



## China Clean Energy Inc.

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### **FOR IMMEDIATE RELEASE**

## **China Clean Energy Announces Record Fourth Quarter and Fiscal Year 2010 Results, Expects 2011 Adjusted EPS of \$0.36**

**Fuqing City, China – March 30, 2011** - China Clean Energy Inc. (OTC QB: CCGY) (“China Clean Energy” or the “Company”), a producer of biodiesel fuel and environmentally-friendly specialty-chemical products made from renewable resources, today reported its financial results for the fourth quarter and fiscal year ended December 31, 2010.

### **Fourth Quarter 2010 Highlights**

- Revenue totaled \$18.1 million, up 271% from \$4.9 million for the fourth quarter in 2009
- Gross profit totaled \$4.3 million, up 378% from \$0.9 million in the fourth quarter of 2009
- Gross margin increased to 23.7%
- Operating income was \$3.8 million, compared to \$0.3 million in the fourth quarter 2009
- Net income was \$ 2.2 million or \$0.07 per fully-diluted share, compared to net income of \$0.6 million or \$0.02 per fully-diluted share in the fourth quarter 2009
- Adjusted net income (Non-GAAP) was \$2.9 million, or 0.09 per fully-diluted share for the fourth quarter of 2010, compared to \$0.3 million or \$0.01 per fully-diluted share in the comparable period of 2009. A table reconciling adjusted net-income, a non-GAAP measure, to its nearest GAAP measure is available elsewhere in this release.

### **Fiscal Year 2010 Highlights**

- Total revenue increased to \$59.0 million, up 270% from \$15.9 million for the full year 2009
- Gross profit totaled \$12.2 million, up 260% from \$2.9 million for the full year 2009
- Gross margin was 20.7%, up from 18.5% for the full year 2009
- Operating income was \$10.2 million, up from \$0.9 million for the full year 2009
- Net income was \$6.4 million, compared to a loss of \$0.3 million for the full year 2009
- Earnings per fully-diluted share were \$0.20, compared to a loss of \$0.01 in 2009
- Adjusted net income (Non-GAAP) was \$7.8 million, or \$0.25 per fully-diluted share
- Cash and cash equivalents totaled \$13.6 million at year end

“We are delighted with our results for the fourth quarter and for the fiscal year 2010, reflecting the successful ramp up of our Jiangyin plant, as we gradually expanded production to meet demand from existing as well as new customers,” said Mr. Tai-ming Ou, China Clean Energy's Chairman and CEO. “As we look to the future we expect to continue to grow our top- and bottom-line as we

benefit from our increased capacity, improved product quality, and growing customer acceptance for our premium products, such as purity dimer acid and high performance adhesives.”

#### **Fourth Quarter 2010 Results**

China Clean Energy’s net revenue in the fourth quarter was \$18.1 million, up 271% from the fourth quarter of 2009. The increase in revenue was driven by the substantial increase in sales volume and average selling prices. Sales volume of specialty-chemical products rose by 204% to 9,778 tons, while enjoying an 18% year-over-year increase in average selling price to RMB 10,928 per ton. Biodiesel sales volume was 2,802 tons in the fourth quarter of 2010, up 257% from 784 tons in the fourth quarter of 2009. Biodiesel average selling price was RMB 4,993 in the fourth quarter of 2010, up 13% from the fourth quarter of 2009. Specialty-chemicals and biodiesel represented 88.4% and 11.6% of total revenue in the quarter, respectively.

Gross profit in the fourth quarter of 2010 was \$4.3 million up 378% from the fourth quarter of 2009. Gross margin was 23.7% in the fourth quarter, up from 18.4% in the same period of 2009 as a result of overall increase in average selling prices for both biodiesel and specialty chemicals as well as an improved sales mix.

Operating expenses in the fourth quarter of 2010 were \$468,910, down 27% from \$646,739 in the final quarter of 2009. This is largely due to lower export sales of specialty chemicals as a percentage of total revenue. Operating income in the fourth quarter of 2010 reached \$3.8 million, up from \$250,194 for the comparable period of 2009.

Net income for the fourth quarter of 2010 was \$2.2 million or \$0.07 per fully-diluted share, compared to a net income of \$0.6 million, or \$0.02 per fully-diluted share in the fourth quarter of 2009. Net income for the fourth quarter includes a \$31,408 non-cash benefit for employee stock-based compensation and a \$686,100 non-cash charge to reflect the fair value of warrant liability.

Adjusted net income, excluding above non-cash charges, was \$2.9 million or \$0.09 per fully-diluted share for the fourth quarter of 2010, compared to \$0.3 million or \$0.01 per fully-diluted share in the comparable period of 2009. A table reconciling adjusted net-income to its nearest GAAP measure is available elsewhere in this release.

#### **Fiscal Year 2010 Results**

For the full year 2010, total revenue was \$59.0 million, a 270% increase from \$15.9 million in 2009. Approximately 81.3% of revenue for the year was derived from specialty-chemical sales and 18.7% from biodiesel sales. Gross profit for the full year 2010 was \$12.2 million, up 316% from \$2.9 million in 2009. Gross margin was 20.7% for the full year 2010, up from 18.5% for the full year 2009.

