INITIAL COMPANY INFORMATION AND DISCLOSURE STATEMENT

For the fiscal year ended: December 31, 2011

CHINA CLEAN ENERGY INC.

Delaware	**87-0700927**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

Jiangyin Industrial Zone, Jiangyin Town
Fuqing City, Fujian Province
People's Republic of China, 350309
(Address of Principal Executive Offices, Zip Code)

(86)-0591-85782596
(Registrant's Telephone Number, including Area Code)

We previously were a shell company, therefore the exemption offered pursuant to Rule 144 is not available. Anyone who purchased securities directly or indirectly from us or any of our affiliates in a transaction or chain of transactions not involving a public offering cannot sell such securities in an open market transaction.

ISSUER INFORMATION AND DISCLOSUER STATEMENT
PURSUANT TO RULE 15C2-11 OF THE SECURITIES EXCHANGE ACT OF 1934

ALL INFORMATION FURNISHED HEREIN HAS BEEN PREPARED FROM THE BOOKS AND RECORDS OF THE COMPANY IN ACCORDANCE WITH RULE 15c2-11 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND IS INTENDED ONLY AS INFORMATION TO BE USED BY SECURITIES BROKER-DEALERS.

NO DEALER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED HEREIN IN CONNECTION WITH THE COMPANY. ANY REPRESENTATIONS NOT CONTAINED HEREIN MUST NOT BE RELIED UPON AS HAVING BEEN MADE OR AUTHORIZED BY THE COMPANY.

DELIVERY OF THIS INFORMATION FILE, AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE FIRST WRITTEN ABOVE.

The undersigned hereby certifies that the information contained herein is true and correct to the best of his knowledge and belief.

China Clean Energy Inc.

By: /s/ Tai-ming Ou
CEO

Date: August 29, 2012

COPIES OF THIS INFORMATION AND DISCLOSURE STATEMENT ARE AVAILABLE FROM THE ISSUER UPON REQUEST.

China Clean Energy Inc.

INFORMATION AND DISCLOSURE STATEMENT

All information contained in this Information and Disclosure Statement has been compiled to fulfill the disclosure requirements of Rule 15(c)-211(a)(5) promulgated under the Securities Exchange Act of 1934, as amended. The enumerated captions contained in this Information and Disclosure Statement corresponds to the sequential format as set forth in the rule.

Part A General Company Information

ITEM I. NAME OF ISSUER

China Clean Energy, Inc. ("CCE" or the "Company") was incorporated in the State of Delaware on November 12, 2004. The Company through its wholly-owned subsidiaries, China Clean Energy Resources Limited ("CCER"), Fujian Zhongde Technology Co., Ltd. ("Fujian Zhongde"), and Fujian Zhongde Energy Co., Ltd. ("Zhongde Energy"), synthesizes and distributes renewable fuel products and specialty chemicals to customers in both the People's Republic of China ("PRC" or "China") and abroad.

ITEM II. ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES

China Clean Energy Inc.
Jiangyin Industrial Zone, Jiangyin Town
Fuqing City, Fujian Province
People's Republic of China
Phone: (86) 0591 8565 8283
Facsimile: (86) 05918565 8283
Website: http://www.chinacleanenergyinc.com/

ITEM III. JURISDICTION AND DATE OF THE ISSUER'S INCORPORATION

China Clean Energy Inc. was incorporated in the State of Delaware on November 12, 2004.

Part B Share Structure and Issuance History

ITEM IV. TITLE AND CLASS OF SECURITIES OUTSTANDING

Class of Stock Outstanding:	Common Stock
CUSIP:	16939E 10 1
Trading Symbol:	CCGY

ITEM V. DESCRIPTION OF SECURITIES

A. ***Par or Stated Value***

As of May 10, 2012, there were only shares of the Company's Common Stock outstanding, with $0.001 par value per share.

B. ***Common or Preferred Stock***

The holders of common stock are entitled to one vote per share. The Company's Amended and Restated Certificate of Incorporation does not provide for cumulative voting. The holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the board of directors out of legally available funds. The Company has not declared or paid any cash dividends on its common stock and does not anticipate declaring or paying any cash dividends in the foreseeable future. The current policy of the board of directors is to retain earnings, if any, for operations and growth. The holders of common stock have no preemptive, subscription, redemption or conversion rights.

ITEM VI. NUMBER OF SHARES OR TOTAL AMOUNT OF SECURITIES OUTSTANDING FOR EACH CLASS OF SECURITIES AUTHORIZED

Common Share

	December 31, 2011	December 31, 2010
Shares authorized	100,000,000	100,000,000
Shares outstanding	31,512,269	31,512,269
Freely tradable shares (Public Float)	16,063,054]	16,063,054
Number of beneficial shareholders	3	3
Number of shareholders of record	81	93

ITEM VII. NAME AND ADDRESS OF TRANSFER AGENT

Continental Stock Transfer & Trust Company
Transfer Agent
17 Battery Place, 8th Floor
New York, NY 10004
T: 212-509-4000
F: 212-509-5150
Website: continentalstock.com

Continental Stock Transfer & Trust Company is registered under the Exchange Act. The regulatory authority of Continental Stock Transfer & Trust Company is the U.S. Securities and Exchange Commission.

Part C Business Information

ITEM VIII. NATURE OF ISSUER'S BUSINESS

A. Business Development

We are a Chinese renewable resource-based biodiesel and specialty chemicals manufacturer and distributor. Through our wholly-owned subsidiary, China Clean Energy Resources, Ltd. ("CCER"), a British Virgin Islands holding company, we own 100% interests in

Fujian Zhongde Technology Co. Ltd. ("Fujian Zhongde") and Fujian Zhongde Energy Co., Ltd. ("Zhongde Energy"), Chinese companies incorporated in the Province of Fujian, People's Republic of China. CCER does not conduct any substantive operations of its own, but rather conducts its primary business operations through Fujian Zhongde and Zhongde Energy.

Zhongde Energy built and operates our new biodiesel and specialty chemical refinery in Jiangyin Industrial Park, Fuqing City, Fujian Province, People's Republic of China. We have successfully transferred to the new Jiangyin plant and installed plant and equipment representing 50,000 tons of biodiesel and 40,000 tons of specialty chemicals capacity, which is all of our capacity except for our printing ink production line. Prior to these transfers, the new Jiangyin plant had a production capacity of 100,000 tons of biodiesel per year, 30,000 tons of specialty chemicals per year or a combination of biodiesel and specialty chemicals for a total output of 70,000 tons per year. As a result of the consolidation of the two plants, the annual production capacity in the Jiangyin plant is now 110,000 tons of biodiesel per year, 40,000 tons of specialty chemicals per year or a combination of biodiesel and specialty chemicals for a total output of 50,000 tons of biodiesel and 40,000 tons of specialty chemicals per year. The printing ink production line, which accounts for approximately 500 tons of annual production capacity, will remain at the old plant.

On November 17, 2011, Zhongde Energy entered into an Acquisition Agreement with the owner of Handan Guanxin Technology Co., Ltd. ("Guanxin Technology") to acquire 100% of the equity interest in Guanxin Technology. Guanxin Technology is a supplier of specialty chemical feedstock in Hebei Province, People's Republic of China. The Company sought to acquire Guanxin Technology in order to mitigate the feedstock supply risk and have better control over the cost and quality of feedstock. The transaction included a cash payment of approximately $13.1 million (RMB 83 million).

1. The form of organization of the issuer

The Company is a Delaware Corporation.

2. The year that the issuer (or any predecessor) was organized

The Company was incorporated under the laws of the State of Delaware on November 12, 2004.

3. The issuer's fiscal year end date

The Company's fiscal year ends December 31.

4. Whether the issuer (or any predecessor) has been in bankruptcy, receivership or any similar proceeding

Neither the Company nor its predecessor has ever been in bankruptcy, receivership or any similar proceedings.

5. Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets

On October 24, 2006, the Company entered into a Share Exchange Agreement (the "Exchange Agreement") by and among the Company, China Clean Energy Resources Limited, a privately held British Virgin Islands corporation ("CCER"), the shareholders of CCER and both Chet Kurzawski and Doug Reid, representing all of the then serving officers and directors of the Company. Upon closing of the share exchange transaction contemplated under the Exchange Agreement (the "Share Exchange"), the shareholders of CCER transferred all of their shares of CCER to the Company in exchange for an aggregate of 15,995,000 shares of common stock of the Company, thus causing CCER to become a wholly-owned subsidiary of the Registrant.

On November 17, 2011, Fujian Zhongde Energy Co., Ltd., a wholly-owned subsidiary of the Company entered into an Acquisition Agreement (the "Agreement") with the owner of Handan Guanxin Technology Co., Ltd. ("Guanxin Technology") to acquire 100% of the equity interest in Guanxin Technology. Guanxin Technology is a supplier of specialty chemical feedstock in Hebei Province, People's Republic of China. The Company sought to acquire Guanxin Technology in order to mitigate its feedstock supply risk and have better control over the cost and quality of feedstock, which the Company uses in manufacturing biodiesel and specialty chemicals. The transaction included a cash payment of approximately $13.1 million (RMB 83 million).

6. Any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments

In February 2010, we secured bank financing for approximately $4,800,000 from Fujian Haixia Bank, formerly Fuzhou City Commercial Bank, for use in working capital.

Pursuant to the Loan Agreement, Zhongde Energy borrowed RMB 33 million, or approximately $4.8 million, at an annual interest rate of 5.94% (the "Base Rate"). The proceeds from the loan are required to be used for working capital. Zhongde Energy must repay RMB 5 million, or approximately $905,000, by February 24, 2011 and RMB 28 million, or approximately $4,180,000, by January 5, 2012. The loan is secured by, among other things, the real property of Zhongde Energy and the bank accounts and real property of Fujian Zhongde. Mr. Tai-Ming Ou, the Company's chief executive officer, has personally guaranteed Zhongde Energy's obligations under the loan agreement. Zhongde Energy shall be subject to a penalty interest rate that is 30% greater than the Base Rate in the event it does not timely repay the loan and 80% greater than the Base Rate in the event that it does not use the proceeds from the loan as specified in the loan agreement. There are no additional financial covenants pursuant the loan agreement.

Two installment payments are scheduled: (i) 5,000,000 RMB (approximately $905,454) is due February 2011; and (ii) 28,000,000 RMB (approximately $4,180,400) is due January 2012. On February 11, 2011, 5,000,000 RMB was repaid to the bank. On January 2012, 28,000,000 RMB was repaid to the bank.

In February 2012, we secured bank financing for approximately $3,500,000 from Fujian Haixia Bank, formerly Fuzhou City Commercial Bank, for use in working capital.

Pursuant to the Loan Agreement, Zhongde Energy borrowed RMB 22 million, or approximately $3.5 million, at an annual interest rate of 8.53% (the "Base Rate"). The proceeds from the loan are required to be used for working capital. Zhongde Energy must repay RMB 22 million, or approximately $3.5 million, by January 23, 2013. The loan is secured by, among other things, the real property of

Zhongde Energy and the bank accounts and real property of Fujian Zhongde. Mr. Tai-Ming Ou, the Company's chief executive officer, has personally guaranteed Zhongde Energy's obligations under the loan agreement. Zhongde Energy shall be subject to a penalty interest rate that is 30% greater than the Base Rate in the event it does not timely repay the loan and 80% greater than the Base Rate in the event that it does not use the proceeds from the loan as specified in the loan agreement. There are no additional financial covenants pursuant the loan agreement.

7. Any change of control

On October 24, 2006, the Company entered into the Exchange Agreement with CCER, the shareholders of CCER and the officers and directors of the Company. Upon closing of the Share Exchange on October 24, 2006, the shareholders of CCER delivered all of their equity capital in CCER to the Company in exchange for a controlling interest in the Company, resulting in CCER becoming a wholly-owned subsidiary of the Company.

The Share Exchange is being accounted for as a "reverse merger," since the stockholders of CCER own a majority of the outstanding shares of the Company's common stock immediately following the Share Exchange. CCER is deemed to be the acquirer in the reverse merger. Consequently, the assets and liabilities and the historical operations that will be reflected in the financial statements prior to the Share Exchange will be those of CCER and will be recorded at the historical cost basis of CCER, and the consolidated financial statements after completion of the Share Exchange will include the assets and liabilities of the Company and CCER, historical operations of CCER and operations of the Company from the closing date of the Share Exchange. Further, as a result of the issuance of the shares of the Company's common stock pursuant to the Share Exchange, a change in control of the Company occurred on the date of consummation of the Share Exchange.

8. Any increase of 10% or more of the same class of outstanding equity securities

On January 9, 2008, the Company completed a private placement, pursuant to which Company issued 10,000,000 shares of common stock and 5,000,000 five-year warrants at an initial exercise price of $2.00 per share for aggregate gross proceeds of $15,000,000, which constitutes an increase of 10% or greater of the Company's outstanding securities.

9. Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization

Except as described above, the Company has not during the past three years had any other stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization.

10. Any delisting of the issuer's securities by any securities exchange or deletion from the OTC Bulletin Board

Our common stock was quoted on the OTC Bulletin Board under the symbol CCGY.OB through February 22, 2011. After such date, our common stock has been quoted on OTC Markets Group under the symbol CCGY.PK.

11. **Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and current status of the matters, and the amounts involved**

    There are no current, past or threatened legal proceedings or administrative actions either by or against the Company that could have a material effect on its business, financial condition, or operations and any current past or pending trading suspensions by a securities regulator.

B. Business of Issuer

We completed construction of a new biodiesel and specialty chemical focused production facility in the new Fuqing Jiangyin Industrial Park in the Fujian Province, People's Republic of China in October 2009. We successfully completed the trial production phase at our new facility at the end of 2009 and the new plant was fully operational by January 2010. We have moved our administrative headquarters to the new plant.

The Fuqing Jiangyin Industrial Park is equipped with a deep sea harbor capable of servicing 100,000 ton cargo ships, a container port and a railroad that will be connected to the People's Republic of China's national railroad network. The facility originally had the flexibility to produce 100,000 tons of biodiesel per year, 30,000 tons of specialty chemicals per year, or a combination of biodiesel and specialty chemicals for a total output of 70,000 tons per year. During the third quarter of 2010, the Company successfully transferred to the new Jiangyin plant and installed the plant and equipment representing all of our biodiesel and specialty chemicals capacity except for our printing ink production line. As a result, the annual production capacity in the Jiangyin plant is now 50,000 tons of biodiesel and 40,000 tons of specialty chemicals. The printing ink production line, which accounts for approximately 500 tons of annual production capacity, will remain at the old plant. We believe our expansion of both biodiesel and specialty chemical production capacity has and will continue to help us to increase our competitiveness and profitability in the future.

We own an additional 200,000 square-foot manufacturing facility located in Handan City, Henan Province People's Republic of China. This facility was acquired through our subsidiary, Fujian Zhongde in 2011 with a core focus on developing and manufacturing Oleic acid. Oleic acid is the raw material use to produce specialty chemical. The facility's annual production is 5,000 tons of oleic acid. We believe the acquisition will mitigate our feedstock supply risk and have better control over the cost and quality of feedstock, which the Company uses in manufacturing biodiesel and specialty chemicals.

The Company's primary Standard Industrial Code ("SIC") is 2860.

The Company was formerly a "shell company." As a result of the consummation of the Share Exchange on October 24, 2006 described above, the Company was no longer a "shell company," as that term is defined in Rule 405 of the Securities Act and Rule 12b-2 of the Exchange Act.

