



China Clean Energy Inc.

cContact:

China Clean Energy Inc.

William Chen, CFO

Email: william.chen@chinacleanenergyinc.com

Website: <http://www.chinacleanenergyinc.com>

CCG Investor Relations Inc.

David Rudnick, Account Manager

Telephone: +1(646) 626-4172

Email: david.rudnick@ccgir.com

FOR IMMEDIATE RELEASE

China Clean Energy Announces Third Quarter 2011 Financial Results

Fuqing City, China – November 15, 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 September 30, 2011.

Third Quarter 2011 Highlights

- Revenue totaled \$17.1 million, up 7.3% from the third quarter in 2010
- Gross profit totaled \$2.9 million, down 20.6% from the third quarter in 2010
- Gross margins were 17.2%, down from 23.2% in the same period in 2010
- Operating income was \$2.3 million, down 28.3% from the third quarter in 2010
- Operating margins were 13.6%, down from 20.3% in the same period in 2010.
- Net income was \$1.6 million, or \$0.05 per fully-diluted share, compared to \$2.3 million, or \$0.06 per fully diluted share for the third quarter of 2010
- Cash and cash equivalents were \$23.6 million at the end of September 30, 2011, up from \$13.7 million at year end.

Nine Months 2011 Highlights

- Revenue totaled \$55.4 million, up 35.6% from the same period in 2010
- Gross profit totaled \$11.4 million, up 43.3% from the same period in 2010
- Gross margin was 20.5%, compared to 19.4% in the same period in 2010
- Operating income was \$9.3 million, up 45.7% from the same period in 2010
- Net income was \$8.2 million, or \$0.26 per fully-diluted share, compared to \$4.1 million, or \$0.13 per fully-diluted share in the first nine months 2010

“We are pleased to announce the acquisition of Handan Guanxin Technology Ltd., a feedstock supply company located in Hebei Province, the People’s Republic of China. In making this acquisition of an upstream feedstock supplier, we now have the ability to secure our raw materials supply, control costs and expand our gross margins, all of which should lead to an increase in bottom-line profitability,” said Mr. Tai-ming Ou, China Clean Energy’s Chairman and CEO.

Mr. Ou continued, “This acquisition is a core component of our strategic growth plan and gives us the ability to control our raw materials sourcing which is very timely as it addresses the general contraction in gross margins that hindered our operating results during this past quarter. While our blended raw material

costs rose 27% in the quarter as compared to the year-ago quarter, we were only able to increase our average selling prices by 17% due to competitive pressures in the market place.”

“Our year-to-date financial results for the nine months reflects an expansion in sales to both existing and new customers that reflects the continued strong demand for our products. Our new raw materials sourcing solidifies business model and affords us the capability to better meet current customer demand as well as embark upon additional growth objectives,” concluded CEO Ou.

Third Quarter 2011 Results

China Clean Energy’s net revenue in the third quarter was \$17.1 million, up 7.3% from the third quarter of 2010. The increase in the quarter’s revenue was driven by the Company’s specialty chemicals segment, which produced both higher sales volume and average selling prices. The Company has shifted its focus to the specialty chemicals business due to the strong demand and higher gross margin in this segment. For the third quarter of 2011, approximately 94% of China Clean Energy’s total sales were attributable to its specialty chemicals segment while 6% came from its biodiesel segment. In the comparable year-ago period, 86% of the Company’s sale were attributable to its specialty chemicals segment while 14% derived from its biodiesel segment. For the third quarter of 2011, domestic and international sales were \$14.6 million and \$2.5 million, respectively, maintaining approximately the same proportion as in the third quarter of 2010.

During the third quarter of 2011, the Company had sales volume of 8,815 tons from specialty chemicals and 1,170 tons from biodiesel, compared to sales volume of 8,935 tons from specialty chemicals and 3,213 tons from biodiesel during the same period in 2010. During the third quarter of 2011, the average selling price was approximately \$1,773 per ton for specialty chemicals and approximately \$897 per ton for biodiesel, compared to the third quarter of 2010, in which the average selling price was approximately \$1,535 per ton for specialty chemicals and approximately \$682 per ton for biodiesel. The increase in average selling price for specialty chemicals was driven by increased demand and better product mix. The increase in average selling price for biodiesel was driven by an increase in the petroleum diesel wholesale price.