Operating income for the full year 2010 was \$10.2 million, up from \$0.9 million in 2009. Operating margin improved to 17.3% in 2010, an increase from 5.5% in 2009. In 2010 the Company achieved net income of \$6.4 million or \$0.20 per fully- diluted share, compared with a loss of \$0.3 million, or \$0.01 per diluted share in 2009. Net income in 2010 includes a \$287,537 non-cash charge for employee stock-based compensation, \$932,578 non-cash charge to reflect the fair value of warrant liability and \$258,861 non-cash charge associated with impairment of fixed assets. Adjusted net income (Non-GAAP) was \$7.8 million, or \$0.25 per fully-diluted share. A table reconciling adjusted net income, which is a non-GAAP measure, to the nearest GAAP measure is available elsewhere on this release.

## **Financial Condition**

As of December 31, 2010, China Clean Energy had \$13.6 million in cash, approximately \$15.1 million in working capital, and \$5.3 million of debt. Stockholders' equity at December 31, 2010 stood at \$39.3 million, or approximately \$1.25 per share.

## **Business Outlook**

“The macroeconomic environment in China remains positive, and we are excited with the opportunities to continue to deliver positive results in the quarters ahead. We expect our revenue and operating income in 2011 to be approximately \$75 million and \$14 million, respectively, as we benefit from our increased capacity as well as improving sales mix. We would also expect to see adjusted earnings reach \$0.36 per fully-diluted share in 2011,” stated Mr. Tai-ming Ou, China Clean Energy’s Chairman and CEO.

“As we look to the future, we hope to leverage our strengthening balance sheet and improving free cash-flow position to acquire upstream feedstock suppliers in the second half of 2011, with the goal to expanding our gross margins and securing feedstock supply. We believe that pursuing a partially or fully integrated upstream strategy will reduce the volatility of our operating results and maximize shareholder value in the long-run. We are currently actively searching for acquisition candidates, and we expect to be able to finance an eventual transaction with cash on hand as well as cash-flow from operations,” concluded Mr. Ou.

## **Conference Call**

China Clean Energy will hold its fourth quarter and fiscal year 2010 conference call for all interested persons at 10:00 a.m. Eastern Time on Thursday, March 31, 2011 to discuss its 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 passcode 54366548. If you are unable to participate in the call at this time, a replay will be available for 14 days starting on March 31, 2011, at 13:00 p.m. eastern time. To access the replay, please dial +1 (800) 642-1687, international callers dial +1 (706) 645-9291, and enter the pass code 54366548.

## **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; 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 OTHER COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)

	Three months ended December 31,		The year ended December 31,	
	2010	2009	2010	2009
REVENUES	\$ 18,111,063	\$ 4,878,426	\$ 58,956,142	\$ 15,933,351
Less: cost of goods sold	13,821,185	3,981,493	46,731,955	12,993,260
GROSS PROFIT	<u>4,289,878</u>	<u>896,933</u>	<u>12,224,187</u>	<u>2,940,091</u>
OPERATING EXPENSES				
Selling and marketing	99,776	48,840	368,953	286,055
General and administrative	316,402	537,090	1,523,738	1,641,535
Research and development	52,731	60,809	132,474	143,944
Total operating expenses	<u>468,909</u>	<u>646,739</u>	<u>2,025,165</u>	<u>2,071,534</u>
INCOME FROM OPERATIONS	<u>3,820,969</u>	<u>250,194</u>	<u>10,199,022</u>	<u>868,557</u>
OTHER INCOME (EXPENSE)				
Interest expense, net	(22,018)	6,619	(293,402)	-
Impairment loss on assets held for sale	-	-	(258,861)	-
Other income (expense)	111,541	11,350	79,330	7,997
Change in fair value of warrant liabilities	(686,100)	389,172	(932,578)	(964,391)
Total other expenses	<u>(598,047)</u>	<u>407,141</u>	<u>(1,405,511)</u>	<u>(956,394)</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	3,222,922	657,335	8,793,511	(87,837)
Provision for income taxes	998,516	29,797	2,424,836	236,613
NET INCOME (LOSS)	<u>2,224,406</u>	<u>627,538</u>	<u>6,368,675</u>	<u>(324,450)</u>
COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment	495,626	(225)	1,020,970	(3,742)
COMPREHENSIVE INCOME (LOSS)	<u>\$ 2,721,502</u>	<u>\$ 627,313</u>	<u>\$ 7,389,645</u>	<u>\$ (328,192)</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>\$ 0.07</u>	<u>\$ 0.02</u>	<u>\$ 0.20</u>	<u>\$ (0.01)</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 2009 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 December 31,		Twelve months ended December 31,	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net Income (Loss)	<u>\$2,224,405</u>	<u>\$627,538</u>	<u>\$6,368,675</u>	<u>(\$324,450)</u>
Add back (Deduct):				
Change in fair value of warrant	\$686,100	(\$389,172)	\$932,578	\$964,391
Stock-based compensation	(\$31,408)	\$83,029	\$287,537	\$404,582
Impairment loss on assets held for sale	-	-	\$258,861	-
Adjusted Net Income	<u>\$2,879,097</u>	<u>\$321,395</u>	<u>\$7,847,651</u>	<u>\$1,044,523</u>
Diluted EPS	<u>\$0.07</u>	<u>\$0.02</u>	<u>\$0.20</u>	<u>(\$0.01)</u>
Add back (Deduct):				
Change in fair value of warrant	\$0.02	(\$0.01)	\$0.03	\$0.03
Stock-based compensation	(\$0.00)	\$0.00	\$0.01	\$0.01
Impairment loss on assets held for sale	-	-	\$0.01	-
Adjusted EPS	<u>\$0.09</u>	<u>\$0.01</u>	<u>\$0.25</u>	<u>\$0.03</u>