The Company is currently conducting operations and has been operating the same business since 2006. Although the Company does not conduct any substantive operations of its own, all activities of the Company are principally conducted through its subsidiaries operating in P.R.C. The consolidated financial statements contained herein include the accounts of the Company and its subsidiaries.

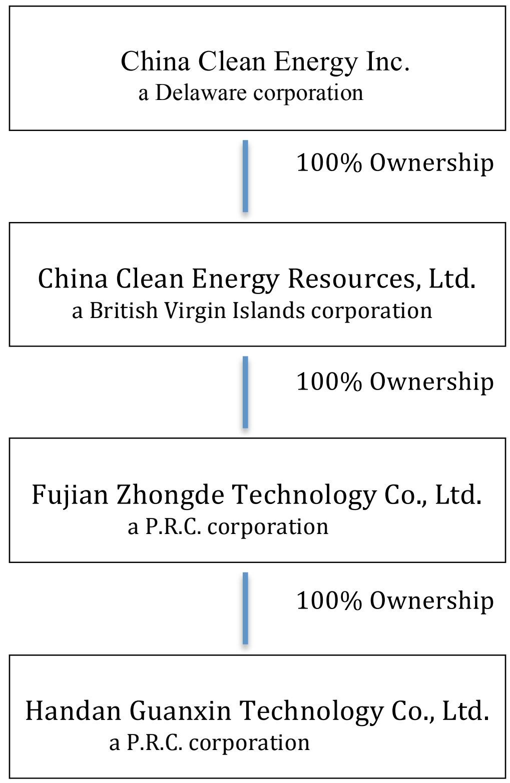
As a result of the Share Exchange, China Clean Energy Resources Limited ("CCER") became a wholly-owned subsidiary of the Company and the Company succeeded to the business of Fujian Zhongde Technology Co., Ltd. ("Fujian Zhongde"), a producer of environmentally-focused biodiesel fuels and specialty chemical products based in Fuqing City of Fujian Province of China, as its sole line of business.

CCER was formed on February 13, 2006 under the laws of the British Virgin Islands as a holding company to own Fujian Zhongde. Fujian Zhongde was incorporated in the province of Fujian, China, on July 10, 1995 under the name "Fuqing City Zhongde Chemical Industry, Ltd.". On December 10, 2003, it changed its name to "Fujian Zhong De Technology Stock Co., Ltd". On January 20, 2006, it changed its name to "Fujian Zhongde Technology Co., Ltd."

CCER, through Fujian Zhongde, engages in the development, manufacturing, and distribution of biodiesel fuels and specialty chemicals made from renewable resources. By employing several scientific innovations and proprietary technologies, CCER is able to make near full use of the leavings of waste oils and waste extracts (made by vegetable oil processors) to produce environmentally-friendly biodiesel products and specialty chemicals.

On November 17, 2011, Fujian Zhongde entered into an Acquisition Agreement (the "Agreement") with the owner of Handan Guanxin Technology Co., Ltd. ("Guanxin Technology") to acquire 100% of the equity interest in Guanxin Technology. Guanxin Technology is a supplier of specialty chemical feedstock in Hebei Province, People's Republic of China. The Company sought to acquire Guanxin Technology in order to mitigate its feedstock supply risk and have better control over the cost and quality of feedstock, which the Company uses in manufacturing biodiesel and specialty chemicals.

The chart below depicts the corporate structure of China Clean Energy Inc. As depicted below, China Clean Energy Inc. owns 100% of the capital stock of China Clean Energy Resources, Ltd. and has no other subsidiary; China Clean Energy Resources, Ltd. owns 100% of the capital stock of Fujian Zhongde Technology Co., Ltd. and has no other subsidiary; and Fujian Zhongde Technology Co. owns 100% of the capital stock Handan Guanxin Technology Co., Ltd. All of the operations of the Company are conducted by and through Fujian Zhongde Technology Co., Ltd.



We are subject to environmental regulation by both the central government of the People's Republic of China and by local government agencies. Since our inception, we have been in compliance with all applicable regulations.

Under the State Environmental Protection Administration of the People's Republic of China, all chemical and biodiesel manufacturing facilities are required to obtain a Discharge Permit and a Safe Production Permit. These permits are valid for a period of three years and may be renewed for additional periods of three years. In order to renew the Safe Production Permit, the subject facility must not have had any accidents during the previous three years. In addition, the local environmental protection administration inspects waste-water, gas and solid waste discharges and issues an examination report each calendar quarter. In order to renew the Discharge Permit, the subject facility must have consistently passed the local government inspections for the prior three years. We currently own each of these permits for our existing plant in Fuzhou City. Neither of these permits have been issued for the Jiangyin plant. We applied for both permits and received approval of the Discharge Permit. We are waiting for approval for the Safety Permit.

In addition, we expect the government of the People's Republic of China to release an official standard for biodiesel in the near future. We will seek to qualify our products for the biodiesel standard when it is released. We believe that we are well positioned to qualify due to our early production of biodiesel as well as our longstanding history of being in operation since 1995, among other things.

Research and development ("R&D") expenses include salaries, material, contract and other outside service fees, facilities and overhead costs. In accordance with GAAP, the Company expenses the costs associated with research and development activities when incurred.

Research and development expenses are included in general and administrative expenses and totaled 346,753 and $132,474 for the years ended December 31, 2011 and 2010, respectively.

As of May 10, 2012, we had [90] employees. All are full time employees.

ITEM IX. NATURE OF PRODUCTS OR SERVICES OFFERED

A. Principal products

Biodiesel

In November 2005, we filed an application with the State Intellectual Property Office of the People's Republic of China ("SIPO") for patent protection for our method of producing biodiesel from monomer acid. In December 2005, we began producing biodiesel and currently sell our biodiesel to regional service stations. SIPO granted us our patent for our method of producing biodiesel from monomer acid on October 8, 2008.

The term "biodiesel" generally refers to methyl esters (sometimes called "fatty acid methyl esters") made by transesterification, a chemical process that reacts a "feedstock" oil or fat with methanol and a potassium hydroxide catalyst. The "feedstock" can be vegetable oil, such as that derived from oil-seed crops (e.g. soy, sunflower, cottonseed, rapeseed, etc.), or used frying oil (e.g. yellow grease from restaurants). In addition to biodiesel, our production process typically yields co-products that can be turned into an array of valuable specialty chemicals. We believe that this specialty chemical co-production capability improves the economic viability of producing biodiesel.

According to the National Biodiesel Board (in the United States), "biodiesel" is a clean-burning alternative fuel produced from domestic, renewable resources for use in compression ignition (diesel) engines. Biodiesel is comprised of mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats. Biodiesel is produced from feedstock, which comes from animal fats or vegetable oils.

According to the National Biodiesel Board, biodiesel can be used in virtually any diesel engine without modification. It can be used in its pure form (called B100) or as a blend with petroleum diesel at any ratio. It can also be stored in the same containers as petroleum diesel, which allows it to use the current fuel supply infrastructure that is already in place. Biodiesel has a higher flash point (the point at which fuel ignites) than petroleum diesel, according to the National Biodiesel Board. This characteristic makes biodiesel safer than petroleum diesel because it will not combust as easily.

A commonly used form of biodiesel is a 20% blend of biodiesel with 80% petroleum diesel, known as B20. B20 provides many of the environmental and safety benefits of biodiesel and generally avoids the cold weather and solvency considerations associated with biodiesel. Biodiesel provides similar horsepower and fuel economy as petroleum diesel with superior lubricity to reduce wear and tear on engines.

Chemicals

We manufacture and sell a variety of industrial products using environmentally-focused chemicals derived from renewable resources, such as waste vegetable oils. Our product categories include polyamide hot-melt adhesives, printing inks, alcohol and benzene-soluble polyamide resins and various fatty acids, such as dimer acid. We believe that our vegetable oil-based products will be viewed as an increasingly attractive alternative to products made with petroleum-based chemicals as a result of recently volatile oil prices, possible oil shortages and an increased awareness and concern for protecting the environment.

Hot-Melt Adhesives. We manufacture dimer acid-based polyamide hot-melt adhesives and a wide variety of high-performance polyamide hot-melt adhesives. We offer products with varying softening points, tensile strengths, viscosities and adhesion strengths. These products are used in a wide range of applications, from book-binding and adhesion of fabrics, leather, plastic and wood to cementation of metal, ceramics and electronic components.

Polyamide Resins. We offer a wide variety of alcohol-soluble and benzene-soluble polyamide resins for use in printing inks. Our alcohol-soluble resins have good glossiness, adhesion, heat stability and anti-freeze ability and are used primarily in various kinds of bucked plate plastic-based inks such as polypropylene, polyethylene, terylene, cellophane and paper. Our benzene-soluble polyamide resins are characterized by good dissolving ability, leveling and liberation, excellent glossiness, excellent anti-gelling properties and adhesion to plastic membranes. They are used primarily in gravure printing inks and are compatible with gravure printers that have varying rotating speed capabilities. In addition, we manufacture low molecular weight liquid polyamide resin, a flexibilizer and curing agent for epoxy resin. It is used in epoxy coating, epoxy adhesive, epoxy casting seal and epoxy varnish.

Dimer, Stearic and Monomer Acids. These are fatty acids that are used for a variety of lubricating, flexibilizing, surfactant and emulsifying applications. Dimer acid is used in the production of resins, lubricants, coatings and corrosion-resistant agents. Stearic acid, produced by hydrolysis and rectification of various kinds of vegetable oils, is widely used in plastic flexibilizers, stabilizers, surfactants and soap bases. Monomer acid, a by-product from dimer and oleic acid processing, is used in plastics, lubricants, leather agents, detergents, soaps and alkyd resins.

Printing Inks. We manufacture a variety of printing inks for gravure surface printing, gravure inner printing and flexible typographic printing on plastic, aluminum foil and paper.

B. Distribution methods of the products or services

Biodiesel. To date, we have developed relationships with current and future potential customers primarily through company visits, our website and direct sales calls. We currently plan on concentrating our sales efforts on the local market in the People's Republic of China, as demand is expected to increase steadily over the next decade. However, as the business expands, we will evaluate global biodiesel prices for opportunities abroad, depending upon shipping and export costs, as biodiesel can sell for up to 50% to 100% more at the wholesale level overseas in comparison to the price in the People's Republic of China. While we do not plan to rely on our ability to export biodiesel for our main growth and cannot predict when the market for biodeisel will return to its normal patterns, we view the export opportunity as a potential enhancement to our business plan, especially given the higher prices at which biodiesel can be sold in markets abroad.

We believe that manufacturing and feedstock cost differences create opportunities for import/export markets and cross-border investments. Such activities could substantially lower the cost and increase supplies to Europe and the U.S. A number of documents published by the International Energy Agency (IEA) discuss the development of international markets for biofuels, as there are fairly wide ranges of feedstock availability and production costs among countries and regions.

Specialty Chemicals. To date, we have developed relationships with current and future potential customers primarily through our participation and use of seminars, trade shows, industry conferences, websites and direct sales calls. We hope to continue to build on our success by expanding our sales force in the People's Republic of China and increasing our focus on international markets. As our business expands, we intend to develop several sales channels, such as direct sales, working with industry-specific manufacturer representatives and through international strategic partnerships. Our sales strategy is designed to capitalize on our reputation, current industry trends and new market segments that have shown the most promise.

C. Status of any publicly announced new product or services

None.

D. Competitive business conditions, the issuer's competitive position in the industry, and methods of competition

In the area of biodiesel production, we are aware of the existence of at least three main domestic competitors: Gushan Environmental Energy Ltd., with operations in Handan, Hebei Province, Fuzhou, Fujian Province, Mianyang, Sichuan Province, Beijing and Shanghai, China Biodiesel International Holding Co., Ltd., located in Longyan and Fujian Province and Wuxi Huahong Bio-fuel Co., Ltd., located in Wuxi, Jiangsu Province.

We have several major competitors that also produce specialty chemicals from renewable resources. For instance, Jiangsu Yonglin Oil & Grease Chemicals Co., Ltd., located in the northern part of Jiangsu Province, produces polyamide resins from oleic acid. Shanghai Jiangqiao Chemical Factory, a private company located in a suburb of Shanghai, produces dimer acid from oleic acid. Zhejiang Henghua Huagong Co., Ltd., located in the Zhejiang Province, manufactures alkyd resin and polyamide resin from oleic acid. Zhejiang Huangyan Resin Chemical Industry Co., Ltd., located in Zhejiang Province, manufactures polyamide resin from oleic acid.

In addition, we may face competition from foreign competitors if such competitors choose to export their biodiesel to the People's Republic of China.

We believe that we enjoy a material presence in the biodiesel industry in Fuqing City, Fujian Province, as there are only a handful of other companies currently in the country and the markets are extremely local due to transportation costs. In addition, we believe our industry relationships, contracts with feedstock suppliers, cost efficient manufacturing methods and ability to sell diesel co-products to our specialty chemical customers provide us with competitive advantages.

We believe that our product formulations, price points, relationships, infrastructure, quality control standards, and reputation provide us with competitive advantages with respect to the production and sale of specialty chemicals. We are currently able to maintain a lower cost structure than competitors based in the U.S. and Europe. Furthermore, we believe our competitive advantage in the People's Republic of China is protected by our knowledge of government regulations, business practices, and strong relationships.

In comparison to our competitors in the People's Republic of China, we believe we possess greater technological expertise, marketing knowledge and global relationships. We also view our proprietary line of multi-purpose hot-melt adhesives as key technological advantages. In addition, we believe domestic competitors typically lack the global marketing capability and reputation that we currently enjoy and are continuing to strengthen.

E. Sources and Availability of Raw Materials

We use feedstock, which can be vegetable oil derived from either oil-seed crops or used frying oil, as the primary raw materials for our manufacturing process. During the twelve-month period from January 1, 2011 through December 31, 2011, the feedstock suppliers listed in the table below supplied more than 5% of our feedstock. To date, we have not experienced any shortages in the supply of raw materials from our key suppliers.

	Name of Supplier	**% of Feedstock Supplied for the Year 2011**
1.	Shaxian Jinlong Chemical Industry Co., Ltd.	17.78%
2.	Fuzhou Yinfu Oils & Fats Industrial Co., Ltd.	15.83%
3.	Fujian Dongtai Imp & Exp Co., Ltd.	12.36%
4.	Fujian Tianhua Trading Chemical Co., Ltd.	8.72%
5.	Changzhou Zhengda Grain and Oil Industry Co., Ltd.	6.96%

F. Dependence on one or a few major customers

Biodiesel. We currently sell biodiesel to regional service stations and power generating plants in the People's Republic of China. We believe that the market for biodiesel will expand and can absorb an increase in supply. Since we began selling biodiesel in December 2005 along with specialty chemicals, it has been one of our best-selling products. For the year ended December 2011, sales of biodiesel accounted for approximately [9]% of our total sales for that time period.

Chemicals. Our specialty chemical products are sold to companies domestically and exported globally to companies in Europe, the U.S. and Asia. We believe that high-quality and low-production costs have allowed us to gain successful entry into the global market and to diversify our customer base.

During the twelve-month period from January 1, 2011 through December 31, 2011, we had net sales of $67,574,450. The customer listed in the table below contributed over 5% of our total revenues for the year ended December 31, 2010.

