Sino Clean Energy Inc
Form 424B3
December 23, 2010

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-167560

SINO CLEAN ENERGY, INC.

5,465,000 Shares of Common Stock

We are offering 5,465,000 shares of our common stock. As of June 14, 2010, our common stock was listed on the NASDAQ Global Market and commenced trading under the symbol "SCEI." Previously, our common stock was quoted on the Over the Counter Bulletin Board under the symbol "SCLX."

The last reported market price of our shares of common stock on December 21, 2010 was $5.67.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 11 for certain factors relating to an investment in our securities. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 5.2500	$ 28,691,250.00
Underwriting discounts and commissions(1)	$ 0.3675	$ 2,008,387.50
Proceeds to us, before expenses	$ 4.8825	$ 26,682,862.50

(1) See "Underwriting" for a description of compensation payable to the underwriters.

We have granted a 45 day option to Rodman & Renshaw, LLC and Axiom Capital Management, Inc., the underwriters, to purchase up to an additional 819,750 shares of common stock from us on the same terms as set forth above. If the underwriters exercise their right to purchase all of such additional shares of common stock, such shares will be purchased at the public offering price less the underwriting discount. The shares issuable upon exercise of the underwriter option are identical to those offered by this prospectus and have been registered under the registration statement of which this prospectus forms a part.

The underwriters expect to deliver the shares of common stock to purchasers in the offering against payment in New York, New York on or about December 28, 2010.

Rodman & Renshaw, LLC **Axiom Capital Management, Inc.**

The date of this prospectus is December 21, 2010

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You should rely only on the information contained in this prospectus. Neither we nor the underwriters have authorized anyone to provide you with information different from that contained in this prospectus. We and the underwriters are offering to sell shares of common stock and seeking offers to buy shares of common stock only in jurisdictions where such offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock.

We own, have rights to or have applied for the trademarks and trade names that we use in conjunction with our business, including our logo. All other trademarks and trade names appearing in this prospectus are the property of their respective holders.

In this prospectus we rely on and refer to information and statistics regarding our industry. We obtained this market data from independent industry reports or other publicly available information. Some data is also based on our good faith estimates, which are derived from our review of internal surveys and studies, as well as independent industry reports.

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PROSPECTUS SUMMARY

The following summary highlights information contained in this prospectus and should be read in conjunction with the more detailed information contained in this prospectus and the consolidated financial statements and related notes appearing elsewhere in this prospectus. Before you decide to invest in our common stock, you should read the entire prospectus carefully, including the "Risk Factors" section in this prospectus.

Unless otherwise specified or required by the context, references to "we," "our," "us" and the "Company" refer collectively to Sino Clean Energy Inc., a Nevada corporation, and its subsidiaries (i) Wiscon Holdings Limited, a Hong Kong company ("Wiscon"), (ii) Tongchuan Suoke Clean Energy Co., Ltd., a PRC limited liability company ("Suoke Clean Energy"), (iii) Shaanxi Suo'ang New Energy Enterprise Co., Ltd., a PRC limited liability company ("Suo'ang New Energy"), and (iv) Shenyang Suo'ang Energy Co., Ltd., a PRC limited liability company ("Shenyang Energy").

For convenience, certain amounts in Chinese Renminbi ("RMB") have been converted to United States dollars. Assets and liabilities are converted at the exchange rate as of the balance sheet date. Income and expenses are converted at the average exchange rate for the period.

Unless the context requires otherwise or we specifically indicate otherwise, the information in this prospectus assumes that the underwriters do not exercise their over-allotment option. Unless otherwise indicated, all share and per share numbers in the prospectus have been retroactively adjusted to reflect a 1-for-10 reverse stock split of our common stock, which was effective on May 7, 2010.

Our Company

We produce and distribute coal-water slurry fuel ("CWSF") in the People's Republic of China (the "PRC" or "China"), which is a fuel substitute for oil, natural gas and coal briquettes. CWSF is a clean fuel that consists of fine coal particles suspended in water, and mixed with chemical additives. Our CWSF products are mainly used to fuel boilers and furnaces to generate steam and heat for both residential/commercial heating and industrial applications.

