development, manufacturing, and distribution of biodiesel and specialty chemical products made from renewable resources. For additional information please visit: <http://www.chinacleanenergyinc.com>

Safe Harbor Statement

This announcement contains forward-looking statements. All statements other than statements of historical fact in this announcement are forward-looking statements, including but not limited to, the effectiveness, profitability, and the marketability of the Company's products; the future trading of the common stock of the Company; the ability of the Company to capitalize on its expanded production capacity; the period of time for which its current liquidity will enable the Company to fund its operations; the Company's ability to protect its proprietary information; general economic and business conditions; the volatility of the Company's operating results and financial condition resulting from changes in raw material prices, international oil prices and price controls imposed by the Chinese government; the Company's ability to attract or retain qualified senior management personnel and research and development staff; and other risks detailed in the Company's filings with the Securities and Exchange Commission. These forward-looking statements involve known and unknown risks and uncertainties and are based on current expectations, assumptions, estimates and projections about the Company and the industry. The Company undertakes no obligation to update forward-looking statements to reflect subsequent occurring events or circumstances, or to changes in its expectations, except as may be required by law. Although the Company believes that the expectations expressed in these forward looking statements are reasonable, it cannot assure you that the Company's expectations will turn out to be correct, and investors are cautioned that actual results may differ materially from the anticipated results.

--FINANCIAL TABLES FOLLOW--

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME (LOSS)

	Three months ended June 30		Six months ended June 30,	
	2011	2010	2011	2010
REVENUES	\$ 19,253,482	\$ 14,140,437	\$ 38,231,722	\$ 24,878,128
Less: cost of goods sold	15,167,861	11,400,938	29,801,203	20,652,433
GROSS PROFIT	<u>4,085,621</u>	<u>2,739,499</u>	<u>8,430,519</u>	<u>4,225,695</u>
OPERATING EXPENSES				
Selling and marketing	150,052	117,435	328,897	171,481
General and administrative	494,882	442,169	1,060,076	874,449
Research and development	38,390	34,476	75,261	44,378
Total operating expenses	<u>683,324</u>	<u>594,080</u>	<u>1,464,234</u>	<u>1,090,308</u>
INCOME (LOSS) FROM OPERATIONS	<u>3,402,297</u>	<u>2,145,419</u>	<u>6,966,285</u>	<u>3,135,387</u>
OTHER INCOME (EXPENSE)				
Interest income (expense), net	(128,244)	(110,536)	(226,420)	(167,998)
Other income (expense)	5	14,524	2,056	14,641
Change in fair value of warrant liabilities	1,236,811	363,110	1,661,469	5,753
Total other income (expenses)	<u>1,108,572</u>	<u>267,098</u>	<u>1,437,105</u>	<u>(147,604)</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	4,510,869	2,412,517	8,403,390	2,987,783
PROVISION FOR INCOME TAXES	<u>862,236</u>	<u>462,927</u>	<u>1,813,222</u>	<u>688,021</u>
NET INCOME (LOSS)	3,648,633	1,949,590	6,590,168	2,299,762
OTHER COMPREHENSIVE LOSS				
Foreign currency translation adjustment	<u>699,317</u>	<u>29,400</u>	<u>946,176</u>	<u>28,417</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$ 4,347,950</u>	<u>\$ 1,978,990</u>	<u>\$ 7,536,344</u>	<u>\$ 2,328,179</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE				
Weighted average number of shares	<u>31,512,269</u>	<u>31,512,269</u>	<u>31,512,269</u>	<u>31,512,269</u>
Earnings per share	<u>\$ 0.116</u>	<u>\$ 0.063</u>	<u>\$ 0.209</u>	<u>\$ 0.074</u>

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
RECONCILIATION OF ADJUSTED NET INCOME TO NET INCOME

The management of China Clean Energy uses non-GAAP adjusted net earnings to measure the performance of the Company's business internally by excluding non-recurring items as well as non-cash charges related to the warrants issued in connection with the Company's 2008 Private Placement offering. The Company's management believes that these non-GAAP adjusted financial measures allow the management to focus on managing business operating performance because these measures reflect the essential operating activities of China Clean Energy and provide a consistent method of comparison to historical periods. The Company believes that providing the non-GAAP measures - which management uses internally - to its investors is useful to investors for a number of reasons. The non-GAAP measures provide a consistent basis for investors to understand the Company's financial performance in comparison to historical periods without variation of non-recurring items and non-operating related charges. In addition, it allows investors to better evaluate the Company's performance using the same methodology and information as those used by the management. Non-GAAP measures are subject to inherent limitations because they do not include all of the expenses included under GAAP and because they involve the exercise of judgment of which charges are excluded from the non-GAAP financial measure. However, the management of China Clean Energy compensates for these limitations by providing the relevant disclosure of the items excluded.