	Name of Customer	Products Sold	Sales for the Year by Customer	% of Sales for the Year
1.	Air Products Chemicals PTE Ltd.	Specialty Chemicals	4,025,724	6.01%
	Total (all customers)		67,574,450	100.00%

G. Intellectual property

Through our subsidiary, Fujian Zhongde, we own a patent for our proprietary biodiesel production method to produce biodiesel from monomer acid, China Patent Registration Number ZL200510019790.9. SIPO granted the patent on October 8, 2008. The patent is valid for twenty years, from October 8, 2008 to October 7, 2028.

We also own a patent for Multi-purpose Polyamide Hot Melt Adhesive and its Production Method, China Patent Registration Number ZL00132072.6 and International Patent Category #C09J177/00. The patent is valid for twenty years, from December 12, 2000 to December 11, 2020.

H. The need for any government approval of principal products or services and the status of any requested government approvals

Under the State Environmental Protection Administration of the People's Republic of China, all chemical and biodiesel manufacturing facilities are required to obtain a Discharge Permit and a Safe Production Permit. These permits are valid for a period of three years and may be renewed for additional periods of three years. In order to renew the Safe Production Permit, the subject facility must not have had any accidents during the previous three years. In addition, the local environmental protection administration inspects waste-water, gas and solid waste discharges and issues an examination report each calendar quarter. In order to renew the Discharge Permit, the subject facility must have consistently passed the local government inspections for the prior three years. We currently own each of these permits for our existing plant in Fuzhou City. We applied for both permits and received approval of the Discharge Permit.

ITEM X. NATURE AND EXTENT OF ISSUER'S FACILITIES

Our headquarters are located at our new biodiesel and specialty chemical focused production manufacturing facility in the Jiangyin Industrial Zone, Jiangyin Town, Fuqing City, in the Fujian Province in the People's Republic of China. The facility is approximately 20,000 square meters in size and is located approximately 50 miles from Fuzhou, the Capital City of Fujian Province. We completed construction in October 2009 and completed the trial production phase in

December 2009. In January 2010, the plant was fully operational and had a production capacity of 100,000 tons of biodiesel per year or 40,000 tons of specialty chemicals per year or a combination of biodiesel and specialty chemicals for a total output of 90,000 tons per year. In the People's Republic of China, the ownership of land belongs to the government of the People's Republic of China, and private entities and individuals can only acquire land use rights for a certain period of time. We own certain rights with respect to the land on which the facility is located pursuant to a contract we entered into with Fuzhou City Jiangyin Industry District Management Committee on December 25, 2006 to purchase land usage rights with respect to 112,744 square meters of land for 50 years at a purchase price of 18,549,000 Renminbi, or approximately $2.5 million. The total capital expenditure for this facility was $22.3 million, including the $2.6 million we paid in 2006 to acquire the land usage rights. We anticipate that we will require an additional $3 million for working capital uses annually.

We own an additional 311,000 square-foot manufacturing facility located 20 miles from our headquarters at Fulu Industrial District, Long Tian Town, Fuqing City, Fujian Province, People's Republic of China. This facility was originally erected in 1995 with a core focus on developing and manufacturing high-quality specialty chemical products from renewable resources. During the third quarter of 2010, the Company successfully transferred to the new Jiangyin plant and installed the plant and equipment representing all of our biodiesel and specialty chemicals capacity except for our printing ink production line. As a result, the annual production capacity in the Jiangyin plant is now 50,000 tons of biodiesel and 40,000 tons of specialty chemicals. The printing ink production line, which accounts for approximately 500 tons of annual production capacity, will remain at the old plant.

We also own an additional 200,000 square-foot manufacturing facility located in Handan City, Henan Province People's Republic of China. This facility was acquired through our subsidiary, Fujian Zhongde in 2011 with a core focus on developing and manufacturing Oleic acid. Oleic acid is the raw material use to produce specialty chemical. The facility is capable of annual production of 5,000 tons of oleic acid.

Part D Management Structure and Financial Information

ITEM XI. NAME OF CHIEF EXECUTIVE OFFICER, MEMBERS OF THE BOARD OF DIRECTORS, AS WELL AS CONTROL PERSONS

A. Officers and Directors

The following table sets forth information regarding the members of our board of directors and our executive officers. All directors hold office for one-year terms until the election and qualification of their successors. Officers are appointed by our board of directors and serve at their discretion.

Name	Age	Position
Tai-ming Ou	57	Chief Executive Officer and Chairman of the Board
Hua Shan Wang (1)	31	Chief Financial Officer
Ri-wen Xue (2)	47	Chief Operating Officer
Yu Lin	47	Director
Qin Yang	52	Director

(1) Mr. William Chen resigned as a Chief Financial Officer of the Company effective on April 11, 2012. Mr. Wang was appointed as the Company's Chief Financial Officer and principal financial and accounting officer effective on April 11, 2012.

(2) Mr. Xue resigned as a director of the board on January 7, 2011.

Biographies

Tai-ming Ou, Chief Executive Officer and Chairman of the Board. Mr. Ou is one of our co-founders and has been our Chief Executive Officer since inception in 1995. Prior to our founding, Mr. Ou was the Director of General and Administrative Office of Fuqing First Secondary School and was responsible for building construction, repair and maintenance and purchases of teaching instruments, property, plant and equipment, and office stationery. Mr. Ou was also in charge of operating and managing a factory run by the school. Mr. Ou is a certified senior economist in the People's Republic of China. Mr. Ou's extensive knowledge of our business and his leadership, management and quantitative skills, honed during his sixteen years as our Chief Executive Officer, provide valuable insights to the board. Mr. Ou graduated from Fujian Normal University in 1981 with a bachelor's degree in mathematics. Mr. Ou and Ms. Yang are husband and wife.

Hua Shan Wang, Chief Financial Officer. Mr. Wang was appointed as the Company's Chief Financial Officer and principal financial and accounting officer effective April 11, 2012. Mr. Wang joined the Company in February 2009 as accounting department manager. Prior to that Mr. Wang worked as accounting manager at Fujian Crown Long Science and Technology Limited Company, from July 2003 through February 2009. Mr. Wang holds a bachelor's degree in accounting from Fujian Normal University.

Ri-wen Xue, Chief Operating Officer. Mr. Xue joined us in early 2000 as Executive Secretary to the General Manager. In this capacity, Mr. Xue was in charge of assisting the General Manager in dealing with daily affairs, planning and implementing our business management system, adjusting our organizational chart, establishing employee job descriptions and functional department duties. In October 2002, Mr. Xue was promoted to Production Manager and became responsible for improving production processes and technology. In December 2003, Mr. Xue was promoted to the positions of Vice President - Production and Engineering, and Chairperson of the Board of Supervisors, where he was in charge of planning and carrying out new project development, streamlining production and engineering processes, and undertaking research and development, technology applications and improvements. In October 2006, Mr. Xue became our Chief Operating Officer and a Director. Mr. Xue resigned as a director on January 7, 2011, to allow the Company to establish an independent board. Prior to joining us, Mr. Xue was a Pipelining Operator, Quality Control, and Local Assistant Manager at the Chip Copperize Corporation in Japan from April 1995 to April 1999. Mr. Xue is a certified senior economist and a certified senior engineer in the People's Republic of China. Mr. Xue graduated from Fujian Finance College in 1985 with a bachelor's degree in finance.

Yu Lin, Direcor. Mr. Lin was appointed as one of our directors on January 7, 2011. Mr. Lin is a senior engineer and the Head of the Science and Technology Institute for Chemical Industry of Fujian Province. He joined the institute in 1985 after he graduated from the Fuzhou University, with a major in chemicals. Mr. Yu has participated in a number of award-winning research projects in the chemicals field. Mr. Lin's scientific background and training provide valuable insights to the board.

Qin Yang, Director. Ms. Yang is one of our co-founders and has been a director since inception in 1995. Since 1995, Ms. Yang has been in charge of our raw material purchase department. Ms. Yang had previously founded the Fuqing Welfare Garment Factory in 1984 and served as its Chief Designer and director. Ms. Yang's long tenure with us, her entrepreneurial experience and her leadership and management skills provide valuable insights to the board. Ms. Yang graduated from Fujian Industrial

Arts School in the Fujian province of the People's Republic of China. Mr. Ou and Ms. Yang are husband and wife.

Summary Compensation Table

The following table summarizes the annual compensation paid to our executive officers and directors for the year ended December 31, 2011 and sets forth information with respect to the beneficial ownership of our common stock as of May 10, 2012.

Name and Principal Position	Year	Salary	Option Awards*	Total
Tai-ming Ou Chief Executive Officer (principal executive officer)	2011	$38,934	$99,727	$138,661
Hua Shan Wang Chief Financial Officer (principal accounting officer)	2011	$7,231	$4,533	$11,764
Ri-wen Xue Chief Operating Officer	2011	$25,029	$81,595	$106,624
Yu Lin Director	2011	$4,635	$9,066	$13,701
Qin Yang Director	2011	$20,394	$63,463	$83,857

* The dollar amounts in this column reflect the dollar amounts recognized for financial statement reporting purposes, in accordance with FASB ASC Topic 718, except that the amounts reported do not include any reduction in the value of the awards for the possibility of forfeiture. Please see Note 10 to our financial statements for a discussion of assumptions made in the valuation.

B. Legal/Disciplinary History

1. None of our directors or officers has been convicted in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses) during the last five years.

2. None of our directors or officers has been the subject of an entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities in the last five years.

3. None of our directors or officers has been the subject of a finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated in the past five years.

4. None of our directors or officers has been the subject of the entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities in the last five years.

C. Family Relationships

Our CEO, Mr. Tai-ming Ou, and our director, Ms. Qin Yang, are husband and wife.

D. Related Party Transactions

We review all relationships and transactions in which the company and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. Transactions that we have determined to be directly or indirectly material to us or a related person are disclosed below.

In connection with our January 9, 2008 private placement, Tai-ming Ou, our Chief Executive Officer and Chairman, agreed to place 1,042,012 shares of common stock held by him into an escrow account, with such shares to be released to the investors in such private placement should we fail to either (i) commence the production of biodiesel at our production facility in Jiang Yin, People's Republic of China on or before January 1, 2009 or (ii) record at least $14,000,000 of adjusted net income for the fiscal year ending December 31, 2009. As a result of construction delays, we failed to commence the production of biodiesel at our production facility in Jian Yin on or before January 1, 2009 and on January 30, 2009, these 1,042,012 shares of common stock held by Mr. Ou were disbursed, pro rata, among the private placement investors.

In connection with our January 9, 2008 private placement, Yun He, our Vice President of Sales, agreed to place 235,293 shares of common stock held by him into an escrow account, with such shares to be released to the investors in such private placement should we fail to either (i) commence the production of biodiesel at our production facility in Jiang Yin, People's Republic of China on or before January 1, 2009 or (ii) record at least $14,000,000 of adjusted net income for the fiscal year ending December 31, 2009. As a result of construction delays, we failed to commence the production of biodiesel at our production facility in Jian Yin on or before January 1, 2009 and on January 30, 2009, these 235,293 shares of common stock held by Mr. He were disbursed, pro rata, among the private placement investors.

In connection with our January 9, 2008 private placement, Ri-wen Xue, our Chief Operating Officer and Director, agreed to place 201,680 shares of common stock held by him into an escrow account, with such shares to be released to the investors in such private placement should we fail to either (i) commence the production of biodiesel at our production facility in Jiang Yin, People's Republic of China on or before January 1, 2009 or (ii) record at least $14,000,000 of adjusted net income for the fiscal year ending December 31, 2009. As a result of construction delays, we failed to commence the production of biodiesel at our production facility in Jian Yin on or before January 1, 2009 and on January 30, 2009, these 201,680 shares of common stock held by Mr. Xue were disbursed, pro rata, among the private placement investors.

In connection with our January 9, 2008 private placement, Gary Zhao, our former Chief Financial Officer and a former Director, agreed to place 21,015 shares of common stock held by him into an escrow account, with such shares to be released to the investors in such private placement should we fail to either (i) commence the production of biodiesel at our production facility in Jiang Yin, People's Republic of China on or before January 1, 2009 or (ii) record at least $14,000,000 of adjusted net income for the fiscal year ending December 31, 2009. As a result of construction delays, we failed to commence the production of biodiesel at our production facility in Jian Yin on or before January 1, 2009 and on

January 30, 2009, these 21,015 shares of common stock held by Mr. Zhao were disbursed, pro rata, among the private placement investors.

Mr. Ou agreed to personally guarantee Fujian Zhongde's obligations under its April 14, 2009 RMB 10 million, or approximately $1.43 million, loan agreement with Fujian Haixia Bank, formerly Fuzhou City Commercial Bank, at an annual interest rate of 5.84%. In addition to Mr. Ou's guarantee, Fujian Zhongde's obligations under this loan agreement were secured by, among other things, the land, bank accounts and real property of Fujian Zhongde and the land of Zhongde Energy. On February 20, 2010, Fujian Zhongde Technology Co., Ltd paid the full loan principal back to the bank.

Mr. Ou agreed to personally guarantee Fujian Zhongde Technology Co. Ltd.'s obligations under its April 14, 2009 RMB 11 million, or approximately $1.57 million revolving line of credit with Fuzhou City Commercial Bank. All advances under the revolving line of credit shall be evidenced by a promissory note with a floating interest rate based on the face value and maturity period of such note. In addition to Mr. Ou's guarantee, Fujian Zhongde Technology Co. Ltd.'s obligations under this revolving line of credit are secured by, among other things, the land, bank accounts and real property of Fujian Zhongde Technology Co. Ltd and the land of Zhongde Energy As of December 31, 2009, Fujian Zhongde Technology Co. Ltd. had received advances of RMB 11 million, or approximately $1.57 million under the revolving line of credit. On February 20, 2010, Fujian Zhongde Technology Co., Ltd repaid RMB 3 million, or approximately $440,100, of the loan principal.

Mr. Ou agreed to personally guarantee Fujian Zhongde Energy Co. Ltd.'s obligation under its February 24, 2010 RMB 33 million, or approximately $4.8, loan agreement with Fujian Haixia Bank, formerly Fuzhou City Commercial Bank, at an annual interest rate of 5.94%. Fujian Zhongde Energy Co. Ltd must repay RMB 5 million by February 24, 2011 and RMB 28 million by January 5, 2012. Repayment is secured by, among other things, the land of Fujian Zhongde Energy Co. Ltd and the land, and real property of Fujian Zhongde

E. Conflicts of Interest

There are no conflicts of interests among and between the Company's directors, officers, persons nominated or chosen by the issuer to become directors or officers, or beneficial owners of more than five percent (5%) of the any class of the Company's equity securities.

ITEM XII. FINANCIAL INFORMATION

The unaudited financial statements including balance sheets, statements of income, statements of cash flows, statements of changes in stockholders' equity and financial notes for the fiscal year ended December 31, 2011 are attached to this report and are incorporated herein by reference.

ITEM XIII. FINANCIAL INFORMATION FOR THE TWO PRECEDING FISCAL YEARS

The financial statements of the Company for the fiscal years ended December 31, 2010 and December 31, 2009 are incorporated herein by reference.

ITEM XIV. BENEFICAL OWNERS

The following table sets forth information about the beneficial ownership of the Company's capital stock as of May 20, 2012 with respect to each person known by the Company to own beneficially more than five percent (5%) of the outstanding capital stock.