We operate our business through five production lines and currently have in place CWSF production capacity of 850,000 metric tons. The first production line commenced operations in July 2007 in Tongchuan, Shaanxi Province, with 100,000 metric tons of capacity. The second production line commenced operations in February 2009 in Tongchuan with 250,000 metric tons of capacity. The third and fourth production lines commenced operations in October 2009 in Shenyang, Liaoning Province, with the combined capacity of 300,000 metric tons. The fifth production line commenced operations in January 2010 in Tongchuan with 200,000 metric tons of capacity. In 2009, we sold approximately 456,000 metric tons of CWSF.

Our Industry

China's economic growth over the past four decades has led to a rapid increase in energy consumption. According to Frost & Sullivan, China accounted for 17.7% of global energy consumption in 2008 and according to the International Energy Agency, has overtaken the United States as the world's largest energy consumer. As the country's demand for energy has increased, China has relied heavily on its substantial coal reserves, which represent 94% of China's proven fossil fuel reserves. According to Frost & Sullivan, coal is expected to be used in approximately 67% of total energy production in China in 2010.

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Coal infrastructure is firmly established in China and coal, as a source of energy, is very well positioned relative to other energy sources due to its abundance, broad geographic distribution, low cost, and stable price. As such, the Chinese government is strongly focused on improving coal's environmental shortcomings, as opposed to replacing coal as an energy source. China continues to commit resources to clean energy and, according to China's Report on Central and Local Budgets, has budgeted approximately US$12 billion in 2010 for energy conservation and pollution reduction. CWSF has been listed as a key scientific and technological project in each of China's Five-Year Plans since 1981 and in several other major sustainable development policy initiatives.

According to Frost & Sullivan, market demand of CWSF in China reached 15.9 million metric tons in 2008, with approximately 59% of the demand being met by in-house producers, 28% by imports and only 13% by third-party producers such as us. Third party CWSF producers do not include entities that produce CWSF in-house for their own consumption or parties that import CWSF for sale. According to Frost & Sullivan, CWSF is used in fuel-burning furnaces in 700 industrial furnaces and hundreds of industrial kilns as a replacement for oil, natural gas and coal briquettes. According to Zhongjing Zongheng Economy Research, there are approximately 600,000 traditional fossil fuel burning industrial boilers and kilns currently installed in China, with approximately 100,000 requiring replacement or major repairs each year. The conversion of conventional fossil fuel boilers to CWSF boilers is expected to drive demand for CWSF, with Frost & Sullivan estimating a compound annual growth rate of 24.7% from 2008 to 2014. Although there are approximately 40 to 50 active CWSF suppliers in China, most have third party sales volumes of less than 100,000 metric tons, according to Frost & Sullivan. Markets for CWSF are highly regionalized given the high cost of transportation, with most suppliers typically targeting customers that are within 200 kilometers of their production facilities. As such, suppliers typically compete on a very localized level and lack the capability to expand to a more regional or national scale. Our track record for high quality products and service, our ability to expand selectively into new regions, and our strategic partnerships have enabled us to become the largest third-party CWSF producer in China, as measured by CWSF sales volumes for the first half of 2010.

Company Strengths

We believe the following strengths provide our company with significant competitive advantages in our industry:

Exclusive focus on CWSF, which has significant advantages over coal briquettes and other traditional fossil fuels. CWSF has several advantages over coal briquettes and other traditional fossil fuels, including:

- it is more energy efficient;
- it creates significantly less pollution;
- it is a cheaper source of energy;
- it is cleaner to transport and store; and
- it is safer to handle.

The CWSF industry is growing rapidly due to strong government support. Overall CWSF demand is expected to grow at a CAGR of 24.7% from 2008 to 2014 due to central and local government support for low carbon technologies and the conversion of older coal briquette burning boilers that are being phased out by legislation and obsolescence.

