



## China Clean Energy Inc.

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**FOR IMMEDIATE RELEASE**

### **China Clean Energy Announces Third Quarter 2009 Results**

**Fuqing City, China – November 13, 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 third quarter ended September 30, 2009.

#### **Third Quarter 2009 Highlights**

- Revenue totaled \$4.0 million
- Gross profit totaled \$769,041
- Operating income was \$282,931
- Net loss was \$731,672, or \$0.02 per fully-diluted share
- Adjusted net income (Non-GAAP) was \$317,323, or \$0.01 per fully-diluted share

“We are pleased with our results for the quarter as we were able to deliver higher operating margin and relatively stable revenue, compared to the same quarter of 2008. Excluding the effect of warrant revaluation and employee stock-based compensation ( non-cash charges), we also delivered positive adjusted net income,” said Mr. Tai-ming Ou, China Clean Energy’s Chairman and CEO. “We are also very pleased to have finished the construction of the Jiangyin plant. This is a major milestone for China Clean Energy, as it will significantly expand our production capacity and improve our ability to compete in the market place. As we discussed in the past, our new plant is capable of producing up to 30,000 tons per year of specialty chemicals and 40,000 tons per year of biodiesel for a combined output of 70,000 tons per year. We expect to begin commercial operations at the Jiangyin plant in December 2009, with gradual ramp up to approximately 50% of capacity over the next 6 months, and reach full capacity in the next 12 months. ”

### **Third Quarter 2009 Results**

China Clean Energy's net revenue in the third quarter was \$4.0 million, down 2.7% from the third quarter of 2008. The year-over-year decline in revenue was driven by lower selling prices and volume for domestic specialty-chemical sales, partially offset by a 45% surge in specialty-chemical exports which totaled \$2.5 million in the quarter. Biodiesel average selling price was RMB 4,100 in the third quarter of 2009 compared to RMB 3,870 in the second quarter of 2009. Biodiesel sales volume was 765 tons in the third quarter of 2009, compared to 1,493 tons in the second quarter of 2009. Specialty chemicals average selling price was RMB 8,960 in the third quarter of 2009 compared to RMB 8,766 in the second quarter of 2009 and sales volume was 2,685 tons and 2,655 tons, respectively. Biodiesel and specialty chemicals represented 12% and 88% of net revenue in the quarter, respectively.

Gross profit in the third quarter of 2009 was \$769,041, down 11.5% from \$868,530 in the comparable period of 2008. Gross margin in the third quarter 2009 was 19.3% compared to 21.2% in the comparable period of 2008. The year-over-year decline in gross margin was primarily the result of margin compression in the Biodiesel segment to 1% in the third quarter, while no sales generated from Biodiesel segment in the comparable period of 2008.

Operating expense in the third quarter of 2009 was \$486,110, down 19.8% from \$606,078 in the comparable period in 2008, driven primarily by lower stock-based compensation expenses which offset higher selling expenses associated with the increase in specialty-chemical exports.

Operating income was up 7.8% to \$282,931 in the third quarter 2009, compared to an operating income of \$262,452 in the comparable period in 2008.

Net loss for the third quarter 2009 was \$731,672 or \$0.02 per share compared to a profit of \$401,699 or \$0.01 per share in the third quarter 2008. Net loss for the third quarter includes a \$965,965 non-cash charge for warrant-liability revaluation and a \$83,030 non-cash charge for employee stock-based compensation. Additional details about these charges can be found in the 10-Q form filed with the SEC on November 12, 2009.

Adjusted net income, which excludes the non-cash charge for warrant liability revaluation and stock-based compensation expense, for the third quarter 2009 was \$317,323 or \$0.01 per fully-diluted share, compared to \$906,421 or \$0.03 per fully-diluted share in the comparable period of 2008. A table reconciling adjusted net income, which is a non-GAAP measure, to the nearest GAAP measure is available elsewhere on this release.

