



China Clean Energy Inc.

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FOR IMMEDIATE RELEASE

China Clean Energy Announces Second Quarter 2009 Results

- **Revenues up 51.8% from first quarter 2009**
- **Gross profit up 157.6% from first quarter 2009**
- **Gross margin reached 21.5%**

Fuqing City, China – August 14, 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 second quarter ended June 30, 2009.

Second Quarter 2009 Highlights

- Revenue totaled \$4.3 million, up 51.8% from the first quarter 2009
- Gross profit totaled \$917,785, up 157.6% from the first quarter 2009
- Adjusted EBITDA was \$862,525
- Operating income was \$494,470, compared to a loss of \$159,038 in the first quarter 2009
- Net loss was \$76,832 on a GAAP basis

“We are very pleased with our results for the quarter, reflecting a healthy recovery in volume and average selling prices for both our specialty chemicals and biodiesel products from depressed first quarter levels, which allowed us to expand our gross margins and return to profitability at the operating level,” said Mr. Tai-ming Ou, China Clean Energy’s Chairman and CEO. “We are also pleased to reaffirm that the Jiangyin plant is on target to come on stream in the fourth quarter, which will allow us to substantially expand our specialty chemical and biodiesel capacity. As we move into the third quarter we expect to continue to benefit from the recent recovery in the global economy and hope to make further progress on both our top and bottom line results as we increase capacity utilization and benefit from firm pricing.”

Second Quarter 2009 Results

China Clean Energy's net revenue in the second quarter was \$4.3 million, down 22.3% from the second quarter of 2008, and up 51.8% from the first quarter 2009. The year-over-year decline in revenue was driven by lower selling prices and lower domestic sales, primarily driven by the declining demand in the domestic specialty-chemicals market as the economic slowdown continued in 2009. The sequential increase in revenues was driven by higher volume and average selling prices for both biodiesel and specialty-chemicals. Average selling price for biodiesel was RMB 3,870 in the second quarter 2009 compared to RMB 3608 in the first quarter 2009. Biodiesel sales volume was 1,493 tons in the second quarter of 2009, compared to 1,036 tons in the first quarter of 2009. The Company did not produce biodiesel in the second quarter of 2008. The average selling price for specialty chemicals was RMB 8,766 in the second quarter 2009 compared to RMB 8,650 in the first quarter 2009 and sales volumes were 2,655 tons and 1,782 tons respectively.

Gross profit in the second quarter of 2009 was \$917,785 down 32.4% from \$1.4 million in the comparable period in 2008, and up 157.6% from \$356,332 in the first quarter 2009. The year-over-year decline in gross profit was driven by lower volume, lower selling prices and higher manufacturing overhead costs. The sequential increase in gross profit resulted from higher volume and stronger prices. Gross margin in the second quarter 2009 was 21.5% compared to 24.8% in the comparable period 2008 and 12.7% in the first quarter 2009.

Operating expense in the second quarter of 2009 was \$423,315 down 31.0% from \$613,651 in the comparable period in 2008, and down 17.9% from \$515,370 in the first quarter 2009, driven by lower stock-based compensation expenses. In the second quarter 2009 the Company recorded an operating profit of \$494,470 compared to an operating profit of \$744,802 in the comparable period in 2008 and an operating loss of \$159,038 in the first quarter 2009.

Adjusted EBITDA for the second quarter 2009 was \$862,525 compared to \$1.2 million in the comparable period of 2008, and \$194,118 in the first quarter 2009. A table reconciling Adjusted EBITDA, which is a non-GAAP measure, to the nearest GAAP measure is available elsewhere on this release.

Net loss for the second quarter 2009 was \$76,832 or \$0.002 per share compared to a profit of \$557,690 or \$0.02 per share in the second quarter 2008, and a loss of \$143,484 or \$0.005 per share in the first quarter 2009. Net loss for the second quarter includes a \$145,429 non-cash charge for stock based compensation and a \$413,662 non-cash charge for warrant liability revaluation. Additional detail about these charges can be found in the 10-Q form filed with the SEC on August 13, 2009.

