



China Clean Energy Inc.

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FOR IMMEDIATE RELEASE

China Clean Energy Announces First Quarter 2009 Results

Fuqing City, China – May 12, 2009 -- China Clean Energy Inc. (OTC Bulletin Board: CCGY.OB) (“China Clean Energy”, the “Company”), a producer of biodiesel fuel and environmentally-friendly specialty chemical products made from renewable resources in The People’s Republic of China (“PRC”), today reported financial results for the first quarter ended March 31, 2009.

First Quarter 2009 Highlights

- Revenue totaled \$2.8 million
- Gross profit totaled \$356,332
- Adjusted EBITDA was \$194,118
- Operating loss was \$159,038
- Net loss was \$143,484

“The slowdown in the global economy and lower oil prices adversely affected both our specialty chemical and biodiesel business during the first quarter,” said Mr. Tai-ming Ou, China Clean Energy’s Chairman and CEO. “As we move into the second quarter we are encouraged by signs of recovery in demand for our products and anticipate the first quarter of 2009 to be the low point of the year. We also expect construction of our Jiangyin plant to be completed in September 2009, with production from the new plant ramping up to full capacity by the second quarter of 2010.”

First Quarter 2009 Results

China Clean Energy’s net revenue in the first quarter was \$2.8 million, down 37.3% from the first quarter of 2008. The decline in revenue was driven by lower sales volume and lower sales prices primarily for specialty chemical products, due to the decline in demand caused by the global economic slowdown. In addition, the sharp decline in crude oil price during the second half of 2008 has negatively affected selling prices of biodiesel in China. Compared to the first quarter of 2008 and fourth quarter of 2008, the selling price of biodiesel decreased by about 29% and 19%, respectively.

Gross profit in the first quarter of 2009 was \$356,332, down 65.8% from the first quarter of 2008. Gross margin was 12.7% in the first quarter of 2009, down from 23.3% during the same period in 2008 driven by lower selling prices and higher manufacturing overhead costs.

Operating expense in the first quarter of 2009 was \$515,370 representing a 29.6% decrease from \$731,550 in the first quarter of 2008, driven by lower stock-based compensation expenses and decrease in selling expenses related to specialty chemical product exports. In the first quarter of 2009 the Company recorded an operating loss of \$159,038 compared to an operating profit of \$311,686 in the comparable period of 2008.

Adjusted EBITDA for the first quarter 2009 was \$194,118 compared to \$725,429 in the comparable period of 2008.

Net loss for the first quarter of 2009 was \$143,484 compared to a profit of \$163,783 or \$0.005 per share in the first quarter of 2008.

Financial Condition

As of March 31, 2009, China Clean Energy had \$2.5 million in total cash, approximately \$3.4 million in working capital, and no debt. Stockholders' equity at March 31, 2009 stood at \$31.5 million.

Recent Events

On April 21, 2009 the Company announced that its wholly-owned subsidiary, Fujian Zhongde Technology Co., Ltd., secured a credit line for up to RMB21 million (equivalent to approximately US\$3.1 million) from Fuzhou City Commercial Bank.

On May 6, 2009 the Company announced that the construction of its Jiangyin plant is now expected to be completed in September 2009, representing a three month delay from the Company's previous estimate. The delay in the plant's construction has been due to the rainy season, as well as to delays resulting from a construction accident suffered by one of the Company's contractors. This accident has caused no other impact on the Company.

Conference Call

China Clean Energy will hold its first quarter 2009 conference call for all interested persons at 08:00 a.m. Eastern Time on May 12, 2009 to discuss its results. To participate in the live conference call, please dial the following number five to ten minutes prior to the scheduled conference call time: +1-888- 419-5570. International callers should dial +1-617-896-9871. When prompted by the operator, mention Conference Passcode 28126360. If you are unable to participate in the call at this time, a replay will be available for 14 days starting on May 12, 2009 at 10:00 a.m. Eastern Time. To access the replay, dial 888-286-8010 and International callers should dial 617-801-6888 and enter the passcode 61804670.