### **Nine Months Results**

For the first nine months of 2009, total revenue was \$11.1 million, down 21.3% from the first nine months of 2008. Gross profit for the first nine months of 2009 was \$2.0 million, down 37.5% from gross profit of \$3.3 million in the comparable period a year ago. Gross margin was 18.5% and 23.3% for the first nine months of 2009 and 2008, respectively. Income from operations was \$618,363, down 53.1% from \$1.3 million in the first nine months of 2008. Net loss for the first

nine months of 2009 was \$951,988, compared to net income of \$1.2 million in the first nine months of 2008. Fully-diluted loss per share was \$0.03 for the first nine months of 2009, compared to earnings per share of \$0.04 in the comparable period in 2008. Net loss for the first nine months of 2009 includes a \$1,353,563 non-cash charge for warrant liability revaluation and a \$321,553 stock-based compensation expense. Adjusted net income, which excludes the non-cash charge for warrant-liability revaluation and stock-based compensation expense, for the first nine months of 2009 was \$723,128, or \$0.02 per fully-diluted share. A table reconciling adjusted net income, which is a non-GAAP measure, to the nearest GAAP measure is available elsewhere on this release.

### **Financial Condition**

As of September 30, 2009, China Clean Energy had \$4.2 million in total cash, approximately \$3.1 million in working capital, and \$3.3 million of debt. Stockholders' equity at September 30, 2009 stood at \$30.9 million, or approximately \$1.00 per share.

### **Conference Call**

China Clean Energy will hold its third quarter 2009 conference call for all interested persons at 08:00 a.m. Eastern Time on Friday, November 13, 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 24622648. If you are unable to participate in the call at this time, a replay will be available for 14 days starting on November 13, 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 14596371.

### **About China Clean Energy:**

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

### *Safe Harbor Statement*

*This announcement contains forward-looking statements. All statements other than statements of historical fact in this announcement are forward-looking statements, including but not limited to, the effectiveness, profitability, and the marketability of the Company's products; the future trading of the common stock of the Company; the ability of the Company to capitalize on its expanded production capacity; the period of time for which its current liquidity will enable the Company to fund its operations; the Company's ability to protect its proprietary information; general economic and business conditions; the volatility of the Company's operating results and financial condition; the Company's ability to attract or retain qualified senior management personnel and research and development staff; and other risks detailed in the Company's filings with the Securities and Exchange Commission. These forward-looking statements involve known and unknown risks and uncertainties and are based on current expectations, assumptions, estimates and projections about the Company and the industry. The Company undertakes no obligation to update forward-looking statements to reflect subsequent occurring events or circumstances, or to*

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*changes in its expectations, except as may be required by law. Although the Company believes that the expectations expressed in these forward looking statements are reasonable, it cannot assure you that the Company's expectations will turn out to be correct, and investors are cautioned that actual results may differ materially from the anticipated results.*