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Dominant market position with a proven product and technology that is in full scale commercial production. We are the largest third-party CWSF producer in China, as measured by third party CWSF sales volume for the first half of 2010, and we currently have in-place production capacity of 850,000 metric tons. We aim to increase our production capacity to 1,850,000 metric tons through the expansion of production capacity at existing facilities and the development of new facilities throughout China. For the year ended December 31, 2009, we had revenue and income from operations of approximately US$46 million and US$14 million, respectively.

Agreements with Select Strategic Partners. We have entered into key agreements to supply CWSF in Shaanxi and Liaoning provinces:

- Exclusive sales agency agreement with Qingdao Haizhong Enterprise Co., Ltd. ("Haizhong Boiler"), a CWSF boiler vender with an estimated 78% share of the CWSF boiler market (according to Beijing Zhongjing Zhongheng Information and Consulting Center, Haizhong Boiler's market share was determined on December 30, 2009 and was valid until October 31, 2010), to distribute CWSF boilers in Xian and Tongchuan, Shaanxi Province, and an exclusive nationwide strategic partnership agreement with Haizhong Boiler to supply CWSF in the markets where it sells CWSF boilers and operates heat supply plants;

- Exclusive agreement with Shenyang Haizhong Heat Resource Co., Ltd. to supply CWSF for residential and commercial heating in Shenyang, Liaoning Province; and

- Agreement with Tongchuan City Investment and Development Co., Ltd. to develop and supply CWSF to 15 heat supply plants in Tongchuan, Shaanxi Province.

Established relationships with customers and suppliers which provide visibility on long term cash flows. As of September 30, 2010, our customer base was comprised of 43 residential heating and industrial users, most of which are subject to long term framework agreements. Since commencing commercial operations in 2007, we have achieved a 100% customer retention rate.

Experienced management team with a proven track record. We have a well seasoned and experienced senior management team with significant CWSF industry expertise that we believe will enable us to execute on our expansion strategy. Our management team has demonstrated the ability to rapidly increase production capacity.

Growth Strategy

Our objective is to become the leading CWSF provider in China. Key elements of our growth strategy include:

Pursue organic growth in existing markets. In 2009, we sold approximately 456,000 metric tons of CWSF, representing substantially all of our production in that year. We currently have annual production capacity of 850,000 metric tons of CWSF. We believe that there is significant organic growth potential within our current operations as we continue to bring new production capacity on-line in both of our existing markets.

Leverage our strategic partnership with Haizhong Boiler. We have established a nationwide strategic partnership agreement with Haizhong Boiler, which is the largest CWSF boiler vendor in China with an estimated 78% share of the CWSF boiler market. According to

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Beijing Zhongjing Zhongheng Information and Consulting Center, Haizhong Boiler's market share was determined on December 30, 2009 and was valid until October 31, 2010. We believe this strategic partnership will give us the ability to market our CWSF products to prospective customers more effectively in new and existing markets.

Capitalize on strong government support for CWSF. As China has low-cost, abundant and geographically distributed coal reserves and a mature coal-to-energy conversion infrastructure, it is expected that coal will continue to be one of the most important sources of energy for China in the foreseeable future. The Chinese government has listed CWSF as a key scientific and technological project in each of the Five-Year Plans since 1981. Many provincial and municipal governments across China have adopted plans, policies and incentives with specific and quantifiable targets to mandate or promote the usage of CWSF.

Grow through expansion and acquisitions in other regional markets. We plan to increase our CWSF production capacity through the construction of new facilities and the acquisition of existing CWSF production facilities in new geographic regions. We expect that such external growth initiatives will increase our aggregate annual CWSF production capacity to 1,850,000 metric tons. Our geographic expansion plans will initially focus on Guangxi Province and Guangdong Province.

Risk Factors

Our business is subject to numerous risks which are highlighted in the section entitled "Risk Factors" immediately following this prospectus summary. Principal risks of our business include:

Our limited operating history makes it difficult to evaluate our future prospects and results of operations.