Six Months Results

For the first six months of 2009, total revenue was \$7.1 million, down 29.0% from the first six months of 2008. Gross profit for the first six months of 2009 was \$1.3 million, down 46.9% from gross profit of \$2.4 million in the comparable period a year ago. Gross margin was 18.0% and 24.1% for the first six months of 2009 and 2008, respectively. Income from operations was \$335,432, down 68.3% from \$1.1 million in the first six months of 2008. Adjusted EBITDA was \$1.1 million for the first six months of 2009, down 45.3% from \$1.9 million for the comparable period of 2008. Net loss for the first six months of 2009 was \$202,316 compared to net income of

\$749,228 in the first six months of 2008. Net loss for the first six months of 2009 includes a \$238,523 non-cash charge for stock based compensation and a \$507,238 non-cash charge for warrant liability revaluation. Fully-diluted loss per share was \$0.01 for the first six months of 2009, compared to earnings per share of \$0.02 in the comparable period in 2008.

Financial Condition

As of June 30, 2009, China Clean Energy had \$4.5 million in total cash, approximately \$3.5 million in working capital, and \$3.6 million of debt. Stockholders' equity at June 30, 2009 stood at \$31.6 million, or approximately \$1.00 per share.

Conference Call

China Clean Energy will hold its second quarter 2009 conference call for all interested persons at 08:00 a.m. Eastern Time on August 14, 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: +1-866- 800-8648. International callers should dial +1-617-614-2702. When prompted by the operator, mention Conference Passcode 73793298. If you are unable to participate in the call at this time, a replay will be available for 14 days starting on August 14, 2009 at 10:00 a.m. Eastern Time. To access the replay, dial 888-286-8010 or for international callers, dial +1-617-801-6888 and enter the passcode 32906676.

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

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correct, and investors are cautioned that actual results may differ materially from the anticipated results.

--FINANCIAL TABLES FOLLOW--

CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
REVENUES	\$ 4,259,747	\$ 5,478,785	\$ 7,066,009	\$ 9,951,794
Less: cost of goods sold	3,341,962	4,120,332	5,791,892	7,550,105
GROSS PROFIT	917,785	1,358,453	1,274,117	2,401,689
OPERATING EXPENSES				
Selling and marketing	96,370	49,040	144,426	136,921
General and administrative	297,257	513,389	738,647	1,117,276
Research and development	29,688	51,222	55,612	91,004
Total operating expenses	423,315	613,651	938,685	1,345,201
INCOME FROM OPERATIONS	494,470	744,802	335,432	1,056,488
OTHER INCOME (EXPENSE)				
Interest income (expense), net	(397)	10,411	556	17,433
Other income (expense)	(4,821)	(55,240)	(5,922)	(85,827)
Change in fair value of warrant liabilities	(413,662)	-	(387,598)	-
Total other expenses	(418,880)	(44,829)	(392,964)	(68,394)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	75,590	699,973	(57,532)	988,094
PROVISION FOR INCOME TAXES	152,422	142,283	162,784	238,866
NET INCOME (LOSS)	(76,832)	557,690	(220,316)	749,228
OTHER COMPREHENSIVE INCOME				
Foreign currency translation adjustment	(1,851)	708,840	(47,061)	1,872,058
COMPREHENSIVE INCOME (LOSS)	\$ (78,683)	\$ 1,266,530	\$ (267,377)	\$ 2,621,286
BASIC AND DILUTED EARNINGS PER SHARE				
Weighted average number of shares	31,512,269	31,512,269	31,512,269	31,017,764
Earnings per share	\$ (0.002)	\$ 0.02	\$ (0.007)	\$ 0.02

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.

	<u>Three Months to June 30</u>		<u>Six Months to June 30</u>	
	2009	2008	2009	2008
Adjusted EBITDA				
Net Income (Loss):	\$ (76,832)	\$ 557,690	\$ (220,316)	\$ 749,228
Depreciation and Amortization	\$ 227,436	\$ 235,360	\$ 463,135	\$ 421,138
Interest	397	(10,411)	(556)	(17,433)
Taxes	152,422	142,283	162,784	238,866
Stock-based Compensation	145,429	253,619	238,523	507,238
Inventory Write-down	11	29,043	25,475	29,043
Change in Warrants Liability	413,662	-	387,598	-
Total Adjusted EBITDA	<u>\$ 862,525</u>	<u>\$ 1,207,584</u>	<u>\$ 1,056,643</u>	<u>\$ 1,928,080</u>
Adjusted EBITDA per share	<u>\$ 0.027</u>	<u>\$ 0.038</u>	<u>\$ 0.034</u>	<u>\$ 0.062</u>