**--FINANCIAL TABLES FOLLOW--**

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

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
REVENUES	\$ 3,988,916	\$ 4,101,578	\$ 11,054,925	\$ 14,050,000
Less: cost of goods sold	<u>3,219,875</u>	<u>3,233,048</u>	<u>9,011,767</u>	<u>10,780,000</u>
GROSS PROFIT	<u>769,041</u>	<u>868,530</u>	<u>2,043,158</u>	<u>3,270,000</u>
OPERATING EXPENSES				
Selling and marketing	92,789	56,721	237,215	190,000
General and administrative	365,798	517,203	1,104,445	1,630,000
Research and development	<u>27,523</u>	<u>32,154</u>	<u>83,135</u>	<u>120,000</u>
Total operating expenses	<u>486,110</u>	<u>606,078</u>	<u>1,424,795</u>	<u>1,950,000</u>
INCOME FROM OPERATIONS	<u>282,931</u>	<u>262,452</u>	<u>618,363</u>	<u>1,320,000</u>
OTHER INCOME (EXPENSE)				
Interest income (expense), net	(7,175)	7,910	(6,619)	10,000
Other income (expense), net	2,569	70,263	(3,353)	(10,000)
Change in fair value of warrant liabilities	<u>(965,965)</u>	<u>-</u>	<u>(1,353,563)</u>	<u>-</u>
Total other expenses	<u>(970,571)</u>	<u>78,173</u>	<u>(1,363,535)</u>	<u>-</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(687,640)	340,625	(745,172)	1,320,000
PROVISION FOR INCOME TAXES (CREDIT)	<u>44,032</u>	<u>(61,074)</u>	<u>206,816</u>	<u>170,000</u>
NET INCOME (LOSS)	(731,672)	401,699	(951,988)	1,150,000
OTHER COMPREHENSIVE INCOME				
Foreign currency translation adjustment	<u>43,544</u>	<u>15,704</u>	<u>(3,517)</u>	<u>1,880,000</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$ (688,128)</u>	<u>\$ 417,403</u>	<u>\$ (955,505)</u>	<u>\$ 3,030,000</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE				
Weighted average number of shares	<u>31,512,269</u>	<u>31,512,269</u>	<u>31,512,269</u>	<u>31,180,000</u>
Earnings (loss) per share	<u>\$ (0.02)</u>	<u>\$ 0.01</u>	<u>\$ (0.03)</u>	<u>\$ 0.04</u>

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

The management of China Clean Energy uses non-GAAP adjusted net earnings to measure the performance of the Company's business internally by excluding non-recurring items as well as non-cash charges related to the warrants issued in connection with the Company's 2008 Private Placement offering. The Company's management believes that these non-GAAP adjusted financial measures allow the management to focus on managing business operating performance because these measures reflect the essential operating activities of China Clean Energy and provide a consistent method of comparison to historical periods. The Company believes that providing the non-GAAP measures - which management uses internally - to its investors is useful to investors for a number of reasons. The non-GAAP measures provide a consistent basis for investors to understand the Company's financial performance in comparison to historical periods without variation of non-recurring items and non-operating related charges. In addition, it allows investors to better evaluate the Company's performance using the same methodology and information as those used by the management. Non-GAAP measures are subject to inherent limitations because they do not include all of the expenses included under GAAP and because they involve the exercise of judgment of which charges are excluded from the non-GAAP financial measure. However, the management of China Clean Energy compensates for these limitations by providing the relevant disclosure of the items excluded.

The following table provides the non-GAAP financial measure and a reconciliation of the non-GAAP measure to the GAAP net income.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
<b>Net Income (Loss)</b>	\$ (731,672)	\$ 401,699	\$ (951,988)	\$ 1,150,927
Add back (Deduct):				
Change in fair value of warrant	\$ 965,965	\$ -	\$ 1,353,563	\$ -
Stock-based compensation	\$ 83,030	\$ 504,722	\$ 321,553	\$ 758,341
<b>Adjusted Net Income</b>	<b>\$ 317,323</b>	<b>\$ 906,421</b>	<b>\$ 723,128</b>	<b>\$ 1,909,268</b>
<b>Diluted EPS</b>	\$ (0.02)	\$ 0.01	\$ (0.03)	\$ 0.04
Add back (Deduct):				
Change in fair value of warrant	\$ 0.03	\$ -	\$ 0.04	\$ -
Stock-based compensation	\$ -	\$ 0.02	\$ 0.01	\$ 0.02
<b>Adjusted EPS</b>	<b>\$ 0.01</b>	<b>\$ 0.03</b>	<b>\$ 0.02</b>	<b>\$ 0.06</b>