The commercial success of CWSF depends on the degree of its market acceptance among industrial and residential customers, and if CWSF does not attain wide market acceptance, our operations and profitability could be adversely affected.

Competitors may develop and market products that are less expensive, more effective or safer, making CWSF obsolete or uncompetitive.

Existing regulations and changes to such regulations may present technical, regulatory and economic barriers to the purchase and use of CWSF, which may significantly affect the demand for our products.

The downturn in the global economy, or adverse changes in political and economic policies of the PRC government, could slow overall domestic economic growth of China, which could materially and adversely affect our business.

The failure to comply with PRC regulations relating to mergers and acquisitions of domestic enterprises by offshore special purpose vehicles may subject us to severe fines or penalties, and create other regulatory uncertainties regarding our corporate structure.

The market price for our stock may be volatile and our common stock is thinly traded, therefore you may be unable to sell at or near ask prices or at all if you need to sell your shares to raise money or otherwise desire to liquidate your shares.

If we require additional financing to execute our business plan, we may not be able to find such financing on satisfactory terms or at all, and financing involving the sale of additional

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common stock or other equity securities could result in additional dilution to our stockholders.

If we fail to develop and maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

Corporate History and Structure

Our current corporate structure is the result of a number of complex corporate restructurings through which we acquired control of our CWSF business in the PRC. We entered into this series of corporate restructurings in part because certain rules and regulations in the PRC restrict the ability of non-PRC companies that are controlled by PRC residents to acquire PRC companies.

On October 20, 2006, we acquired control of Hangson Limited, a British Virgin Islands company ("Hangson") pursuant to a Share Exchange Agreement, dated October 18, 2006 (the "Exchange Agreement"). Hangson was a holding company that controlled Shaanxi Suo'ang Biological Science & Technology Co., Ltd., a PRC company ("Suo'ang BST") and Suo'ang BST's 80%-owned subsidiary at the time, Suo'ang New Energy, through a series of contractual arrangements. Sou'ang BST, through Suo'ang New Energy, commenced CWSF production in July 2007.

As part of a process to ultimately directly control 100% ownership of Suo'ang New Energy, we began to reorganize our corporate structure in June 2009. In June 2009, we acquired 100% of Wiscon, which established Suoke Clean Energy, the Company's wholly foreign owned enterprise, in Tongchuan, Shaanxi Province. We subsequently entered into a series of agreements transferring all of the rights and obligations of Hangson under the contractual arrangements with Suo'ang BST to Suoke Clean Energy.

On November 12, 2009, Suo'ang New Energy received a new business license from the Tongchuan Administration for Industry and Commerce, which reflected that the acquisition of 100% of the equity of Suo'ang New Energy by Suoke Clean Energy had been completed. As a result, our CWSF business is now conducted primarily through Suo'ang New Energy, which is a 100% wholly owned subsidiary of Suoke Clean Energy, under applicable PRC laws and we are now able to directly control Suo'ang New Energy through our 100% ownership of Suoke Clean Energy. On May 14, 2010, Suoke Clean Energy's acquisition of Suo'ang New Energy was recorded with the Tongchuan Bureau of Commerce.

On October 12, 2009, Suo'ang New Energy established a wholly-owned subsidiary, Shenyang Energy, to conduct business in Shenyang, Liaoning Province.

On December 31, 2009, Suoke Clean Energy terminated all of its contractual arrangements with Suo'ang BST. In connection with this termination, certain assets held by Suo'ang BST, such as office equipment, vehicles, bank deposits and accounts receivable, were transferred to Suoke Clean Energy. Employees of Suo'ang BST signed new employment contracts with Suoke Clean Energy and rights and obligations under certain remaining business operation agreements, and research and development contracts between Suo'ang BST and third parties, were assigned to Suo'ang New Energy. Hangson transferred all of its equity interests in Wiscon to us.