Gross profit in the third quarter of 2011 was \$2.9 million, down 20.6% from the third quarter of 2010. The decrease in gross profit was mostly due to the increase in feedstock cost, which increased at a faster rate than average selling prices, and was also attributable to generally lower sales volume. For the third quarter of 2011, feedstock used for production of biodiesel and specialty chemicals averaged approximately \$905 per ton and \$1,447 per ton, respectively, compared to approximately \$590 per ton and \$1,153 for the same period in 2010, respectively. This increase in the cost of specialty chemicals and biodiesel feedstock was primarily due to the impact of domestic inflation.

Gross margin was 17.2% in the third quarter 2011, compared to 23.2% in the same period in 2010. This decrease in gross margin was primarily due to both higher feedstock costs and lower sales volume. The gross profit margin for specialty chemicals was 18% in the third quarter as compared to 25% in the comparable period a year ago. Gross margins for biodiesel decreased to a negative 1% for the third quarter of 2011, compared to 13% for the same period in 2010. This decrease in gross margin for the biodiesel segment was primarily due to the stagnant domestic wholesale diesel pricing and lower sales volume.

General and administrative expenses in the third quarter of 2011 was \$0.5 million representing a 53.7% increase from the third 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 third quarter of 2011 was \$1.6 million, or \$0.05 per fully-diluted share, compared to \$1.8 million, or \$0.06 per fully-diluted share, in the third quarter of 2010. The decrease in net income for

the third quarter of 2011 as compared to the year-ago quarter was mainly due to the decrease in sales volume and gross margin of both the specialty chemicals and biodiesel segments. Net income for the third quarter includes \$90,565 non-cash income 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 \$90,565 non-cash income gain due to change in the fair value of warrants and \$177,138 of stock-based compensation expenses, totaled \$1.6 million or \$0.05 per fully-diluted share, compared to \$2.2 million in the third quarter of 2010, or \$0.07 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.

Nine Months 2011

Revenue for the first nine months of 2011 was \$55.4 million, up 35.6% from revenue of \$40.8 million for the first nine months of 2010. Gross profit was \$11.4 million, up 43.3% from gross profit of \$7.9 million for the nine months of 2010. Gross margin was 20.5%, compared to 19.4% for the first nine months of 2010. Net income was \$8.2 million, or \$0.26 per fully-diluted share, compared to \$4.1 million, or \$0.13 per fully-diluted share in the nine 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 nine months of 2011 was \$6.9 million, or \$0.22 per fully-diluted share, compared to \$4.7 million in the corresponding period of 2010, or \$0.15 per fully-diluted share.

Financial Condition

As of September 30, 2011, China Clean Energy had \$23.6 million in cash and cash equivalents, an increase from \$13.7 million from the year end of 2010. The Company had approximately \$19.9 million in working capital, and \$7.0 million in total debt, which it intends to repay through cash generated from its business operations. Stockholders' equity as of September 30, 2011 stood at \$49.3 million, or approximately \$1.56 per share.

Recent Developments

China Clean Energy has acquired Handan Guanxin Technology Ltd. ("Handan Guanxin"), a feedstock supplier company located in Hebei Province, the People Republic of China. Handan Guanxin will become the Company's vertically integrated internal source of raw materials that it utilizes to produce its specialty chemicals and biodiesel products.

The Company acquired Handan Guanxin in order to mitigate its feedstock supply risk and to better control both the costs and the quality of its feedstock. The consideration for the transaction was a payment of approximately \$13.1 million (RMB 83 million) that was funded entirely from the Company's current cash holdings. The effective date of the acquisition is November 15, 2011, and the acquisition is expected to close as subject to customary closing conditions.

It is expected that Handan Guanxin will be able to produce 7,500 tons of the feedstock and some additional by-products in its first year of operation, fulfilling approximately 30% of the Company's feedstock needs. China Clean Energy estimates that it can increase this level up to 15,000 tons of feedstock supply after approximately 12 months. The Company believes that the feedstock supply will be of better quality than what is currently being used and that it can reduce feedstock costs by an estimated 500 - 800 RMB per ton at the first year's supply output of 7,500 tons of feedstock production.