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CHINA CLEAN ENERGY INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	<u>ASSETS</u>	September 30, 2009 (Unaudited)	December 31, 2008
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	4,158,374	\$ 2,913,000
Restricted cash		244,945	
Accounts receivable, net of allowance for doubtful accounts of \$69,733 and \$136,389 as of September 30, 2009 and December 31, 2008, respectively		1,252,237	1,092,000
Inventories, net		928,783	815,000
Advances for inventory and other current assets		452,226	310,000
Prepaid tax credit		99,791	
Total current assets		<u>7,136,356</u>	<u>5,132,000</u>
PLANT AND EQUIPMENT, NET		24,575,426	19,167,000
INTANGIBLE ASSETS, NET		4,912,417	5,072,000
ADVANCES ON EQUIPMENT PURCHASES		-	3,649,000
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u><u>36,624,199</u></u></b>	<b>\$ <u><u>33,021,000</u></u></b>
 <b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$	336,186	\$ 350,000
Accrued liabilities		190,627	349,000
Customer deposits		81,200	31,000
Taxes payable		95,327	156,000
Short-term notes payables		244,945	
Short-term bank loans		3,080,700	
Long-term bank loans - current portion		-	236,000
Total current liabilities		<u>4,028,985</u>	<u>1,124,000</u>
WARRANT LIABILITIES		1,648,944	
LONG-TERM BANK LOANS - NET OF CURRENT PORTION		-	21,000
<b>COMMITMENTS AND CONTINGENCIES</b>			
Total liabilities		<u><u>5,677,929</u></u>	<u><u>1,146,000</u></u>
<b>SHAREHOLDERS' EQUITY</b>			
Preferred stock, par value \$0.001 per share, authorized 10,000,000 shares, no shares issued and outstanding as of September 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 September 30, 2009 and December 31, 2008, respectively		31,512	31,000
Additional paid-in capital		12,337,494	21,555,000
Statutory reserves		1,576,349	1,457,000
Retained earnings		13,834,443	5,661,000
Accumulated other comprehensive income		3,166,472	3,169,000
Total shareholders' equity		<u><u>30,946,270</u></u>	<u><u>31,875,000</u></u>
Total liabilities and shareholders' equity	<b>\$</b>	<b><u><u>36,624,199</u></u></b>	<b>\$ <u><u>33,021,000</u></u></b>

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

	Nine months ended September 30,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (951,988)	\$ 1,150,
Adjusted to reconcile net income (loss) to cash provided		
by operating activities:		
Depreciation	532,442	514,
Recovery of Bad debt expense	(66,606)	
Amortization of intangible assets	160,088	168,
Stock-based compensation expense	321,553	758,
Write-down on inventory	-	23,
Loss on disposal of assets	-	
Change in fair value of warrants	1,353,563	
Changes in operating assets and liabilities		
Accounts receivable	(92,744)	1,804,
Inventories	(113,488)	52,
Advances for inventory and other current assets	(141,359)	(166,
Accounts payable	(14,400)	342,
Accrued liabilities	(158,784)	50,
Customer deposits	49,741	(166,
Taxes payables	(161,306)	(299,
Net cash provided by operating activities	716,712	4,235,
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to construction in progress	(2,277,979)	(6,132,
Purchase of equipment	(11,753)	(4,231,
Proceeds from sale of equipment	-	1,
Advances for equipment purchases	-	(1,681,
Net cash used in investing activities	(2,289,732)	(12,043,
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted cash	(244,761)	
Short-term notes payable	244,761	
Net proceeds from issuance of common stock	-	13,627,
Proceeds from short-term bank loans	3,078,390	
Payments on short-term bank loans	-	(1,075,
Payments on long-term bank loans	(257,667)	(157,
Net cash provided by financing activities	2,820,723	12,394,
<b>EFFECT OF EXCHANGE RATE ON CASH</b>	(3,040)	638,
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,244,663	5,224,
CASH AND CASH EQUIVALENTS, beginning of period	2,913,711	1,133,
CASH AND CASH EQUIVALENTS, end of period	\$ 4,158,374	\$ 6,358,
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest expenses paid (net of amount capitalized)	\$ -	\$ 45,
Income taxes paid	\$ 210,271	\$ 296,

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