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CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>ASSETS</u>	June 30, 2009 (Unaudited)	December 31, 2008
CURRENT ASSETS			
Cash and cash equivalents	\$	4,531,327	\$ 2,913,711
Restricted cash		508,751	-
Accounts receivable, net of allowance for doubtful accounts of \$69,638 and \$136,389 as of June 30, 2009 and December 31, 2008, respectively		1,323,122	1,092,768
Inventories, net		892,514	815,210
Advances for inventory and other current assets		739,644	310,773
Total current assets		<u>7,995,358</u>	<u>5,132,462</u>
PLANT AND EQUIPMENT, NET		23,775,465	19,167,624
INTANGIBLE ASSETS, NET		4,957,424	5,072,626
ADVANCES ON EQUIPMENT PURCHASES		-	3,649,192
TOTAL ASSETS	\$	<u>36,728,247</u>	\$ <u>33,021,904</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable	\$	502,041	\$ 350,618
Accrued liabilities		180,188	349,435
Customer deposits		120,195	31,422
Taxes payable		66,668	156,965
Short-term notes payables		548,306	-
Short-term bank loans		3,076,500	-
Long-term bank loans - current portion		-	236,308
Total current liabilities		<u>4,493,898</u>	<u>1,124,748</u>
WARRANT LIABILITIES		682,981	-
LONG-TERM BANK LOANS - NET OF CURRENT PORTION		-	21,553
COMMITMENTS AND CONTINGENCIES			
Total liabilities		<u>5,176,879</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 June 30, 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 June 30, 2009 and December 31, 2008, respectively		31,512	31,512
Additional paid-in capital		12,254,464	21,555,645
Statutory reserves		1,523,242	1,457,432
Retained earnings		14,619,222	5,661,025
Accumulated other comprehensive income		3,122,928	3,169,989
Total shareholders' equity		<u>31,551,368</u>	<u>31,875,603</u>
Total liabilities and shareholders' equity	\$	<u>36,728,247</u>	\$ <u>33,021,904</u>

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

	Six months ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (220,316)	\$ 749,228
Adjusted to reconcile net income (loss) to cash provided		
by operating activities:		
Depreciation	354,796	313,931
Recovery of Bad debt expense	(66,597)	(189,579)
Amortization of intangible assets	108,339	107,207
Stock-based compensation expense	238,523	507,238
Writedown on inventory	25,475	29,043
Loss on disposal of assets	-	490
Change in fair value of warrants	387,598	-
Changes in operating assets and liabilities		
Accounts receivable	(165,357)	1,497,611
Inventories	(103,928)	136,437
Other receivables and prepaid expenses	-	(2,902,377)
Advances for inventory and other current assets	(605,385)	183,807
Accounts payable	151,967	30,537
Accrued liabilities	(169,614)	45,657
Customer deposits	88,859	(187,969)
Taxes payables	(90,124)	(155,297)
Short-term notes payable	548,568	-
Net cash provided by operating activities	482,803	165,964
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to construction in progress	(1,335,147)	(2,484,544)
Purchase of equipment	(9,878)	(1,950,320)
Proceeds from sale of equipment	-	1,747
Advances for equipment purchases	-	(2,408,720)
Net cash used in investing activities	(1,345,025)	(6,841,837)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted cash	(508,751)	-
Net proceeds from issuance of common stock	-	13,627,403
Proceeds from short-term bank loans	3,077,970	-
Payments on short-term bank loans	-	(1,054,467)
Payments on long-term bank loans	(257,527)	(111,805)
Net cash provided by financing activities	2,311,692	12,461,131
EFFECT OF EXCHANGE RATE ON CASH	168,145	468,834
INCREASE IN CASH AND CASH EQUIVALENTS	1,617,616	6,254,092
CASH AND CASH EQUIVALENTS, beginning of period	2,913,711	1,133,555
CASH AND CASH EQUIVALENTS, end of period	\$ 4,531,327	\$ 7,387,647
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest expenses paid	\$ 18,823	\$ 36,861
Income taxes paid	\$ 116,755	\$ 86,113
Reclassification of advances of equipment purchase to construction in progress	\$ 3,645,958	-
Reclassification of advances for inventory and other assets to construction in progress	\$ 175,884	-

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