Business Update and Outlook

“The acquisition of Handan Guanxin Technology Ltd. will ensure the optimal operating performance of our new year-old facility as well as enable us to engage in additional capacity expansion activities in the future.” stated Mr. Tai-ming Ou, China Clean Energy’s Chairman and CEO.

“Our specialty chemicals business, in particular, continues to see continued strong demand. This acquisition is a key component to our strategy growth plan since it is our raw materials sourcing that sets us apart from other participants in the space who use such depleting commodities such as oil, natural gas or coal. We believe that securing our raw materials supply both reinforces our mission and enhances our growth trajectory. We reiterate our top-line revenue guidance of \$75 million for the full year 2011.” concluded CEO Mr. Ou.

Conference Call

China Clean Energy will hold its third quarter 2011 conference call at 10:00 a.m. Eastern Time on Tuesday, November 15, 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 23274436. If you are unable to participate in the call at this time, a replay will be available for 14 days starting on Tuesday, November 15, 2011, at 1:00 p.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 23274436.

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
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)

	Three months ended September 30		Nine months ended September 30,	
	2011	2010	2011	2010
REVENUES	\$ 17,137,183	\$ 15,966,951	\$ 55,368,905	\$ 40,845,079
Less: cost of goods sold	<u>14,193,951</u>	<u>12,258,337</u>	<u>43,995,154</u>	<u>32,910,770</u>
GROSS PROFIT	<u>2,943,232</u>	<u>3,708,614</u>	<u>11,373,751</u>	<u>7,934,309</u>
OPERATING EXPENSES				
Selling and marketing	70,411	97,696	399,308	269,177
General and administrative	511,604	332,887	1,571,680	1,207,336
Research and development	<u>37,432</u>	<u>35,365</u>	<u>112,693</u>	<u>79,743</u>
Total operating expenses	<u>619,447</u>	<u>465,948</u>	<u>2,083,681</u>	<u>1,556,256</u>
INCOME FROM OPERATIONS	<u>2,323,785</u>	<u>3,242,666</u>	<u>9,290,070</u>	<u>6,378,053</u>
OTHER INCOME (EXPENSE)				
Interest income, net	(139,999)	(103,386)	(366,419)	(271,384)
Impairment loss on assets held for sale	-	(257,391)	-	(257,391)
Other expense	(74,163)	(46,852)	(72,107)	(32,211)
Change in fair value of warrant liabilities	<u>90,565</u>	<u>(252,231)</u>	<u>1,752,034</u>	<u>(246,478)</u>
Total other income (expenses)	<u>(123,597)</u>	<u>(659,860)</u>	<u>1,313,508</u>	<u>(807,464)</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	2,200,188	2,582,806	10,603,578	5,570,589
PROVISION FOR INCOME TAXES	<u>637,954</u>	<u>738,299</u>	<u>2,451,176</u>	<u>1,426,320</u>
NET INCOME	1,562,234	1,844,507	8,152,402	4,144,269
OTHER COMPREHENSIVE INCOME				
Foreign currency translation adjustment	<u>366,634</u>	<u>495,457</u>	<u>1,312,810</u>	<u>523,874</u>
COMPREHENSIVE INCOME	<u>\$ 1,928,868</u>	<u>\$ 2,339,964</u>	<u>\$ 9,465,212</u>	<u>\$ 4,668,143</u>
BASIC AND DILUTED EARNINGS 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>\$ 0.05</u>	<u>\$ 0.06</u>	<u>\$ 0.26</u>	<u>\$ 0.13</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.

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net Income (Loss)	\$ 1,562,234	\$ 1,844,507	\$ 8,152,402	\$ 4,144,269
Add back (Deduct):				
Change in fair value of warrant	\$ (90,565)	\$ 252,231	\$ (1,752,034)	\$ 246,478
Stock-based compensation	\$ 177,138	\$ 106,315	\$ 547,279	\$ 318,945
Adjusted Net Income	\$ 1,648,807	\$ 2,203,053	\$ 6,947,647	\$ 4,709,692
Diluted EPS	\$ 0.05	\$ 0.06	\$ 0.26	\$ 0.13
Add back (Deduct):				
Change in fair value of warrant	\$ 0.00	\$ 0.01	\$ (0.06)	\$ 0.01
Stock-based compensation	\$ 0.00	\$ 0.00	\$ 0.02	\$ 0.01
Adjusted EPS	\$ 0.05	\$ 0.07	\$ 0.22	\$ 0.15