The percentages of common stock beneficially owned are reported on the basis of regulations of the Securities and Exchange Commission governing the determination of beneficial ownership of securities. Under the rules of the Securities and Exchange Commission, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of the security, or investment power, which includes the power to dispose of or to direct the disposition of the security. Except as indicated in the footnotes to this table, each beneficial owner named in the table below has sole voting and sole investment power with respect to all shares beneficially owned and each person's address is c/o China Clean Energy Inc., Jiangyin Industrial Zone, Jiangyin Town, Fuqing City, Fujian Province, People's Republic of China, 350309.

As of May 10, 2012, we had 31,512,269 shares outstanding.

Name and Address of Beneficial Owner	**Number of Shares Beneficially Owned(1)**	**Percentage of Shares Beneficially Owned(1)**
Tai-ming Ou	7,675,338	24.17%
Qin Yang	7,675,338	24.17%
Nai-ming Yu	2,399,250	7.61%

(1) Shares of common stock beneficially owned and the respective percentages of beneficial ownership of common stock assume the exercise of all options, warrants and other securities convertible into common stock beneficially owned by such person or entity currently exercisable or exercisable within 60 days of May 10, 2012. Shares issuable pursuant to the exercise of stock options and warrants exercisable within 60 days are deemed outstanding and held by the holder of such options or warrants for computing the percentage of outstanding common stock beneficially owned by such person, but are not deemed outstanding for computing the percentage of outstanding common stock beneficially owned by any other person.

ITEM XV. NAME, ADDRESS, TELEPHONE NUMBER, AND EMAIL ADDRESS OF OUTSIDE PROVIDERS THAT ADVISE THE ISSUER ON MATTERS RELATING TO THE OPERATION, BUSINESS DEVELOPMENT AND DISCLOSURE

A. Investment Banker

The Company has not engaged any investment banker at this time.

B. Promoters, Public Relations Consultant or Investor Relations Consultant

None.

C. Counsel

Chiang Law Office, P.C.
1700 N. 1st St. Suite 343
San Jose, CA 95112

Phone: 415.518.0824
Email: wayne@chianglawpc.com

D. ***Accountant or Auditor***

None.

ITEM XVI. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations, which the Company refers to as MD&A, is intended to help the reader understand China Clean Energy Inc., its operations and its present business environment. MD&A is provided as a supplement to, and should be read in conjunction with, the Company's financial statements and the accompanying notes for the fiscal year ended December 31, 2011.

A. ***Plan of Operation***

We are a Chinese renewable resource-based biodiesel and specialty chemicals manufacturer and distributor. Through our wholly-owned subsidiary, China Clean Energy Resources, Ltd. ("CCER"), a British Virgin Islands holding company, we own 100% interests in Fujian Zhongde Technology Co. Ltd. ("Fujian Zhongde") and Fujian Zhongde Energy Co., Ltd. ("Zhongde Energy"), Chinese companies incorporated in the Province of Fujian, People's Republic of China. CCER does not conduct any substantive operations of its own, but rather conducts its primary business operations through Fujian Zhongde and Zhongde Energy.

Zhongde Energy built and operates our new biodiesel and specialty chemical refinery in Jiangyin Industrial Park, Fuqing City, Fujian Province, People's Republic of China. As of September 30, 2010, we have successfully transferred to the new Jiangyin plant and installed plant and equipment representing 50,000 tons of biodiesel and 40,000 tons of specialty chemicals capacity, which is all of our capacity except for our printing ink production line. As previously disclosed, prior to these transfers, the new Jiangyin plant had a production capacity of 100,000 tons of biodiesel per year, 30,000 tons of specialty chemicals per year or a combination of biodiesel and specialty chemicals for a total output of 70,000 tons per year. As a result of the consolidation of the two plants, the annual production capacity in the Jiangyin plant is now 110,000 tons of biodiesel per year, 40,000 tons of specialty chemicals per year or a combination of biodiesel and specialty chemicals for a total output of 50,000 tons of biodiesel and 40,000 tons of specialty chemicals per year. The printing ink production line, which accounts for approximately 500 tons of annual production capacity, will remain at the old plant.

B. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Results of Operations

Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

Revenues . During the year ended December 31, 2011, we had net sales of $67,754,442 (9% from biodiesel sales and 91% from specialty chemicals sales), compared to net sales of $58,956,142 (19% from biodiesel sales and 81% from specialty chemicals sales) during the nine months ended December 31, 2010, an increase of approximately 15%. The increase in revenue was driven by sales volume and average selling prices for our specialty chemicals products. For the year ended December 31, 2011, domestic sales and international sales were $55,678,310 and $12,076,132, respectively, compared to $48,539,438 and $10,416,704, respectively, for the year ended December 31, 2010, an increase of approximately 15% for the domestic sales and 15% for the international sales. We expanded our sales to our existing customers and added new customers in the specialty chemical products for the year ended December 31, 2011. During the year ended December 31, 2011, the average selling price was approximately $1,775per ton for specialty chemicals and approximately $864 per ton for biodiesel, compared to the year ended December 31, 2010, in which the average selling price was approximately $1,503 per ton for specialty chemicals and approximately $694 per ton for biodiesel. The increase in average selling price for biodiesel was driven by an increase in the petroleum diesel wholesale price. The increase in average selling price for specialty chemicals was driven by higher average selling price.

Gross Profit . The cost of goods sold was $55,019,510 for the year ended December 31, 2011, compared to cost of goods sold of $46,731,955 for the year ended December 31, 2010. The increase in cost of goods sold was primarily driven by an increase in revenue and feedstock material cost. For the year ended December 31, 2011, feedstock used for production of biodiesel averaged approximately $821 per ton, compared to approximately $614 for the year ended December 31, 2010. For the year ended December 31, 2011, feedstock used for production of specialty chemicals averaged approximately $1,411 per ton, compared to approximately $1,159 for the year ended December 31, 2010. This increase in the cost of specialty chemicals and biodiesel feedstock was primarily due to global economic recovery and inflation peak in People's Republic of China, which resulted in increased in feedstock material cost.

We had a gross profit of $12,734,932 for the year ended December 31, 2011, compared to a gross profit of $12,224,187 for the year ended December 31, 2010, representing gross margins of 19% and 21%, respectively. This decrease in gross margins was primarily due to the increased of feedstock cost.

Selling and Marketing . Selling and marketing expenses totaled $472,107 for the year ended December 31, 2011, compared to $368,953 for the year ended December 31, 2010, an increase of approximately 28%. This increase was primarily due to higher selling costs related to sales volume and domestic shipping fees and commissions.

General and Administrative . General and administrative and other operating expenses totaled $2,211,259 for the year ended December 31, 2011, compared to $1,523,738 for the year ended December 31, 2010, an increase of approximately 45%. This increase was primarily attributable to additional expenses related to professional services and non-cash charges for employee stock-based compensation.

Net Income . We recorded net income of $8,622,816, or $0.27 per basic and diluted share, for the year ended December 31, 2011, compared to net income of $6,368,675, or $0.20 per basic and diluted share, for the year ended December 31, 2010. This increase in net income was attributable mainly to the increase in revenue and gross profit and non-cash income of $2,072,989 due to the change in fair value measurement of the warrants issued in connection with our 2008 private placement.

Liquidity and Capital Resources

General. As of December 31, 2011 and December 31, 2010, we had cash and cash equivalents of $9,787,225 and $13,648,437, respectively. The decrease in cash and cash equivalents was primarily attributable to the $13,011,080 payment for acquisition of Handan Guanxin Technology, repayment on bank loans of $9,171,739, and advances of $1,924,687 for inventory purchases and partly offset by $8,622,816 net income from operating activities, $10,797,911 of proceeds we received from bank loans, and $1,547,000 of collections of accounts receivable, during the year ended December 31, 2011.

Net cash provided by operating activities totaled $7,910,726 for the year ended December 31, 2011, compared to net cash provided by operating activities of $9,427,599 for the year ended December 31, 2010. This decrease was primarily due to $1,924,687 advances for inventory purchase for the year ended December 31, 2011, compared to advances for inventory purchases totaled $842,742 for year ended December 2010. This increase was primarily due to the insufficiency of our insufficiency of our inventory during the year ended December 31, 2011. Payment for taxes payable totaled $1,234,421 for the year ended December 31, 2011, compared to $1,395,746 of proceed from taxes payable. In addition, collections of accounts receivable totaled $1,547,000 for the year ended December 31, 2011, compared to net cash used in accounts receivable of $2,249,377 for the year ended December 31, 2010. This increase was primarily due to prompt payments by customers.

Net cash used in investing activities totaled $13,093,094 for the year ended December 31, 2011, primarily a result of the payment for acquisition of Handan Guanxin Technology and $82,014 purchase of additional equipment for the Jiangyin plant, compared to net cash used in investing activities of $1,974,321 for the year ended December 31, 2010, which was primarily related to the construction expense of our Jiangyin plant.

Net cash provided by financing activities totaled $2,007,046 for the year ended December 31, 2011 and was due to net proceeds from our bank loan of $10,797,911 for working capital uses and net proceeds from the release of restricted cash of $443,647, partially offset by $9,171,739 payment on bank loans.. Net cash provided by financing activities totaled $3,215,033,703 for the year ended December 31, 2010, primarily due to net proceeds from our bank loan of $4,339,354, partially offset by $2,278,952 payments on bank loans. The decrease was primarily due to an adequate amount of working capital for the year ended December 31, 2011.

Accounts Receivable, and Allowance for Doubtful Accounts. Substantial portions of our business operations are conducted in the People's Republic of China. During the normal course of business, we extend unsecured credit to our customers. Currently, the maximum amount of credit that may be extended to an existing customer is 5 million RMB, or approximately $750,000. Our standard collection term is three months. Management reviews our accounts receivable based on the customers' financial condition and their prior payment history to determine if the allowance for doubtful accounts is adequate.

Loan Agreement. In February 2010, the Company secured bank financing for approximately $4,800,000 from Fujian Haixia Bank, formerly Fuzhou City Commercial Bank, for use in working capital.

Pursuant to the Loan Agreement, Zhongde Energy borrowed RMB 33 million, or approximately $4.8 million, at an annual interest rate of 5.94% (the "Base Rate"). The proceeds from the loan are required to be used for working capital. Zhongde Energy must repay RMB 5 million, or approximately $905,000, by February 24, 2011 and RMB 28 million, or approximately $4,180,000, by January 5, 2012. The loan is secured by, among other things, the real property of Zhongde Energy and the bank accounts and real property of Fujian Zhongde. Mr. Tai-Ming Ou, the Company's chief executive officer, has personally guaranteed Zhongde Energy's obligations under the loan agreement. Zhongde Energy shall be subject to a penalty interest rate that is 30% greater than the Base Rate in the event it does not timely repay the loan and 80% greater than the Base Rate in the event that it does not use the proceeds from the loan as specified in the loan agreement. There are no additional financial covenants pursuant the loan agreement.

Two installment payments are scheduled: (i) 5,000,000 RMB (approximately $905,454) is due February 2011; and (ii) 28,000,000 RMB (approximately $4,180,400) is due January 2012. On February 11, 2011, 5,000,000 RMB was repaid to the bank. On January 2012, 28,000,000 RMB was repaid to the bank.

In February 2012, we secured bank financing for approximately $3,500,000 from Fujian Haixia Bank, formerly Fuzhou City Commercial Bank, for use in working capital.

Pursuant to the Loan Agreement, Zhongde Energy borrowed RMB 22 million, or approximately $3.5 million, at an annual interest rate of 8.53% (the "Base Rate"). The proceeds from the loan are required to be used for working capital. Zhongde Energy must repay RMB 22 million, or approximately $3.5 million, by January 23, 2013. The loan is secured by, among other things, the real property of Zhongde Energy and the bank accounts and real property of Fujian Zhongde. Mr. Tai-Ming Ou, the Company's chief executive officer, has personally guaranteed Zhongde Energy's obligations under the loan agreement. Zhongde Energy shall be subject to a penalty interest rate that is 30% greater than the Base Rate in the event it does not timely repay the loan and 80% greater than the Base Rate in the event that it does not use the proceeds from the loan as specified in the loan agreement. There are no additional financial covenants pursuant the loan agreement

On January 7, 2011, the Company entered into a trade financing arrangement that expires on December 15, 2011 with another bank pursuant to which the Company can borrow up to $5.23 million (equivalent to RMB 33,400,000) with annual interest rate at the bank's adjustable rate. The trade financing arrangement consists of the following sublimit:

·	Loans payable (packing loans)	$2,351,400	(Equivalent to RMB 15 million)
·	Letters of credit	$4,389,280	(Equivalent to RMB 28 million)
·	Export negotiation	$4,389,280	(Equivalent to RMB 28 million)
·	Negotiation under guarantee	$4,389,280	(Equivalent to RMB 28 million)
·	Bankers acceptance	$4,389,280	(Equivalent to RMB 28 million)
·	Bankers acceptance payable	$4,389,280	(Equivalent to RMB 28 million)

During the year December 31, 2011, the Company borrowed $6.80 million (equivalent to RMB 43,374,000) from the bank.

Total interest expense on the bank loans for the year ended December 31December 31, 2011 and 2010 was approximately $367,517 and $224,620, respectively.

We have historically met our liquidity and capital requirements from a variety of sources. These include internally generated cash flow, short-term borrowings from related parties and financial institutions, and sales of common stock.

We expect that current capital and other existing resources will provide a limited amount of working capital, sufficient to operate at full capacity until the end of 2012. We also believe that revenue from our operations is sufficient to acquire an upstream feedstock supplier to mitigate our feedstock supply risk and feedstock price fluctuation.

We intend to repay our debt and other obligations through cash generated from our business operations. To the extent that we have excess funds on hand, we intend to reinvest such excess funds in additional equipment.

To the extent that we do not have sufficient capital to fund future construction and operation of our biodiesel and specialty chemical refineries, capital expenditures to build and operate our refineries, hiring qualified management and key employees, complying with licensing, registration and other requirements, maintaining compliance with applicable laws, production and marketing activities, administrative requirements, such as salaries, insurance expenses and general overhead expenses, legal compliance costs and accounting expenses, all of which require a substantial amount of capital and cash flow, we will be required to pursue sources of additional capital through various means, including joint venture projects, debt financing, equity financing or other means. There is no assurance that we will be successful in locating a suitable financing transaction in a timely fashion or at all. In addition, there is no assurance that we will be successful in obtaining the capital we require by any other means. Future financings through equity investments are likely to be dilutive to the existing stockholders. Also, the terms of securities we issue in future capital transactions may be more favorable for our new investors. Newly issued securities may include preferences, superior voting rights, and the issuance of warrants or other derivative securities, which may have additional dilutive effects. Further, we may incur substantial costs in pursuing future capital and/or financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which may adversely impact our financial condition.

Our ability to obtain needed financing may be impaired by such factors as the capital markets, both generally and specifically in the biodiesel and specialty chemicals industries, the fact that we are a new enterprise without a proven operating history, the location of our production facilities in the People's Republic of China, and the price of biodiesel, oil and specialty chemicals on the commodities market, which may impact the amount of available asset-based financing. Furthermore, if petroleum, biodiesel or specialty chemicals' prices on the commodities markets decrease, then our revenues will likely decrease and decreased revenues may increase our requirements for capital. Some of the contractual arrangements governing our operations may require us to maintain minimum capital, and we may lose our contract rights if we do not have the required minimum capital. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, even to the extent that we reduce our operations accordingly, we may be required to cease operation in one or both of our facilities and/or lay off excess employees.

Obligations under Material Contracts. We had no material commitments as of December 31, 2011 other than the loan agreement described above.

C. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital expenditures or capital resources that is material to an investor in our securities.

Part E Issuance History

ITEM XVII. LIST OF SECURITIES OFFERING AND SHARES ISSUED FOR SERVICES IN THE PAST TWO YEARS

On May 12, 2011, Board of Directors has authorized the repurchase of up to $1 million of its outstanding common shares between May 16, 2011 and 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.

For the year ended December 31, 2011, the Company purchased 100,580 shares of common stock for $64,685 at the market price.

Part F Exhibits

ITEM XVIII. MATERIAL CONTRACTS

1. China Clean Energy Inc. 2011 Long-Term Incentive Plan.

2. Form of Incentive Stock Option Agreement for the China Clean Energy Inc. 2011 Long-Term Incentive Plan.

3. Form of Nonqualified Stock Option Agreement for the China Clean Energy Inc. 2011 Long-Term Incentive Plan.

4. Form of Restricted Stock Award Agreement for the China Clean Energy Inc. 2011 Long-Term Incentive Plan.

5. Acquisition Agreement, dated November 17, 2011, by and between Fujian Zhongde Energy Co., Ltd. and the owner of Handan Guanxin Technology Co., Ltd.

ITEM XIX. ARTICLES OF INCORPORATION AND BYLAWS

The Company's (i) Certificate of Incorporation and (iii) Bylaws are incorporated herein by reference to the reports filed with the Pink OTC Markets at www.PinkSheets.com.

ITEM XX. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On May 12, 2011, Board of Directors has authorized the repurchase of up to $1 million of its outstanding common shares between May 16, 2011 and 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.

For the year ended December 31, 2011, the Company purchased 100,580 shares of common stock for $64,685 at the market price.

ITEM XXI. ISSUER'S CERTIFICATE

Certification by Chief Executive Officer

I, Tai-ming Ou, certify that:

I have reviewed this information and disclosure statement of China Clean Energy Inc.;

Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 29, 2012

Tai-ming Ou
Chief Executive Officer

China Clean Energy Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2011 and 2010.

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

		December 31, 2011		December 31, 2010
		(Unaudited)		
CURRENT ASSETS				
Cash and cash equivalents	$	9,787,255	$	13,648,437
Restricted cash		-		443,647
Accounts receivable, net of allowance for doubtful accounts of $0 and $29,665		2,563,089		4,080,424
Other current assets		47,312		9,332
Tax Receivable		-		63,865
Inventories, net		2,315,662		2,126,375
Advances for inventory purchases		2,939,303		1,031,401
Machinery and equipment held for sale		-		108,458
Total current assets		17,652,621		21,511,939
Plant and Equipment, net		35,238,805		25,656,929
Intangible assets, net		6,147,118		4,812,693
Deferred tax assets		459,684		104,246
TOTAL ASSETS	$	59,498,228	$	52,085,807

LIABILITIES AND SHAREHOLDERS' EQUITY

		December 31, 2011		December 31, 2010
CURRENT LIABILITIES				
Accounts payable	$	1,560,543	$	1,400,188
Accrued liabilities		188,027		227,991
Customer deposits		263,389		650,017
Taxes payable		274,899		1,526,033
Banker acceptances				1,494,878
Bank loan payable - current portion		6,799,252		1,025,835
Total current liabilities		9,086,110		6,324,942
Warrant liabilities		119,363		2,192,352
Long-term bank loans - net of current portion				4,234,720
Total liabilities		9,205,473		12,752,014
COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS' 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		13,485,313		12,708,060
Treasury stock, at cost, 64,100 and 0 shares, respectively		(62,773)		-
Statutory reserves		3,233,513		2,424,309
Retained earnings		27,796,308		19,982,696
Accumulated other comprehensive income		5,808,882		4,187,216
Total shareholders' equity		50,292,755		39,333,793
Total liabilities and shareholders' equity	$	59,498,228	$	52,085,807

See accompanying notes to unaudited condensed consolidated financial statements

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)

	Three months ended December 31		For the year ended December 31,	
	2011	2010	2011	2010
REVENUES	$ 12,385,537	$ 18,111,063	$ 67,754,442	$ 58,956,142
Less: cost of goods sold	11,024,356	13,821,185	55,019,510	46,731,955
GROSS PROFIT	1,361,181	4,289,878	12,734,932	12,224,187
Selling and marketing	72,799	99,776	472,107	368,953
General and administrative	639,579	316,402	2,211,259	1,523,738
Research and development	234,060	52,731	346,753	132,474
Total operating expenses	946,438	468,909	3,030,119	2,025,165
	-	0		
INCOME FROM OPERATIONS	414,743	3,820,969	9,704,813	10,199,022
	-	-		
OTHER INCOME (EXPENSE)	-	-		
Interest expense, net	(97,819)	(56,512)	(464,238)	(327,896)
Impairment loss on assets held for sale	-	-	-	(258,861)
Other expense	697	146,035	(71,410)	113,824
Change in fair value of warrant liabilities	320,955	(686,100)	2,072,989	(932,578)
Total other income (expenses)	223,833	(598,047)	1,537,341	- (1,405,511)
	-	0		
INCOME BEFORE PROVISION FOR INCOME TAXES	638,576	3,222,922	11,242,154	8,793,511
	-	-		
PROVISION FOR INCOME TAXES	168,162	998,516	2,619,338	2,424,836
	-	-		
NET INCOME	470,414	2,224,406	8,622,816	- 6,368,675
	-	-		
OTHER COMPREHENSIVE INCOME	-	-		
Foreign currency translation adjustment	308,856	497,096	1,621,666	1,020,970
	-	-		
COMPREHENSIVE INCOME	$ 691,770	$ 2,224,406	$ 10,244,482	$ 7,389,645
		-		
		0		
BASIC AND DILUTED EARNINGS PER SHARE		-		
Weighted average number of shares	31,512,269	-	31,512,269	31,512,269
Earnings per share	$ 0.01	$ 0.07	$ 0.27	$ 0.20

See accompanying notes to unaudited condensed consolidated financial statements

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

	For the year ended December 31, 2011	For the year ended December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 8,622,816	$ 6,368,675
Adjusted to reconcile net income to cash provided by operating activities:		
Depreciation	2,101,564	3,114,340
Recovery of allowance for doubtful accounts	(29,665)	(64,095)
Amortization of intangible assets	202,482	198,376
Stock-based compensation expense	620,493	287,537
Loss on impairment on assets held for sale	-	258,861
Change in fair value of warrants libility	(2,072,989)	932,578
Deferred tax benefit	32,212	(34,780)
Changes in operating assets and liabilities		
Accounts receivable	1,547,000	(2,249,377)
Inventories	263,139	(1,661,533)
Other current assets	4,017	1,668
Advances for inventory purchases	(1,924,687)	(842,742)
Accounts payable	141,492	1,242,755
Accrued liabilities	(39,964)	(35,472)
Customer deposits	(386,628)	578,927
Taxes payables	(1,234,421)	1,395,746
Taxes receivable	63,865	(63,865)
Net cash provided by operating activities	7,910,726	9,427,599
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of subsidiaries (net of cash and cash equivalents acquired)	(13,011,080)	-
Purchase of equipment	(82,014)	(1,974,321)
Net cash used in investing activities	(13,093,094)	(1,974,321)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted cash	443,647	(443,647)
Proceeds from bank loans	10,797,911	4,339,354
Payments on bankers acceptances	-	1,598,278
Payments on bank loans	(9,171,739)	(2,278,952)
Purchase of treasury stock	(62,773)	-
Net cash provided by financing activities	2,007,046	3,215,033
EFFECT OF EXCHANGE RATE ON CASH	(685,860)	(1,174,688)
INCREASE IN CASH AND CASH EQUIVALENTS	(3,861,182)	9,493,623
CASH AND CASH EQUIVALENTS, beginning of period	13,648,437	4,154,814
CASH AND CASH EQUIVALENTS, end of period	$ 9,787,255	13,648,437

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for:				
Interest	$	485,140	$	292,621
Income taxes	$	3,575,704	$	1,657,336

See accompanying notes to unaudited condensed consolidated financial statements

NOTE 1 – ORGANIZATION AND BUSINESS

China Clean Energy, Inc. ("CCE" or the "Company") was incorporated in the State of Delaware on November 12, 2004. The Company through its wholly-owned subsidiaries, China Clean Energy Resources Limited ("CCER"), Fujian Zhongde Technology Co., Ltd. ("Fujian Zhongde"), and Fujian Zhongde Energy Co., Ltd. ("Zhongde Energy"), synthesizes and distributes renewable fuel products and specialty chemicals to customers in both the People's Republic of China ("PRC" or "China") and abroad.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements of China Clean Energy Inc. reflect the activities of CCE and its 100% owned subsidiaries CCER, Fujian Zhongde and Zhongde Energy.

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and are expressed in U.S. dollars. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the fair value of share-based compensation and warrants liability, impairment charge on machinery and equipment and potential losses on uncollectible receivables. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and appropriate. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The accounting standard regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires fair value disclosures of those financial instruments. This accounting standard defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements regarding fair value.

The three levels are defined as follows:

- Level 1 -- inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 -- inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liabilities, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 -- inputs to the valuation methodology are unobservable and significant to the fair value.

Determining which category an asset or liability falls within the hierarchy requires significant judgment.

Current assets and current liabilities are financial instruments and management believes their carrying amounts are reasonable estimates of fair values because of the short period of time between the origination of such instruments and their expected realization and, if applicable, their current interest rate is equivalent to interest rates currently available
2010The Company determined that the carrying value of the long term bank loans approximated their fair value using the level 2 inputs by comparing the stated loan interest rate to the rate charged by the Bank of China on similar loans (see Note 7). The fair value of the warrants liability was determined using level 3 inputs, as further discussed in Note 10.

Foreign Currency Translation

The functional currency of CCE, CCER, Fujian Zhongde and Zhongde Energy is the Chinese Renminbi ("RMB"). The reporting currency of the Company is the U.S. dollar.

Fujian Zhongde and Zhongde Energy assets and liabilities are translated into U.S. dollars at period-end exchange rates ($0.15676 and $0.15124 at December 31, 2011 and December 31, 2010, respectively). Fujian Zhongde and Zhongde Energy revenues and expenses are translated into U.S. dollars at weighted average exchange rates for the periods ($0.15450 and $0.14794 for the year ended December 31, 2011 and 2010, respectively). Resulting translation adjustments are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity. The resulting translation gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. Items in the consolidated statements of cash flows are translated at the average exchange rate for the period. As a result, amounts related to assets and liabilities reported on the consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheets.

As of December 31, 2011 and 2010, translation adjustments resulting from this process included in accumulated other comprehensive income in the consolidated statement of shareholders' equity amounted to $5,721,378 and $4,187,216, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with original maturities of three months or less at the time of purchase to be cash equivalents.

Restricted Cash

The Company has notes payable outstanding with various banks and is required to keep certain amounts on deposit that are subject to withdrawal restrictions.

Accounts Receivable

The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts is established and recorded based on management's assessment of potential losses based on the credit history and relationship with the customers. Management reviews its receivables on a regular basis to determine if the allowance is adequate, and adjusts the allowance when necessary. Delinquent account balances are written-off against allowance for doubtful accounts after management has determined that the likelihood of collection is not probable.

Inventories

Inventories are stated at the lower of cost or market using the weighted average method. Management reviews inventories for obsolescence or cost in excess of net realizable value periodically and records an inventory write-down and additional cost of goods sold when the carrying value exceeds net realizable value.

Plant and Equipment

Plant and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of plant and equipment used in operations is provided using the straight-line method for substantially all assets with estimated lives as follows:

	Estimated Useful Life
Buildings	10-20 years
Vehicles	5 years
Office equipment	5 years
Production equipment	10 years

Maintenance, repairs and minor renewals are charged directly to expense as incurred. Major additions and betterment to buildings and equipment are capitalized. When plant and equipment is held for sale, it is not depreciated.

Intangible Assets

Goodwill and certain intangible assets that have indefinite lives are not amortized but are tested for impairment at least annually. Other intangible assets are amortized over their useful lives and reviewed for impairment in accordance with the accounting standard for accounting for impairment or disposal of long-lived assets.

Intangible assets consist of land use rights and patents. All land in China is owned by the government, however, the government grants "land use rights." The Company, through its 100% owned subsidiaries, owns three land use rights with usable life ranging from 42 to 50 years which will expire in various years ranging from 2048 to 2058. The Company amortizes the cost of land use right over the respective contract periods.

Patents, which have a legal life of 10 years in the PRC, are being amortized over 10 years as management believes that 10 years is the useful life of each of the patents currently owned by the Company.

Impairment of Long-Lived Assets

The Company reviews its long-lived tangible and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, the Company measures impairment by comparing the carrying value of the long-lived asset to the estimated undiscounted future cash flows expected to result from its use and eventual disposition. If the sum of the expected discounted cash flows is less than the carrying amount of the asset, the Company would recognize an impairment loss based on the fair value of the asset. For the year ended December 31, 2010, the company recorded an impairment loss related to its machinery and equipment held for sale of approximately $258,000, using level three inputs based on estimated salvage values.

Assets Held for Sale

An asset or business is classified as held for sale when:

- management commits to a plan to sell and it is actively marketed; and
- it is available for immediate sale and the sale is expected to be completed within one year.

Assets held for sale may not be sold within the expected one year period due to events or circumstances beyond the Company's control. Upon being classified as held for sale, the recoverability of the carrying value must be assessed. Evaluating the recoverability of the assets of a business classified as held for sale follows a defined order in which property and intangible assets subject to amortization are considered only after the recoverability of goodwill and other assets are assessed. After the valuation process is completed, the assets held for sale are reported at the lower of the carrying value or fair value less cost to sell and the assets are no longer depreciated or amortized. The assets and related liabilities are aggregated and reported on separate lines of the balance sheet.

Revenue Recognition

The Company's sales are sales of product. Revenue for product sales is recognized when risk and title to the product transfer to the customer, which usually occurs at the time when shipment is made. However, revenue is realized and earned only when four criteria are met:

- persuasive evidence of an arrangement exists (the Company considers its sale contracts to be persuasive evidence of an arrangement);
- product is shipped or service has been rendered;
- the seller's price to the buyer is fixed or determinable; and
- collectability of payment is reasonably assured.

Substantially all of the Company's products are sold free on board shipping point. Title to the product passes when the product is delivered to the freight carrier.

Sales revenue represents the invoiced value of goods, net of a value-added tax ("VAT"). All of the Company's products that are sold in the PRC are subject to a Chinese VAT at a rate of 17% of the gross sale price or a rate approved by the Chinese local government. This VAT may be offset by the VAT paid by the Company on raw materials and other material included in the cost of producing its finished product.

Transportation and unloading charges and product inspection charges are included in selling expenses totaled $394,340 and $316,335 for the years ended December 31, 2011 and 2010, respectively.

Research and Development Costs

Research and development ("R&D") expenses include salaries, material, contract and other outside service fees, facilities and overhead costs. In accordance with GAAP, the Company expenses the costs associated with research and development activities when incurred.

Research and development expenses are included in general and administrative expenses and totaled $153,628 and $132,474 for the years ended December 31, 2011 and 2010, respectively.

Stock-Based Compensation

The Company accounts for equity instruments issued to employees and in exchange for the receipt of goods or services from other than employees in accordance with GAAP. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably determinable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of a performance commitment or completion of performance by the provider of goods or services. Equity instruments issued to consultants are measured at their fair value and recognized over the term of the consulting agreements, as earned.