About China Clean Energy:

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

Safe Harbor Statement

This announcement contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact in this announcement are forward-looking statements, including but not limited to, the Company's ability to raise additional capital to finance the Company's activities; the effectiveness, profitability, and the marketability of its products; legal and regulatory risks associated with the share exchange; the future trading of the common stock of the Company; the ability of the Company to expand its production capacity; the period of time for which its current liquidity will enable the Company to fund its operations; the Company's ability to protect its proprietary information; general economic and business conditions; the volatility of the Company's operating results and financial condition; the Company's ability to attract or retain qualified senior management personnel and research and development staff; and other risks detailed in the Company's filings with the Securities and Exchange Commission. These forward-looking statements involve known and unknown risks and uncertainties and are based on current expectations, assumptions, estimates and projections about the Company and the industry. The Company undertakes no obligation to update forward-looking statements to reflect subsequent occurring events or circumstances, or to changes in its expectations, except as may be required by law. Although the Company believes that the expectations expressed in these forward looking statements are reasonable, they cannot assure you that their expectations will turn out to be correct, and investors are cautioned that actual results may differ materially from the anticipated results.

—FINANCIAL TABLES FOLLOW—

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (UNAUDITED)

	2009	2008
REVENUES	\$ 2,806,262	\$ 4,473,009
Less: cost of goods sold	2,449,930	3,429,773
GROSS PROFIT	356,332	1,043,236
OPERATING EXPENSE		
Selling and marketing	48,056	87,881
General and administrative	441,390	603,887
Research and development	25,924	39,782
Total operating expense	515,370	731,550
INCOME (LOSS) FROM OPERATIONS	(159,038)	311,686
OTHER INCOME (EXPENSE)		
Interest income (expense), net	953	(25,667)
Other income (expense)	(1,101)	(25,653)
Change in fair value of warrants	26,064	-
Total other income (expense)	25,916	(51,320)
INCOME (LOSS) BEFORE INCOME TAXES	(133,122)	260,366
PROVISION FOR INCOME TAXES	10,362	96,583
NET INCOME (LOSS)	(143,484)	163,783
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment	(45,210)	1,163,218
COMPREHENSIVE INCOME (LOSS)	\$ (188,694)	\$ 1,327,001
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE		
Weighted average number of shares	31,512,269	30,523,258
Earnings (loss) per share	\$ (0.005)	\$ 0.005

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

Adjusted EBITDA represents earnings before net interest expense, income tax provision, depreciation and amortization, stock based compensation, inventory write downs and other impairment charges. Our management believes adjusted EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in evaluating companies in our industry. In addition, our management believes that adjusted EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of adjusted EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of non cash charges, which items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses adjusted EBITDA as a measure to evaluate the performance of our business. However, adjusted EBITDA is not a recognized measurement under generally accepted accounting principles, or GAAP, and when analyzing our operating performance, investors should use adjusted EBITDA in addition to, and not as an alternative for, income from operations and net income, each as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, adjusted EBITDA is not intended to be a measure of free cash flow for our management's discretionary use, as it does not consider certain cash requirements such as a tax and debt service payments.

Adjusted EBITDA	Q1 2009	Q1 2008
Net Income	(143,484)	163,783
Depreciation and Amortization	235,699	185,778
Interest	(953)	25,667
Taxes	10,362	96,583
Stock-based Compensation	93,094	253,618
Inventory Write-down	25,464	-
Change in Warrants Liability	(26,064)	-
Total Adjusted EBITDA	194,118	725,429
Adjusted EBITDA per share	0.01	0.02

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CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2009 AND DECEMBER 31, 2008