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

	<u>ASSETS</u>	September 30, 2011	December 31, 2010
		<u>2011</u>	<u>2010</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	23,609,392	\$ 13,648,437
Restricted cash		-	443,647
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$29,665		3,015,118	4,080,424
Other current assets		2,374	9,332
Tax Receivable		-	63,865
Inventories		2,260,497	2,126,375
Advances for inventory purchases		1,504,072	1,031,401
Machinery and equipment held for sale		-	108,458
Total current assets		<u>30,391,453</u>	<u>21,511,939</u>
Plant and Equipment, net		24,962,437	25,656,929
Intangible assets, net		4,811,188	4,812,693
Deferred tax assets		107,484	104,246
TOTAL ASSETS	\$	<u>60,272,562</u>	\$ <u>52,085,807</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable	\$	2,307,315	\$ 1,400,188
Accrued liabilities		161,086	227,991
Customer deposits		273,951	650,017
Taxes payable		771,080	1,526,033
Banker acceptances		-	1,494,878
Bank loan payable - current portion		7,020,156	1,025,835
Total current liabilities		<u>10,533,588</u>	<u>6,324,942</u>
Warrant liabilities		440,318	2,192,352
Long-term bank loans - net of current portion		-	4,234,720
Total liabilities		<u>10,973,906</u>	<u>12,752,014</u>
COMMITMENTS AND CONTINGENCIES			
EQUITY			
Preferred stock, par value \$0.001 per share, authorized 10,000,000 shares, none 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		13,255,339	12,708,060
Treasury stock, at cost, 64,100 and 0 shares, respectively		(47,626)	-
Statutory reserves		2,424,309	2,424,309
Retained earnings		28,135,096	19,982,696
Accumulated other comprehensive income		5,500,026	4,187,216
Total equity		<u>49,298,656</u>	<u>39,333,793</u>
Total liabilities and equity	\$	<u>60,272,562</u>	\$ <u>52,085,807</u>

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the nine months ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 8,152,402	\$ 4,144,269
Adjusted to reconcile net income to cash provided by operating activities:		
Depreciation	1,545,165	1,577,712
Recovery of allowance for doubtful accounts	(30,148)	(40,108)
Amortization of intangible assets	148,897	145,445
Stock-based compensation expense	547,279	318,945
Loss of impairment on assets held for sale	-	257,391
Change in fair value of warrants liability	(1,752,034)	246,478
Deferred tax benefit	-	(33,442)
Loss on disposal of assets	73,470	-
Changes in operating assets and liabilities		
Accounts receivable	1,205,135	(1,453,337)
Inventories	(67,065)	(4,124,833)
Other current assets	6,958	(1,833)
Advances for inventory purchases	(434,289)	(711,015)
Accounts payable	851,539	1,407,348
Accrued liabilities	(87,519)	(35,865)
Customer deposits	(390,573)	(16,346)
Taxes payables	(790,851)	919,358
Taxes receivable	64,904	(267,019)
Net cash provided by operating activities	9,043,270	2,333,148
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(74,776)	(246,210)
Proceeds from disposal of assets	36,752	-
Net cash used in investing activities	(38,024)	(246,210)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted cash	450,864	(474,729)
Proceeds from bank loans	7,090,462	4,339,354
Repayments on bank loans	(5,517,268)	(2,334,200)
Proceeds from (Repayments on) bankers acceptances	(1,502,879)	1,598,278
Purchase of treasury stock	(47,626)	-
Net cash provided by financing activities	473,553	3,128,703
EFFECT OF EXCHANGE RATE ON CASH	482,156	(256,173)
INCREASE IN CASH AND CASH EQUIVALENTS	9,960,955	4,959,468
CASH AND CASH EQUIVALENTS, beginning of period	13,648,437	4,154,814
CASH AND CASH EQUIVALENTS, end of period	\$ 23,609,392	\$ 9,114,282
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for:		
Interest	\$ 367,517	\$ 224,620
Income taxes	\$ 2,899,421	\$ 787,834

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