Income Taxes

The Company's recorded income taxes include the recognition of deferred income tax liabilities and assets for the expected future tax consequences of temporary differences between income tax basis and financial reporting basis of assets and liabilities. Provision for income taxes consists of taxes currently due plus deferred taxes.

The charge for taxation is based on the results for the year as adjusted for items that are non-deductible or disallowed. It is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

U.S. income tax returns for the years prior to 2007 are no longer subject to examination by tax authorities.

China Income Taxes

The Company's subsidiaries are governed by the Income Tax Law of the People's Republic of China concerning foreign investment enterprises and foreign enterprises (the "EIT) and various local income tax laws.

The EIT utilizes a tax rate of 25%, except for companies that qualify as "High Tech" companies which pay a reduced rate of 15%. Fujian Zhongde qualifies for this reduced tax rate of 15% and its tax certificate must be re-certified every year with the local tax authority.

Earnings per Share

Diluted earnings per share are computed on the basis of the weighted average number of common shares and dilutive securities (such as stock options and convertible securities) outstanding. Dilutive securities having an anti-dilutive effect on diluted earnings per share are excluded from the calculation.

Basic earnings per share is computed by dividing net income attributable to holders of common shares by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted into common shares. Convertible, redeemable preferred shares are included in the computation of diluted earnings per share on an "if converted" basis, when the impact is dilutive. Contingent exercise price resets are accounted for in a manner similar to contingently issuable shares such as warrants and options. Common share equivalents are excluded from the computation of diluted earnings per share if their effects would be anti-dilutive. For the year ended December 31, 2010, none of the Company's warrants and options was included in the diluted earnings per share calculation because the average selling price was lower than the exercise price.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

NOTE 3 – INVENTORIES

Inventories consist of the following:

	December 31, 2011	December 31, 2010
Raw materials	$ 758,098	$ 1,011,112
Work in process and packaging materials	11,101	28,448
Finished goods	1,094,037	1,086,815
Total	$ 1,863,236	$ 2,126,375

NOTE 4 – PLANT AND EQUIPMENT

Plant and equipment, net consist of:

	December 31, 2011	December 31, 2010
Buildings	$ 14,758,356	$ 14,164,853
Equipment and machinery	15,931,570	17,376,990
Office equipment and vehicles	135,229	187,924
Total	30,825,155	28,869,933

Impairment of assets held for sale		
Less accumulated depreciation	(6,251,342)	(6,251,343)
Plant and equipment, net	$ 24,573,813	$ 25,656,929

Depreciation expense was $2,236,359 and $3,114,340 for the years ended December 31, 2011 and 2010, respectively.

The assets held for sale were sold during the 2011 for $36,752

NOTE 5 – INTANGIBLE ASSETS

Intangible assets, net consist of:

	December 31, 2011	December 31, 2010
Land use rights	$ 5,354,354	$ 5,165,811
Patents and licenses	940,560	1,240,168
Total	6,294,914	6,405,979
Less accumulated amortization	(1,509,048)	(1,593,286)
Total intangible assets, net	$ 4,785,867	$ 4,812,693

Amortization expense for the years ended December 31, 2011 and 2010 amounted to $200,982 and $198,376, respectively. The estimated aggregate amortization expenses for each of the five succeeding fiscal years are as follows:

Years ending December 31,	Estimated Amortization Expense
2011	$ 190,004
2012	190,004
2013	190,004
2014	190,004
2015	190,004

NOTE 6 – BANKER ACCEPTANCES

Bankers acceptances have no interest if paid on or before their due dates. The Company can borrow against bankers acceptances up to 15,000,000 RMB.

NOTE 7 – BANK LOANS PAYABLE

Bank loans payable includes a loan with annual interest at 5.94% payable monthly through January 2012, secured by the buildings and land use rights of both Zhongde Energy and Fujian Zhongde. One installment payment is scheduled: $4.37 million (equivalent to RMB 28,000,000) is due January 2012. The Company's Chief Executive Officer has provided a personal guarantee for this obligation.

On January 7, 2011, the Company entered into a trade financing arrangement that expires on December 15, 2011 with another bank pursuant to which the Company can borrow up to $5.23 million (equivalent to RMB 33,400,000) with annual interest rate at the bank's adjustable rate. The trade financing arrangement consists of the following sublimit:

·	Loans payable (packing loans)	$2,351,400	(Equivalent to RMB 15 million)
·	Letters of credit	$4,389,280	(Equivalent to RMB 28 million)
·	Export negotiation	$4,389,280	(Equivalent to RMB 28 million)
·	Negotiation under guarantee	$4,389,280	(Equivalent to RMB 28 million)
·	Bankers acceptance	$4,389,280	(Equivalent to RMB 28 million)
·	Bankers acceptance payable	$4,389,280	(Equivalent to RMB 28 million)

During the year December 31December 31, 2011, the Company borrowed $6.80 million (equivalent to RMB 43,374,000) from the bank.

Total interest expense on the bank loans for the year ended December 31December 31, 2011 and 2010 was approximately $367,517 and $293,402, respectively.

NOTE 8 – RETIREMENT AND EMPLOYMENT LIABILITIES

The full time employees of the Company are entitled to employee benefits including medical care, welfare subsidies, unemployment insurance and retirement benefits through a Chinese government mandated multi-employer defined contribution plan. The Chinese government is responsible for the medical benefits and the pension liability to be paid to these employees. The Company is required to accrue for those benefits based on certain percentages of the employees' salaries and make contributions to the plans. The total provisions made for such employee benefits were $39,175 and $25,105 for the years ended December 31, 2011 and 2010, respectively.

NOTE 9 – COMMON STOCK

On May 12, 2011, Board of Directors has authorized the repurchase of up to $1 million of its outstanding common shares between May 16, 2011 and 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.

For the year ended December 31, 2011, the Company purchased 100,580 shares of common stock for $64,685 at the market price.

NOTE 10 WARRANTS

The Company adopted the provisions of ASC Topic 815-40 regarding whether an instrument (or embedded feature) is indexed to an entity's own stock. This accounting standard specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the Company's own stock and (b) classified in stockholders' equity in the statement of financial position would not be considered a derivative financial instrument. It provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the scope exception. As a result of adoption, 6,200,000 of issued and outstanding warrants previously treated as equity pursuant to the derivative treatment exemption were no longer afforded equity treatment, because these warrants are denominated in U.S. dollars and the Company's functional currency is Renminbi and the warrants are effectively "dual-indexed." All changes in the fair value of these warrants are recognized currently in earnings until such time as the warrants are exercised or expire.

Warrants liability measured at fair value on a recurring basis is summarized as follows:

	Carrying Value as of December 31, 2011	Fair Value Measurements at December 31, 2011		
		Level 1	Level 2	Level 3
Warrants liability	$119,363			$119,363

	Carrying Value as of December 31, 2011	Fair Value Measurements at December 31, 2011		
		Level 1	Level 2	Level 3
Warrants liability	$119,363			$119,363

The following is a reconciliation of the beginning and ending balances of warrants liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of December 31, 2011 and December 31, 2010:

	December 31, 2011	December 31, 2010
Beginning balance, January 1,	$2,192,352	$1,259,774
Change in fair value of warrant liabilities	(2,072,989)	932,578
Ending balance	$119,363	$2,192,352

These warrants do not trade in an active securities market, and as such, the Company estimates the fair value using the Black-Scholes Option Pricing Model using the following assumptions:

	December 31, 2011		December 31, 2010	
Annual dividend yield	—		—	
Expected life (years)	1.00		2.00	
Risk-free interest rate	0.25	%	1.02	%
Expected volatility	101	%	96	%

Expected volatility is based primarily on historical volatility. Historical volatility was computed using daily pricing observations for the past three years. The Company believes this method produces an estimate that is representative of the Company's expectations of future volatility over the expected term of these warrants. The Company currently has no reason to believe future volatility over the expected remaining life of these warrants is likely to differ materially from historical volatility. The expected life is based on the remaining term of the warrants. The risk-free interest rate is based on U.S. Treasury securities with the same term as the warrants when granted.

There were no warrants granted, forfeited or exercised during the period presented.

NOTE 11 – OPTIONS

On January 9, 2008, the Company adopted the 2008 Equity Incentive Plan. Under the 2008 Equity Incentive Plan, CCE is authorized to issue up to 2,000,000 options, of which 1,000,000 are to have an exercise price equal to the greater of (i) $2.50 or (ii) the fair market value of the common stock on the date of grant ("Tranche 1 Options") and 1,000,000 are to have an exercise price equal to the greater of (i) $3.00 or (ii) the fair market value of the common stock on the date of grant ("Tranche 2 Options"). CCE is authorized to issue incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, and non-qualified stock options. All options under the Plan vest quarterly over three years. The 2008 Equity Incentive Plan is administered by CCE'S board of directors.

On February 1, 2010, the Company granted options to purchase a total of 300,000 shares of common stock to the chief financial officer. Options totaling 150,000 are exercisable at a price of $2.50 per share and 150,000 options are exercisable at a price of $3.00 per share. All 300,000 options expire 10 years from the date of grant. The $140,180 fair value of the 300,000 stock options will be expensed ratably over the three year requisite service period of the respective personnel. The fair value of the stock options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: exercise prices of $2.50 (for 150,000 stock options) and $3.00 (for 150,000 stock options), expected life of options of 10 years, expected volatility of 103%, expected dividend yield of 0%, and risk-free interest rate of 3.68%.

For the years ended December 31, 2011 and 2010, stock-based compensation expense related to these options was $620,493 and $287,537, respectively.

Following is a summary of the status of options outstanding and exercisable at September 30, 2011:

Outstanding Options			Exercisable Options		
Exercise Price	Number	Average Remaining Contractual Life	Average Exercise Price	Number	Average Remaining Contractual Life

$2.50	435,000	6.00 years	$2.50	372,500	6.00 years
$3.00	435,000	6.00 years	$3.00	372,500	6.00 years
Total	870,000			770,000	

On January 4, 2011, the Board adopted the China Clean Energy Inc. 2011 Long-Term Incentive Plan (the "2011 Plan") and the forms of award agreements for nonqualified stock option awards, incentive stock option awards and restricted stock awards to be granted under the Plan. The Company's outside directors and employees, including the Company's principal executive officer, principal financial officer and other named executive officers, are all eligible to participate. Subject to certain adjustments, the maximum number of shares of the Company's common stock that may be delivered pursuant to awards under the 2011 Plan is 2,700,000 shares. All stock options granted under the 2011 Plan must have an exercise price equal to the fair market value of the common stock on the date of grant.

Following is a summary of stock option activity:

	Options Outstanding	Weighted Average Exercise Price
Outstanding as of January 1, 2011	-	-
Granted	2,490,000	1.02
Forfeited	(282,500)	1.02
Exercised	-	-
Outstanding as of September 30, 2011	2,207,500	$ 1.02

Following is a summary of the status of options outstanding and exercisable at September 30, 2011:

Outstanding Options			Exercisable Options		
Exercise Price	Number	Average Remaining Contractual Life	Average Exercise Price	Number	Average Remaining Contractual Life
$1.02	2,207,500	9.00 years	$1.02	747,500	9.00 years
Total	2,207,500			747,500	

NOTE 11 - EARNINGS PER SHARE

For the years ended December 31, 2011 and 2010, all warrants and options were excluded from the calculation of diluted earnings per share because the exercise prices of $2.00, $2.50, and $3.00 were higher than the average trading price of the Company's stock.

NOTE 12 – STATUTORY RESERVES

The Company's PRC subsidiaries are required to make appropriations to the statutory surplus reserve fund, based on after-tax net income determined in accordance with generally accepted accounting principles of the People's Republic of China (the "PRC GAAP"). Appropriation to the statutory surplus reserve should be at least 10% of the tax net income determined in accordance with PRC GAAP until the reserve is equal to 50% of the entities' registered capital.

NOTE 13 – TAXES

Income Taxes

Income tax provision consists of:

	Year ended December 31,	
	2011	2010
Current:		
PRC	$2,660,729	$2,457,383
United States	-	-
Total current	$2,457,383	$2,457,383
Deferred		(32,547)
Total	$2,424,836	$2,424,836

Fujian Zhongde is a wholly-owned foreign enterprise ("WOFE"). The PRC income tax laws provide that certain WOFEs may be exempt from income taxes for two years, commencing with their first profitable year of operations, after taking into account any losses brought forward from prior years, and thereafter 50% exempt for the next three years.

On March 31, 2007, the PRC tax authorities approved a 12.5% income tax rate for 2009 and 2010 for Fujian Zhongde.

Deferred Income Taxes Assets

Since Zhongde Energy had an operating loss of approximately $417,000 for the year ended December 31, 2009, the loss can be carried forward to offset income through 2014. The Company recorded deferred tax assets of $72,034 and $104,246 as of December 30, 2011 and December 31, 2010, respectively. Based on the foregoing information, the Company believes that a valuation allowance is not deemed necessary for the deferred assets for the following reasons: (i) there will be sufficient operating income generated in future years based on the fact that the Company's wholly owned subsidiary, Zhongde Energy, is expected to generate profits, and (ii) the current operating loss of Zhongde Energy can be carried forward through 2014 to offset future operating income under PRC tax regulations. An adjustment of approximately $8,000 to deferred income tax assets was not made to reflect a deferred income tax expense due to immateriality.

The Company has cumulative undistributed earnings of foreign subsidiaries of $28,128,814 and $16,910,509 as of December 31, 2011 and December 31, 2010, respectively, which is included in consolidated retained earnings and will continue to be indefinitely reinvested in international operations. Accordingly, no provision has been made for U.S. deferred taxes related to future repatriation of these earnings, nor is it practicable to estimate the amount of income taxes that would have to be provided if we concluded that such earnings will be remitted in the future.

Value Added Tax

Enterprises or individuals who sell commodities, engage in repair and maintenance or import and export goods in the PRC are subject to a VAT, in accordance with Chinese laws. The VAT standard rate is 17% of the gross sales price. A credit is available whereby VAT paid on the purchases of semi-finished products or raw materials used in the production of the Company's finished products can be used to offset the VAT due on sales of the finished product. A preferential rate is also applied for exporting products.

VAT on sales and VAT on purchases amounted to $9,610,891 and $8,903,680 for the years ended December 31, 2011. Sales and purchases are recorded net of VAT collected and paid as the Company acts as an agent. Because the Company's VAT taxes paid on purchases were greater than sales during the period, the Company has prepaid tax that can be used to offset future VAT due on sales.

NOTE 14 – OTHER INCOME, NET

For the year ended December 31, 2011, other income consisted primarily of an award received from the local government in China for the Company's high value of export sales.

NOTE 15 – CONCENTRATIONS

Net sales and gross profit percentages ("GP%") for the years ended December 31, 2011 and 2010 consist of:

	2011		2010	
	Sales	GP%	Sales	GP%
Domestic Sales	55,498,318	19%	$ 48,539,438	20%
International Sales	12,076,132	20%	10,416,704	25%
Total Sales	67,574,450	19%	$ 58,956,142	21%

The Company's demand deposits are in accounts maintained with state owned banks within the PRC and an offshore account in the U.S. Total cash deposited with banks within the PRC, as of December 31, 2011 amounted to $9,753,802, of which no deposits are covered by insurance. The Company has not experienced any losses in such accounts and believes it is not exposed to any risks on its cash in bank accounts.