Although the equity transfers in the PRC described above were approved by local governmental agencies, they were not approved by the PRC Ministry of Commerce ("MOFCOM") or the China Securities and Regulatory Commission (the "CSRC"). For a discussion of the risks and uncertainties arising from these PRC rules and regulations, see "Risk Factors The failure to comply with PRC regulations relating to mergers and acquisitions of domestic enterprises by offshore special purpose vehicles may subject us to severe fines or penalties, and create other regulatory uncertainties regarding our corporate structure." For a more detailed description of our corporate history and structure, see "Management's Discussion and Analysis of Financial Condition and Results of Operation Corporate Organization and History."

The following chart shows our current corporate structure:

Corporate Information

Our executive offices are located at Room 1502, Building D, Wangzuo International City Building No. 3 Tangyuan Road, Gaoxin District Xi'an, Shaanxi Province, P.R.C. and our telephone number is: (011) 86-29-8844-7960. Our corporate website is *www.sinocei.com*. Information contained on or accessed through our website is not intended to constitute and shall not be deemed to constitute part of this prospectus.

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The Offering

Common stock we are offering	5,465,000 shares
Over-allotment option	819,750 shares
Common stock to be outstanding after this offering	22,257,239 shares (or 23,076,989 if the over-allotment is exercised in full)
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $25,575,000 based on the offering price of $5.25 per share and after deducting the underwriting discounts and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to expand our CWSF production capacity at new and existing facilities. We intend to use any remaining net proceeds for working capital and general corporate purposes. See "Use of Proceeds" on page 33.
NASDAQ Global Market symbol	"SCEI"
Risk factors	Investing in our common stock involves a high degree of risk. Please see the section entitled "Risk Factors" starting on page 11 of this prospectus to read about risks that you should consider carefully before buying shares of our common stock.

Unless otherwise indicated, the number of shares of our common stock to be outstanding after this offering is based on 16,792,239 shares of our common stock outstanding as of September 30, 2010 and excludes:

- 3,633,535 shares of our common stock issuable upon exercise of warrants with a weighted average exercise price of $2.56 per share; and
- 65,000 shares of our common stock issuable upon exercise of options with a weighted average exercise price of $7.25 per share.

Unless otherwise indicated, the share information in this prospectus is as of September 30, 2010 and reflects or assumes:

- our 1-for-10 reverse stock split that we effected on May 7, 2010; and
- the underwriters do not exercise their over-allotment option to purchase up to an additional 819,750 shares of our common stock from us.

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Summary Consolidated Financial Information

The following tables present our summary consolidated financial information for the periods indicated and should be read in conjunction with the information contained in "Selected Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes appearing elsewhere in this prospectus. Historical operating information may not be indicative of our future performance. The consolidated financial statements are reported in United States dollar amounts and have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The consolidated financial statements for the years ending December 31, 2009 and 2008 have been audited by Weinberg & Company, P.A., an independent registered public accounting firm.

	Nine Months Ended September 30,		Year Ended December 31,	
	2010 (unaudited)	2009 (unaudited)	2009	2008
Income Statement Data:				
Revenue	$ 73,571,899	$ 26,982,573	$ 46,012,353	$ 14,253,989
Cost of goods sold	(44,448,913)	(17,695,505)	(28,922,846)	(9,266,832)
Gross profit	29,122,986	9,287,068	17,089,507	4,987,157
Selling expenses	3,203,245	422,405	1,125,884	13,128
General and administrative expenses	1,925,072	1,452,975	1,796,032	554,766
Income from operations	23,994,669	7,411,688	14,167,591	4,419,263
Other income (expense), net	15,658,614	(35,163,733)	(46,749,191)	(962,560)
Income (loss) before income taxes and non-controlling interest	39,653,283	(27,752,045)	(32,581,600)	3,456,703
Provision for income taxes	4,640,556	1,055,718	2,243,088	105,249
Net income (loss)	35,012,727	(28,807,763)	(34,824,688)	3,351,454
Net income allocable to non-controlling interest				(351,849)
Net income (loss) allocable to Sino Clean Energy Inc.	$ 35,012,727	$ (28,807,763)	$ (34,824,688)	$ 2,999,605
Basic earnings (loss) per share	$ 2.28	$ (3.00)	$ (3.56)	$ 0.34
Diluted earnings (loss) per share	$ 1.88	$ (3.00)	$ (3.56)	$ 0.34
Basic weighted average shares outstanding	15,385,062	9,609,130	9,792,922	8,716,962
Diluted weighted average shares outstanding	18,668,856	9,609,130	9,792,922	8,816,208