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 13,648,437	\$ 4,154,814
Restricted cash	443,647	-
Accounts receivable, net of allowance for doubtful accounts of \$29,665 and \$93,761	4,080,424	1,766,952
Other current assets	9,332	11,000
Tax receivable	63,865	-
Inventories	2,126,375	464,842
Advances for inventory purchases	1,031,401	188,659
Machinery and equipment held for sale	108,458	-
Total current assets	21,511,939	6,586,267
Deferred tax assets	104,246	69,466
Plant and equipment, net	25,656,929	25,119,034
Intangible assets, net	4,812,693	4,860,645
<b>TOTAL ASSETS</b>	<b>\$ 52,085,807</b>	<b>\$ 36,635,412</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,400,188	\$ 157,433
Accrued liabilities	244,044	279,516
Customer deposits	650,017	71,090
Taxes payable	1,526,033	130,287
Banker acceptances	1,478,825	-
Bank loan payable - current portion	1,025,835	3,080,700
Total current liabilities	6,324,942	3,719,026
Warrants liability	2,192,352	1,259,774
Bank loan payable - net of current portion	4,234,720	-
Total liabilities	12,752,014	4,978,800
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock, par value \$0.001 per share, authorized 10,000,000 shares, no shares issued and outstanding as of December 31, 2010 and December 31, 2009, respectively	-	-
Common stock, par value \$0.001 per share, authorized 90,000,000 shares, 31,512,269 shares issued and outstanding as of December 31, 2010 and December 31, 2009, respectively	31,512	31,512
Additional paid-in capital	12,708,060	12,420,523
Statutory reserves	2,424,309	1,630,882
Retained earnings	19,982,696	14,407,448
Accumulated other comprehensive income	4,187,216	3,166,247
Total shareholders' equity	39,333,793	31,656,612
Total liabilities and shareholders' equity	<b>\$ 52,085,807</b>	<b>\$ 36,635,412</b>

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES			
CONSOLIDATED STATEMENTS OF CASH FLOWS			
		For the year ended	
		December 31,	
		2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss)	\$	6,368,675	\$ (324,450)
Adjusted to reconcile net income (loss) to cash provided			
by operating activities:			
Depreciation		3,114,340	710,051
Recovery of allowance for doubtful accounts		(64,095)	(42,602)
Amortization of intangible assets		198,376	211,851
Stock-based compensation expense		287,537	404,582
Loss on impairment on assets held for sale		258,861	-
Change in warrant liabilities		932,578	964,391
Deferred tax benefit		(34,780)	(69,424)
Changes in operating assets and liabilities			
Accounts receivable		(2,249,377)	(631,169)
Inventories		(1,661,533)	350,154
Other assets		1,668	(11,000)
Advances for inventory and other current assets		(842,742)	122,038
Accounts payable		1,242,755	(193,068)
Accrued liabilities		(35,472)	(69,890)
Customer deposits		578,927	39,644
Taxes payables		1,395,746	(26,660)
Taxes receivable		(63,865)	-
Net cash provided by operating activities		<u>9,427,599</u>	<u>1,434,448</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of equipment		(1,974,321)	(3,010,857)
Net cash used in investing activities		<u>(1,974,321)</u>	<u>(3,010,857)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Restricted cash		(443,647)	-
Proceeds from bank loans		4,339,354	3,078,810
Proceeds from banker acceptances		1,598,278	-
Payments on bankers acceptances		(119,453)	-
Payments on bank loans		(2,159,499)	(257,702)
Net cash provided by financing activities		<u>3,215,033</u>	<u>2,821,108</u>
EFFECT OF EXCHANGE RATE ON CASH		<u>(1,174,688)</u>	<u>(3,596)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		9,493,623	1,241,103
CASH AND CASH EQUIVALENTS, beginning of year		4,154,814	2,913,711
CASH AND CASH EQUIVALENTS, end of year	\$	<u>13,648,437</u>	<u>4,154,814</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Interest expenses paid	\$	<u>292,621</u>	\$ <u>114,717</u>
Income taxes paid	\$	<u>1,657,336</u>	\$ <u>283,103</u>
Non-cash investing and financing activities:			
Advances for equipment purchases transferred to fixed assets	\$	<u>0</u>	\$ <u>3,646,953</u>

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