There was five major customer that accounted for over 10% of the total sales for the year ended December 31, 2011. There was two major customer that accounted for 11% of the total accounts receivable as of December 31, 2011. There was five customer that accounted for 11% of net sales for the year ended December 31, 2011.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

The Labor Contract Law of the People's Republic of China requires employers to assure the liability of severance payments if employees are terminated and have been working for the employers for at least two years prior to January 1, 2008. The employers will be liable for one month of severance pay for each year of service provided by the employees. As of December 31, 2011, the Company has estimated possible severance payments of approximately 170,413, which has not been reflected in its condensed consolidated financial statements because it is not more likely than not that this will be paid or incurred.

NOTE 17 – SUBSEQUENT EVENTS

On November 10, 2011, Zhongde Energy entered into Equity Ownership Transfer Agreements with the owner of Guanxin Technology to acquire 100% of the equity interests of Guanxin Technology Ltd. Guanxin Technology is a supplier of specialty chemical feedstock in Hebei Province People of Republic of China. The Company sought to acquire Guanxin Technology in order to mitigate the feedstock supply risk and have a better control of the cost and quality of feedstock. The consideration for the transaction included a cash payment of approximately $13.1 Million (RMB 83 million). As of the date of this report, the Company is still in the due diligent process to review the books and records of Guanxin Technology. If the books and records of Guanxin Technology did not agree with the information provided, the Company reserves the right to nullify the Agreement in seven days from the date of the Agreement signed. 100% vested on October 1, 2013, subject to continuing service as a director or employee of the Company through each such date.

China Clean Energy Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2010 and 2009.

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS		December 31, 2010		December 31, 2009
CURRENT ASSETS				
Cash and cash equivalents	$	13,648,437	$	4,154,814
Resticted 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
Deferred tax assets		104,246		69,466
Tax Receivable		63,865		-
Inventories		2,126,375		464,842
Advances for inventory purchases		1,031,401		188,659
Total current assets		21,507,727		6,655,733
Plant and Equipment, net		25,656,929		25,119,034
Machinery and equipment held for sale		108,458		-
Intangible assets. Net		4,812,693		4,860,645
TOTAL ASSETS	$	52,085,807	$	36,635,412
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
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
COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS' EQUITY				
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	$ 52,085,807	$ 36,635,412

The accompanying notes are an integral of these consolidated financial statements

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

	The year ended December 31, 2010	2009
REVENUES	$ 58,956,142	$ 15,933,351
Less: cost of goods sold	46,731,955	12,993,260
GROSS PROFIT	12,224,187	2,940,091
OPERATING EXPENSES		
Selling and marketing	368,953	286,055
General and administrative	1,523,738	1,641,535
Research and development	132,474	143,944
Total operating expenses	2,025,165	2,071,534
INCOME FROM OPERATIONS	10,199,022	868,557
OTHER INCOME (EXPENSE)		
Interest expense, net	(293,402)	-
Impairment loss on assets held for sale	(258,861)	-
Other income (expense)	79,330	7,997
Change in fair value of warrant liabilities	(932,578)	(964,391)
Total other expenses	(1,405,511)	(956,394)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	8,793,511	(87,837)
Provision for income taxes	2,424,836	236,613
NET INCOME (LOSS)	6,368,675	(324,450)
COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment	1,020,970	(3,742)
COMPREHENSIVE INCOME (LOSS)	7,389,645	$ (328,192)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE		
Weighted average number of shares	31,512,269	31,512,269
Earnings per share	0.20	$ (0.01)

The accompanying notes are an integral of these consolidated financial statements

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

	For the year ended December 31, 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
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 libilities	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	(51,525)	(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	9,411,546	1,434,448
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,974,321)	(3,010,857)
Net cash used in investing activities	(1,974,321)	(3,010,857)
CASH FLOWS FROM FINANCING ACTIVITIES		
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	(103,400)	-
Payments on bank loans	(2,159,499)	(257,702)
Net cash provided by financing activities	3,231,086	2,821,108
EFFECT OF EXCHANGE RATE ON CASH	(1,174,688)	(3,596)
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	$ 13,648,437	4,154,814

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest expenses paid	$	292,621	$	114,717
Income taxes paid	$	1,657,336	$	283,103
Non-cash investing and financing activites:				
Advances for egvipmet purchases transferred to fixed assets	$	-	$	3,646,953

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

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Common Stock		Additional Paid-in	Retained Earnings		Accumulated Other Comprehensive	
	Shares	Amount	Capital	Statutory Reserves	Unrestricted Earnings	Income	Total
Balance at December 31, 2008, as previously reported	31,512,269	31,512	21,555,645	1,457,432	5,661,025	3,169,989	31,875,603
Cumulative effect of reclassification of warrants			(9,539,704)		9,244,323		(295,381)
Balance, January 1, 2009, as adjusted	31,512,269	31,512	12,015,941	1,457,432	14,905,348	3,169,989	31,580,222
Stock-based compensation			404,582				404,582
Net loss					(324,450)		(324,450)
Adjustment to statutory reserve				173,450	(173,450)		-
Foreign currency translation adjustment						(3,742)	(3,742)
Balance at December 31, 2009	31,512,269	$ 31,512	$ 12,420,523	$ 1,630,882	$ 14,407,448	$ 3,166,247	$ 31,656,612
Common stocks and warrants issued cash							
Stock-based compensation			287,537				287,537
Net income					6,368,675		6,368,675
Adjustment to statutory reserve				793,427	(793,427)		-
Foreign currency translation adjustment						1,020,969	1,020,969
Balance at December 31, 2010	31,512,269	$ 31,512	$ 12,708,060	$ 2,424,309	$ 19,982,696	$ 4,187,216	$ 39,333,793

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

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND BUSINESS

China Clean Energy, Inc. ("CCE" or the "Company") was incorporated in the State of Delaware on November 12, 2004. The Company originally through its wholly-owned subsidiaries, China Clean Energy Resources Limited ("CCER"), and Fujian Zhongde Technology Co., Ltd. ("Fujian Zhongde"), synthesizes and distributes renewable fuel products and specialty chemicals to customers in both the People's Republic of China ("PRC" or "China") and abroad.

On November 5, 2007, CCER established a new wholly-owned subsidiary, Fujian Zhongde Energy Co., Ltd. ("Zhongde Energy"), in Jiangyin Industrial Zone, Fuqing City, Fujian Province, PRC. Zhongde Energy produces and sells biodiesel and specialty chemicals products.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements of China Clean Energy Inc. reflect the activities of CCE and its 100% owned subsidiaries CCER, Fujian Zhongde and Zhongde Energy.

The condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and are expressed in U.S. dollars. All significant intercompany balances and transactions have been eliminated in consolidation. The Company has reclassified certain prior year amounts to conform to the current year presentation.

The unaudited interim condensed consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented. Interim results are not necessarily indicative of the results that may be expected for a full year. The information included in this Form 10-Q should be read in conjunction with information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission ("SEC") on March 31, 2010 as amended by Amendment No.1 on Form 10-K/A filed with the SEC on April 14, 2010 and Amendment No.2 on Form 10-K/A filed with the SEC on June 8, 2010.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, the Company estimates the fair value of share-based compensation granted to its employees and estimates its potential losses on uncollectible receivables. Management believes that the estimates utilized in preparing its condensed consolidated financial statements are reasonable and appropriate. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The accounting standards regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires fair value disclosures of those financial instruments. This accounting standard defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements regarding fair value..
The three levels are defined as follows:

- Level 1 -- inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 -- inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 -- inputs to the valuation methodology are unobservable and significant to the fair value.

Determining which category an asset or liability falls within the hierarchy requires significant judgment.

Current assets and current liabilities are financial instruments and management believes their carrying amounts are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and if applicable, their current interest rate is equivalent to interest rates currently available

As of December 31, 2010 and December 31, 2009, the bank loans and notes amounted to $5,260,555 and $3,080,700, respectively. The Company determined that the carrying value of these loans approximated the fair value using the level 2 inputs by comparing the stated loan interest rate to the rate charged by the Bank of China on similar loans.

Warrant liability measured at fair value on a recurring basis is summarized as follows (unaudited):

	Carrying Value as of December 31, 2010	Fair Value Measurements at December 31, 2010		
		Level 1	Level 2	Level 3
Warrants liability	$2,192,352			$2,192,352

	Carrying Value as of December 31, 2009	Fair Value Measurements at December 31, 2009		
		Level 1	Level 2	Level 3
Warrants liability	$1,259,774			$1,259,774

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of December 31, 2010 and December 31, 2009:

	December 31, 2010	December 31, 2009
	Warrants Liability	
Beginning balance*	$1,259,774	$295,381

Total gains or losses:		
Included in earnings	932,578	964,393
Ending balance	$2,192,352	$1,259,774

* Effective January 1, 2009, the Company adopted the provisions of an accounting standard regarding whether an instrument (or embedded feature) is indexed to an entity's own stock. As the result of the adoption, the Company reclassified from additional paid-in capital, as a cumulative effect adjustment, $9.2 million to beginning retained earnings and $295,381 to a long-term warrants liability to recognize the fair value of such warrants. Refer to Note 9 for additional information.

Foreign Currency Translation

The functional currency of CCE, CCER, Fujian Zhongde and Zhongde Energy is the Chinese Renminbi ("RMB"). The reporting currency of the Company is the United States dollar.

Fujian Zhongde and Zhongde Energy assets and liabilities are translated into United States dollars at period-end exchange rates ($0.15124and $0.1467 at December 31, 2010 and December 31, 2009, respectively). Fujian Zhongde and Zhongde Energy revenues and expenses are translated into United States dollars at weighted average exchange rates for the periods ($0.14794 and $0.14659 for the year ended December 31, 2010 and 2009, respectively). Resulting translation adjustments are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity. The resulting translation gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. Items in the condensed consolidated statements of cash flows are translated at the average exchange rate for the period. As a result, amounts related to assets and liabilities reported on the condensed consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the condensed consolidated balance sheets.

As of December 31, 2010 and December 31, 2009, translation adjustments resulting from this process included in accumulated other comprehensive income in the condensed consolidated statement of stockholders' equity amounted to $4,187,217 and $3,166,247, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with original maturities of three months or less at the time of purchase to be cash equivalents.

Restricted Cash

The Company has notes payable outstanding with various banks and is required to keep certain amounts on deposit that are subject to withdrawal restrictions.

Accounts Receivable

The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts is established and recorded based on management's assessment of potential losses based on the credit history and relationship with the customers. Management reviews its receivables on a regular basis to determine if the allowance is adequate, and adjusts the allowance when necessary. Delinquent account balances are written-off against allowance for doubtful accounts after management has determined that the likelihood of collection is not probable.

Inventories

Inventories are stated at the lower of cost or market using the weighted average method. Management reviews inventories for obsolescence or cost in excess of net realizable value periodically and records an inventory write-down and additional cost of goods sold when the carrying value exceeds net realizable value.

Plant and Equipment

Plant and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of plant and equipment used in operations is provided using the straight-line method for substantially all assets with estimated lives as follows:

	Estimated Useful Life
Buildings	10-20 years
Vehicles	5 years
Office equipment	5 years
Production equipment	10 years

Maintenance, repairs and minor renewals are charged directly to expense as incurred. Major additions and betterment to buildings and equipment are capitalized. When plant and equipment is held for sale, it is not depreciated.

Intangible Assets

Under the accounting standard regarding goodwill and other intangible assets, all goodwill and certain intangible assets determined to have indefinite lives are not amortized but are tested for impairment at least annually. Intangible assets other than goodwill are amortized over their useful lives and reviewed for impairment in accordance with the accounting standard for accounting for impairment or disposal of long-lived assets.

Intangible assets consist of land use rights and patents. All land in China is owned by the government, however, the government grants “land use rights.” The Company, through its 100% owned subsidiaries, owns three land use rights with usable life ranging from 42 to 50 years which will expire in various years ranging from 2048 to 2058. The Company amortizes the cost of land use right over the respective contract periods.

Patents, which have a legal life of 10 years in PRC, are being amortized over 10 years as management believes that ten years is the useful life of the patents currently owned by the Company.

Impairment of Long-Lived Assets

The Company reviews its long-lived tangible and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, the Company measures impairment by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from its use and eventual disposition. If the sum of the expected discounted cash flows is less than the carrying amount of the asset, the Company would recognize an impairment loss based on the fair value of the asset. There was a provision for impairment loss on assets held for sale of $258,861 for the year ended December 31, 2010. None was recorded for the year ended December 31, 2009.

Assets Held for Sale

An asset or business is classified as held for sale when:

- management commits to a plan to sell and it is actively marketed; and
- it is available for immediate sale and the sale is expected to be completed within one year.

In isolated instances, assets held for sale may not be sold within the expected one year period due to events or circumstances beyond the Company's control. Upon being classified as held for sale, the recoverability of the carrying value must be assessed. Evaluating the recoverability of the assets of a business classified as held for sale follows a defined order in which property and intangible assets subject to amortization are considered only after the recoverability of goodwill and other assets are assessed. After the valuation process is completed, the assets held for sale are reported at the lower of the carrying value or fair value less cost to sell and the assets are no longer depreciated or amortized. The assets and related liabilities are aggregated and reported on separate lines of the balance sheet.

Revenue Recognition

The Company's sales are sales of product. Revenue for product sales is recognized when risk and title to the product transfer to the customer, which usually occurs at the time when shipment is made. However, revenue is realized and earned only when four criteria are met:

- persuasive evidence of an arrangement exists (the Company considers its sale contracts to be persuasive evidence of an arrangement);
- product is shipped or service has been rendered;
- the seller's price to the buyer is fixed or determinable; and
- collectability of payment is reasonably assured.

Substantially all of the Company's products are sold free on board ("FOB") shipping point. Title to the product passes when the product is delivered to the freight carrier.

Sales revenue represents the invoiced value of goods, net of a value-added tax ("VAT"). All of the Company's products that are sold in the PRC are subject to a Chinese VAT at a rate of 17% of the gross sale price or a rate approved by the Chinese local government. This VAT may be offset by the VAT paid by the Company on raw materials and other material included in the cost of producing its finished product.

Transportation and unloading charges and product inspection charges are included in selling expenses totaled $316,335 and $211,711 for the year ended December 31, 2010 and 2009, respectively, and $85,161 and $38,991 for the three months ended December 31, 2010 and 2009, respectively.

Research and Development Costs

Research and development ("R&D") expenses include salaries, material, contract and other outside service fees, facilities and overhead costs. In accordance with GAAP, the Company expenses the costs associated with research and development activities when incurred.

The research development expenses are included in general and administrative expenses and totaled $132,474 and $143,944 for the year ended December 31, 2010 and 2009, respectively, and $52,731 and $60,809 for the three months ended December 31, 2010 and 2009, respectively.

Stock-Based Compensation

The Company accounts for equity instruments issued to employees and in exchange for the receipt of goods or services from other than employees in accordance with GAAP. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably determinable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of a performance commitment or completion of performance by the provider of goods or services. In the case of equity instruments issued to consultants, the fair value of the equity instruments is recognized over the term of the consulting agreements, as earned.

Income Taxes

The Company records income taxes pursuant to GAAP, which requires the recognition of deferred income tax liabilities and assets for the expected future tax consequences of temporary differences between income tax basis and financial reporting basis of assets and liabilities. Provision for income taxes consists of taxes currently due plus deferred taxes.