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Reconciliation of Net Income (Loss) to Unaudited Non-GAAP Adjusted Earnings

The following table includes a reconciliation of our Net Income (Loss) to unaudited non-GAAP Adjusted Earnings for the nine months ended September 30, 2010 and 2009 and for the years ended December 31, 2009 and 2008:

	For Nine Months Ended September 30,		For Years Ended December 31,	
	2010 (unaudited)	**2009 (unaudited)**	**2009**	**2008**
Net income (loss)	$ 35,012,727	$ (28,807,763)	$ (34,824,688)	$ 2,999,605
Amortization of discount on convertible notes	8,601,975	3,873,979	3,942,185	
Value of shares issued for bonus interest	1,864,701			
Expenses related to escrow shares		1,294,881	11,125,071	676,466
Gain on extinguishment of derivative liabilities	(28,404,181)	(3,370,593)	(7,046,556)	
Change in fair value of derivative liabilities	2,348,479	8,236,238	12,770,113	
Cost of private placement		24,794,842	24,977,114	
Non-GAAP Adjusted earnings (unaudited)	$ 19,423,701	$ 6,021,584	$ 10,943,239	$ 3,676,071
Non-GAAP Adjusted earnings per share basic (unaudited)	$ 1.02	$ 0.30	$ 0.57	$ 0.36
Non-GAAP Adjusted earnings per share diluted (unaudited)	$ 1.02	$ 0.30	$ 0.57	$ 0.36
Reconciliation of GAAP basic shares outstanding to Non-GAAP basic shares outstanding				
GAAP Basic Shares outstanding	15,385,062	9,609,130	9,792,922	8,716,962
Assumed conversion of convertible debentures		6,101,053	5,377,368	890,433
Assumed exercise of warrants	3,633,534	4,116,614	4,116,614	639,013
Non-GAAP Basic Shares outstanding	19,018,596	19,826,797	19,286,904	10,246,408
Reconciliation of GAAP diluted shares outstanding to Non-GAAP diluted shares outstanding				
GAAP Diluted shares outstanding	18,668,856	9,609,130	9,792,922	8,816,208
Assumed conversion of convertible debentures		6,101,053	5,377,368	890,433
Assumed exercise of warrants	349,740	4,116,614	4,116,614	539,767
Non-GAAP Diluted shares outstanding	19,018,596	19,826,797	19,286,904	10,246,408

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Non-GAAP Financial Measure

Non-GAAP adjusted earnings and non-GAAP adjusted earnings per share are not measures of financial performance under U.S. GAAP, and should not be considered in isolation or as an alternative to net income (loss) and earnings per share. We define non-GAAP adjusted earnings as net income (loss) excluding charges for the change in derivatives, gains on the extinguishment of derivatives, cost of private placements, which represents the excess of the fair value of the derivative liability created upon issuance of the notes over the amounts received, shares issued for bonus interest, expenses related to escrow shares, and other non-cash financing costs. We believe non-GAAP adjusted earnings is an important measure of operating performance because it allows management, securities analysts, investors and others to evaluate and compare our core operating results to other companies in our industry, including our return on capital and operating efficiencies, from period to period by removing the impact of our costs of private placements, derivative liabilities and other non-cash financing costs. Non-GAAP basic and diluted shares reflects the potential dilution that could occur if convertible debentures and warrants that represent derivatives and note discount were exercised or converted into common stock. Other companies may calculate non-GAAP adjusted earnings differently, and therefore our non-GAAP adjusted earnings and non-GAAP adjusted earnings per share may not be comparable to similarly titled measures of other companies.

	As of September 30, 2010		As of December 31,
	Actual (unaudited)	As Adjusted(1) (unaudited)	