The following table provides the non-GAAP financial measure and a reconciliation of the non-GAAP measure to the GAAP net income.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net Income (Loss)	\$ 3,648,633	\$ 1,949,590	\$ 6,590,168	\$ 2,299,762
Add back (Deduct):				
Change in fair value of warrant	\$ (1,236,811)	\$ (363,110)	\$ (1,661,469)	\$ (5,753)
Stock-based compensation	\$ 179,404	\$ 106,315	\$ 370,141	\$ 212,630
Adjusted Net Income	\$ 2,591,226	\$ 1,692,795	\$ 5,298,840	\$ 2,506,639
Diluted EPS	\$ 0.12	\$ 0.06	\$ 0.21	\$ 0.07
Add back (Deduct):				
Change in fair value of warrant	\$ (0.04)	\$ (0.01)	\$ (0.05)	\$ (0.00)
Stock-based compensation	\$ 0.01	\$ -	\$ 0.01	\$ 0.01
Adjusted EPS	\$ 0.08	\$ 0.05	\$ 0.17	\$ 0.08

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	<u>ASSETS</u>	June 30, 2011	December 31, 2010
CURRENT ASSETS			
Cash and cash equivalents	\$	22,306,776	\$ 13,648,437
Restricted cash		-	443,647
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$29,665		3,234,740	4,080,424
Other current assets		52,330	9,332
Tax Receivable		11,465	63,865
Inventories, net		2,593,738	2,126,375
Advances for inventory purchases		945,093	1,031,401
Machinery and equipment held for sale		110,904	108,458
Total current assets		29,255,046	21,511,939
Plant and Equipment, net		25,268,080	25,656,929
Deferred tax assets		106,596	104,246
Intangible assets, net		4,821,327	4,812,693
TOTAL ASSETS	\$	59,451,049	\$ 52,085,807
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable	\$	2,543,946	\$ 1,400,188
Bank loan payable - current portion		7,306,496	1,025,835
Accrued liabilities		217,362	244,044
Customer deposits		470,491	650,017
Taxes payable		1,141,593	1,526,033
Banker acceptances		-	1,478,825
Total current liabilities		11,679,888	6,324,942
Warrant liabilities		530,883	2,192,352
Long-term bank loans - net of current portion		-	4,234,720
Total liabilities		12,210,771	12,752,014
COMMITMENTS AND CONTINGENCIES			
EQUITY			
Preferred stock, par value \$0.001 per share, authorized 10,000,000 shares, no shares issued and outstanding		-	-
Common stock, par value \$0.001 per share, authorized 90,000,000 shares, 31,512,269 shares issued and outstanding		31,512	31,512
Additional paid-in capital		13,078,201	12,708,060
Statutory reserves		2,424,309	2,424,309
Retained earnings		26,572,864	19,982,696
Accumulated other comprehensive income		5,133,392	4,187,216
Total equity		47,240,278	39,333,793
Total liabilities and equity	\$	59,451,049	\$ 52,085,807

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six months ended	
	June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 6,590,168	\$ 2,299,761
Adjusted to reconcile net income (loss) to cash provided by operating activities:		
Depreciation	1,036,030	869,485
Recovery of allowance for doubtful accounts	(29,665)	109
Amortization of intangible assets	99,878	135,019
Stock-based compensation expense	370,141	212,630
Change in fair value of warrants liability	(1,661,469)	(5,753)
Deferred tax benefit	(2,350)	(81)
Changes in operating assets and liabilities		
Accounts receivable	875,349	(1,787,268)
Inventories	(467,363)	(2,830,161)
Other assets	(42,998)	
Advances for inventory purchases	86,308	42,973
Accounts payable	1,143,758	1,497,053
Accrued liabilities	(26,682)	(12,913)
Customer deposits	(179,526)	140,820
Taxes payables	(384,440)	488,495
Taxes receivable	52,400	(206,579)
Net cash provided by operating activities	7,459,539	843,591
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(68,696)	(266,660)
Addition to intangibles	-	(42,861)
Net cash used in investing activities	(68,696)	(309,521)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted cash	443,647	(397,518)
Proceeds from bank loans	-	4,122,360
Payments on bankers acceptances	(1,478,825)	1,060,695
Payments on bank loans	(2,296,383)	(2,204,952)
Proceed from short-term bank loans	4,342,325	-
Net cash provided by financing activities	1,010,763	2,580,585
EFFECT OF EXCHANGE RATE ON CASH	256,733	28,416
INCREASE IN CASH AND CASH EQUIVALENTS	8,658,339	3,143,071
CASH AND CASH EQUIVALENTS, beginning of year	13,648,437	4,154,814
CASH AND CASH EQUIVALENTS, end of year	\$ 22,306,776	\$ 7,297,885
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for:		
Interest	\$ 224,079	\$ 148,833
Income taxes	\$ 2,022,876	\$ 301,749

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