The charge for taxation is based on the results for the year as adjusted for items, that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Income tax returns for the years prior to 2007 are no longer subject to examination by tax authorities.

China Income Taxes

The Company's subsidiaries are governed by the Income Tax Law of the People's Republic of China concerning foreign investment enterprises and foreign enterprises (the "EIT) and various local income tax laws.

The EIT utilizes a tax rate of 25%, except for companies that qualify as "High Tech" companies which pay a reduced rate of 15%. Fujian Zhongde qualifies for this reduced tax rate of 15% and its tax certificate must be re-certified every year with the local tax authority.

Earnings per Share

Basic earnings per common share are computed on the basis of the weighted average number of common shares outstanding during the period.

Diluted earnings per share are computed on the basis of the weighted average number of common shares and dilutive securities (such as stock options and convertible securities) outstanding. Dilutive securities having an anti-dilutive effect on diluted earnings per share are excluded from the calculation.

Basic earnings per share is computed by dividing net income attributable to holders of common shares by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted into common shares. Convertible, redeemable preferred shares are included in the computation of diluted earnings per share on an "if converted" basis, when the impact is dilutive. Contingent exercise price resets are accounted for in a manner similar to contingently issuable shares such as warrants and options. Common share equivalents are excluded from the computation of diluted earnings per share if their effects would be anti-dilutive.

NOTE 3 – INVENTORIES

Inventories consist of the following:

		December 31, 2010		December 31, 2009
Raw materials	$	1,011,112	$	349,800
Work in process and packaging materials		28,448		4,471
Finished goods		1,086,815		110,571
Total	$	2,126,375	$	464,842

NOTE 4 – PLANT AND EQUIPMENT

Plant and equipment, net consist of:

		December 31, 2010		December 31, 2009
Buildings	$	14,164,853	$	12,032,983
Equipment and machinery		17,376,990		16,744,242
Office equipment and vehicles		187,924		92,708
Total		31,729,767		28,869,933
Impairment of long-lived assets		(258,861)		-
Less accumulated depreciation		(5,964,380)		(3,750,899)
Plant and equipment, net	$	25,646,929	$	25,119,034

Depreciation expense was $2,649,921 and $710,051 for the year ended December 31, 2010 and 2009, respectively, and $1,072,209 and $177,609 for the three months ended December 31, 2010 and 2009, respectively.

Machinery and equipment held for sale

The Company announced in the third quarter of fiscal year 2010 its plan to consolidate its Fujian Zhongde facility to its new Fujian Zhongde Energy facility. As a result, the machinery and equipment in the amount of $108,458 were listed as held for sale at September 30, 2010. The consolidation was completed during the third quarter of fiscal year 2010.

NOTE 5 – INTANGIBLE ASSETS

Intangible assets, net consist of:

		December 31, 2010		December 31, 2009
Land use rights	$	5,165,811	$	4,950,538
Patents and licenses		1,240,168		1,349,640
Total		6,405,979		6,300,178
Less accumulated amortization		(1,593,286)		(1,439,533)
Total intangible assets, net	$	4,812,693	$	4,860,645

Amortization expense for the year ended December 31, 2010 and 2009 amounted to $194,048 and $211,851, respectively, and $48,603 and $51,763 for the three months ended December 31, 2010 and 2009, respectively. The estimated aggregate amortization expenses for each of the five succeeding fiscal years are as follows:

Twelve months ending December 31,		Estimated Amortization Expense
2011	$	190,004
2012		190,004
2013		190,004
2014		190,004
2015		190,004

NOTE 6 – BANKER ACCEPTANCES

Banker acceptances consist of payable to two different vendors. There are no interest charges for these bills if they are paid on or before their due dates.

NOTE 7 – BANK LOAN PAYABLE

Bank loan payable consists of a loan with annual interest at 5.94% payable monthly through January 2012, secured by the buildings and land use right of both Zhongde Energy and Fujian Zhongde. Two installment payments are scheduled: (i) 5,000,000 RMB (Approximately $905,454) is due February 2011; and (ii) 28,000,000 RMB (approximately $4,180,400) is due January 2012.

Total interest expense on the bank loans for the year end and three months ended December 31, 2010 amounted to$292,621 and $68,001, respectively.

The Company's Chief Executive Officer has provided a personal guarantee of the above bank loans.

NOTE 8 – RETIREMENT AND EMPLOYMENT LIABILITIES

The full time employees of the Company are entitled to employee benefits including medical care, welfare subsidies, unemployment insurance and retirement benefits through a Chinese government mandated multi-employer defined contribution plan. The Chinese government is responsible for the medical benefits and the pension liability to be paid to these employees. The Company is required to accrue for those benefits based on certain percentages of the employees' salaries and make contributions to the plans out of the amounts accrued for medical and pension benefits. The total provisions and contributions made for such employee benefits were $25,105and $33,298 for the year ended December 31, 2010 and 2009, respectively, and $8,516 and $4,523 for the three months ended December 31, 2010 and 2009, respectively.

NOTE 9 – PRIVATE PLACEMENT AND WARRANTS

On January 9, 2008, CCE completed a private placement, pursuant to which CCE issued 10,000,000 shares of common stock and 5,000,000 five-year warrants at an initial exercise price of $2.00 per share for aggregate gross proceeds of $15,000,000. In connection with this private placement, CCE incurred placement agent cash fees of approximately $1,200,000, and issued the placement agent 1,200,000 five-year warrants at an initial exercise price of $2.00 per share. The net proceeds of $13.6 million were recorded as equity. The fair value of the warrants issued to the placement agent, was determined to be part of the cost of raising capital and therefore netted against the additional paid-in capital.

In connection with the private placement, four shareholders and officers placed a total of 1,500,000 shares of their personally owned CCE common stock into an escrow account, to be released to the investors of the offering if the Company failed to (1) commence the production of biodiesel at its production facility in Jiangyin, PRC on or before January 1, 2009, or (2) record at least $14,000,000 of adjusted net income for the fiscal year ended December 31, 2009.

As of January 1, 2009, the Company did not successfully commence production of biodiesel at the Jiangyin location, and the 1,500,000 shares of Company's common stock held in escrow was transferred to the offering investors.

Effective January 1, 2009, the Company adopted the provisions of ASC Topic 815-40 regarding whether an instrument (or embedded feature) is indexed to an entity's own stock. This accounting standard specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the Company's own stock and (b) classified in stockholders' equity in the statement of financial position would not be considered a derivative financial instrument. It provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the scope exception. As a result of adoption, 6,200,000 of issued and outstanding warrants previously treated as equity pursuant to the derivative treatment exemption were no longer afforded equity treatment, because these warrants are denominated in U.S. dollars and the Company's functional currency is Renminbi and the warrants are effectively "dual-indexed." As such, effective January 1, 2009, the Company reclassified the fair value of these warrants, from equity to liability status as if these warrants were treated as a derivative liability since their date of issue in January 2008. All changes in the fair value of these warrants are recognized currently in earnings until such time as the warrants are exercised or expired.

On January 1, 2009, the Company reclassified from additional paid-in capital, as a cumulative effect adjustment, $9.2 million to beginning retained earnings and $295,381 to a long-term warrants liability to recognize the fair value of such warrants on such date. The fair value increased to $1,259,774 at

December 31, 2009. The Company recognized a $252,431 and $246,678 gain from the change in fair value for the three and year ended December 31, 2010, and a $965,965 and $1,353,561 loss from the change in fair value for the three and year ended December 31, 2009.

These warrants do not trade in an active securities market, and as such, the Company estimates the fair value using the Black-Scholes Option Pricing Model using the following assumptions:

	December 31, 2010		January 1, 2009	
Annual dividend yield	—		—	
Expected life (years)	2.00		4.00	
Risk-free interest rate	1.02	%	1.55	%
Expected volatility	96	%	99	%

Expected volatility is based primarily on historical volatility. The Company does not have historical data commensurate with the expected term. Historical volatility was computed using daily pricing observations for the past three years. The Company believes this method produces an estimate that is representative of the Company's expectations of future volatility over the expected term of these warrants. The Company currently has no reason to believe future volatility over the expected remaining life of these warrants is likely to differ materially from historical volatility. The expected life is based on the remaining term of the warrants. The risk-free interest rate is based on U.S. Treasury securities according to the remaining term of the warrants.

Following is a summary of warrants activity and status:

	Warrants Outstanding	Warrants Exercisable	Weighted Average Exercise Price	Average Remaining Contractual Life
Balance, at January 1, 2009	6,200,000	6,200,000	$2.00	4
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Balance, at December 31, 2009	6,200,000	6,200,000	$2.00	3
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Balance, at December 31, 2010	6,200,000	6,200,000	$2.00	2

NOTE 10 – OPTIONS

On January 9, 2008, the Company adopted the 2008 Equity Incentive Plan. Under the 2008 Equity Incentive Plan, CCE is authorized to issue up to 2,000,000 options, of which 1,000,000 are to have an exercise price equal to the greater of (i) \$2.50 or (ii) the fair market value of the common stock on the date of grant ("Tranche 1 Options") and 1,000,000 are to have an exercise price equal to the greater of (i) \$3.00 or (ii) the fair market value of the common stock on the date of grant ("Tranche 2 Options"). Under the 2008 Equity Incentive Plan, CCE is authorized to issue incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, and non-qualified stock options. All options under the Plan shall vest quarterly over three years. The 2008 Equity Incentive Plan is administered by CCE'S board of directors.

CCE granted options to purchase a total of 1,680,000 shares of common stock under the 2008 Equity Incentive Plan, including 1,350,000 granted to Company officers and directors. Options totaling 840,000 options are exercisable at a price of \$2.50 per share and 840,000 options are exercisable at a price of \$3.00 per share. All 1,680,000 options expire 10 years from the date of grant. The \$3,043,429 fair value of the 1,680,000 stock options will be expensed ratably over the three year requisite service period of the respective personnel. The fair value of the stock options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: exercise prices of \$2.50 (for 840,000 stock options) and \$3.00 (for 840,000 stock options), expected life of options of 10 years, expected volatility of 98%, expected dividend yield of 0%, and risk-free interest rate of 3.82%.

On February 1, 2010, the Company granted options to purchase a total of 300,000 shares of common stock to the chief financial officer under the 2008 Equity Incentive Plan. Options totaling 150,000 are exercisable at a price of \$2.50 per share and 150,000 options are exercisable at a price of \$3.00 per share. All 300,000 options expire 10 years from the date of grant. The \$140,180 fair value of the 300,000 stock options will be expensed ratably over the three year requisite service period of the respective personnel. The fair value of the stock options was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: exercise prices of \$2.50 (for 150,000 stock options) and \$3.00 (for 150,000 stock options), expected life of options of 10 years, expected volatility of 103%, expected dividend yield of 0%, and risk-free interest rate of 3.68%.

Following is a summary of stock option activity:

	Options Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding as of January 1, 2009	610,000	\$ 2.75	\$ 1,141,286
Granted	-	-	-
Forfeited	(20,000)	2.75	(9,803)-
Exercised	-	-	-
Outstanding as of December 31, 2009	590,000	\$ 2.75	\$ 1,131,483
Granted	300,000	2.75	140,180
Forfeited	(20,000)	2.75	(9,268)
Exercised	-	-	-
Outstanding as of December 31, 2010	870,000	\$ 2.75	\$ 1,262,395

Following is a summary of the status of options outstanding at December 31, 2010:

Outstanding Options	Exercisable Options

Exercise Price	Number	Average Remaining Contractual Life	Average Exercise Price	Number	Average Remaining Contractual Life
$2.50	435,000	7.00. years	$2.50	335,000	7.00 years
$3.00	435,000	7.00 years	$3.00	335,000	7.00 years
Total	870,000			670,000	

NOTE 11 - EARNINGS PER SHARE

For the three months and year ended December 31, 2010, all warrants and options were excluded from the calculation of diluted earnings per share because the exercise prices of $2.00, $2.50, and $3.00 were higher than the average trading price of the Company's stock.

NOTE 12 – STATUTORY RESERVES

The Company's PRC subsidiaries are required to make appropriations to the statutory surplus reserve fund, based on after-tax net income determined in accordance with generally accepted accounting principles of the People's Republic of China (the "PRC GAAP"). Appropriation to the statutory surplus reserve should be at least 10% of the tax net income determined in accordance with PRC GAAP until the reserve is equal to 50% of the entities' registered capital.

NOTE 13 – TAXES

Income Taxes

Income taxes expenses consist of:

	Year ended December 31,		Three months ended December 31,	
	2010	2009	2010	2009
Current:				
PRC	$2,526,807	$278,782	$999,095	$71,966
United States	-	-	-	-
Total current	$2,526,807	$278,782	$999,095	$71,966
Deferred	(101,971)	-		-
Total	$2,526,807	$278,782	$999,095	$71,966

Value Added Tax

Enterprises or individuals who sell commodities, engage in repair and maintenance or import and export goods in the PRC are subject to a VAT, in accordance with Chinese laws. The VAT standard rate is 17% of the gross sales price. A credit is available whereby VAT paid on the purchases of semi-finished products or raw materials used in the production of the Company's finished products can be used to offset the VAT due on sales of the finished product. A preferential rate is also applied for exporting products.

VAT on sales and VAT on purchases amounted to $9,670,117and $2,841,732 for the year ended December 31, 2010, and 2009, respectively, and $3,810,867 and $912,656 for the three months ended December 31, 2010 and 2009, respectively. Sales and purchases are recorded net of VAT collected and paid as the Company acts as an agent. Because the Company's VAT taxes paid on purchases were greater than sales during the period, the Company has prepaid tax that can be used to offset future VAT due on sales.

NOTE 14 – DIVISION INFORMATION

The Company operates in one industry segment – the synthesization and distribution of renewable fuel products and specialty chemicals to customers in both the PRC and abroad. Substantially all of the Company's identifiable assets are located in the PRC.

Net sales and gross profit percentages ("GP%") for the year ended December 31, 2010 and 2009 consist of:

	2010		2009	
	Sales	GP%	Sales	GP%
Domestic Sales	$ 48,539,438	20%	$ 9,075,128	7%
International Sales	10,420,714	25%	6,858,223	34%
Total Sales	$ 58,956,142	21%	$ 15,933,351	18%

Net Sales for the three months ended December 31, 2010 and 2009 consist of:

	2010		2009	
	Sales	GP%	Sales	GP%
Domestic Sales	$ 15,360,804	23%	$ 3,518,807	19%
International Sales	2,750,259	29%	1,359,619	29%
Total Sales	$ 18,111,063	24%	$ 4,878,426	22%

NOTE 15 – CONCENTRATIONS

The Company's demand deposits are in accounts maintained with state owned banks within the PRC and an offshore account in the U.S. Total cash deposited with banks within the PRC, as of December 31, 2010 amounted to $13,648,437, of which no deposits are covered by insurance. The Company has not experienced any losses in such accounts and believes it is not exposed to any risks on its cash in bank accounts.

At December 31, 2010, receivables from three customers were approximately 13%, 12%, and 12%, respectively.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

The Labor Contract Law of the People's Republic of China, effective as of January 1, 2008, requires employers to assure the liability of the severance payments if employees are terminated and have been working for the employers for at least two years prior to January 1, 2008. The employers will be liable for one month of severance pay for each year of service provided by the employees. As of December 31, 2010, the Company has estimated possible severance payments of approximately $96,539, which has not been reflected in its condensed consolidated financial statements because it is not more likely than not that this will be paid or incurred.