<u>ASSETS</u>	March 31, 2009 (Unaudited)	December 31, 2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,458,843	\$ 2,913,711
Accounts receivable, net of allowance for doubtful accounts of \$165,354 and \$136,389 as of March 31, 2009 and December 31, 2008, respectively	1,265,617	1,092,768
Inventories, net	833,442	815,210
Advances for inventory and other current assets	207,477	310,773
Total current assets	<u>4,765,379</u>	<u>5,132,462</u>
PLANT AND EQUIPMENT, NET	20,112,793	19,167,624
INTANGIBLE ASSETS, NET	5,007,252	5,072,626
ADVANCES ON EQUIPMENT PURCHASES	3,251,263	3,649,192
TOTAL ASSETS	<u>\$ 33,136,687</u>	<u>\$ 33,021,904</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 957,445	\$ 350,618
Customer deposits	61,180	31,422
Accrued liabilities	219,606	349,435
Taxes payable	144,517	156,965
Long-term bank loans - current portion	-	236,308
Total current liabilities	<u>1,382,748</u>	<u>1,124,748</u>
WARRANT LIABILITIES	269,317	-
LONG-TERM BANK LOANS - NET OF CURRENT PORTION	-	21,553
COMMITMENTS AND CONTINGENCIES		
Total liabilities	<u>1,652,065</u>	<u>1,146,301</u>
SHAREHOLDERS' EQUITY		
Preferred stock, par value \$0.001 per share, authorized 10,000,000 shares, no shares issued and outstanding as of March 31, 2009 and December 31, 2008, respectively	-	-
Common stock, par value \$0.001 per share, authorized 90,000,000 shares, 31,512,269 and 31,512,269 shares issued and outstanding as of March 31, 2009 and December 31, 2008, respectively	3,151	3,151
Additional paid-in capital	12,137,396	21,584,006
Statutory reserves	1,465,519	1,457,432
Retained earnings	14,753,777	5,661,025
Accumulated other comprehensive income	3,124,779	3,169,989
Total shareholders' equity	<u>31,484,622</u>	<u>31,875,603</u>
Total liabilities and shareholders' equity	<u>\$ 33,136,687</u>	<u>\$ 33,021,904</u>

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CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (UNAUDITED)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (143,484)	\$ 163,783
Adjusted to reconcile net income (loss) to cash provided		
by operating activities:		
Depreciation	177,236	126,371
Bad debt expense	29,153	-
Amortization of intangible assets	58,463	59,407
Stock-based compensation expense	93,094	253,618
Writedown of inventory	25,464	-
Loss on disposal of assets	-	490
Change in fair value of warrants	(26,064)	-
Changes in operating assets and liabilities		
Accounts receivable	(203,504)	1,028,595
Inventories	(19,346)	440,923
Other receivables and prepaid expenses	-	32,330
Advances for inventory and other current assets	102,880	(23,660)
Accounts payable	607,346	(42,189)
Customer deposits	29,803	(43,216)
Accrued liabilities	(129,361)	66,010
Taxes payables	(12,235)	(144,130)
Net cash provided by operating activities	589,445	1,918,332
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to construction in progress	(558,889)	(3,711,599)
Purchase of equipment	(2,102)	(127,150)
Proceeds from sale of equipment	-	1,747
Advances for equipment purchase	(194,631)	(5,850,585)
Net cash used in investing activities	(755,622)	(9,687,587)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of common stock	-	13,627,403
Payment on short-term bank loans	(236,002)	(1,048,275)
Payment on long-term bank loans	(21,525)	(49,977)
Net cash used in financing activities	(257,527)	12,529,151
EFFECT OF EXCHANGE RATE ON CASH	(31,164)	305,571
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(454,868)	5,065,467
CASH AND CASH EQUIVALENTS, beginning	2,913,711	1,133,555
CASH AND CASH EQUIVALENTS, ending	\$ 2,458,843	\$ 6,199,022
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest expenses paid	\$ 2,652	\$ 27,755
Income taxes paid	\$ -	\$ 86,113
Reclassification of advances of equipment purchase to construction in progress	\$ 587,612	-