



China Clean Energy Inc.

Contact:

China Clean Energy Inc.
Mr. Gary Zhao, CFO
Phone: +1-86-138-0133-9172 (China)
Email: gary.zhao@chinacleanenergyinc.com

CCG Elite Investor Relations Inc.
Mr. Crocker Coulson, President
Phone: +1-646-213-1915 (New York)
Mr. Ed Job, CFA
Phone: +1-646-213-1914

FOR IMMEDIATE RELEASE

China Clean Energy Announces First Quarter 2008 Results

Fuqing City, China – May 12, 2008 -- China Clean Energy Inc. (OTC Bulletin Board: CCGY.OB) (“China Clean Energy”, “the Company”) today reported financial results for the first quarter ended on March 31, 2008.

First Quarter 2007 Highlights

- Revenue reached \$4.5 million, up 8% from the first quarter of 2007
- Gross Profit was \$1 million, down 9% from the first quarter of 2007
- Operating income totaled \$311,686, compared to \$446,834 in the first quarter of 2007
- Net income was \$163,783, or \$0.01 per share in the first quarter 2008

“The recent spike in the cost of our raw materials associated with the rapid increase in global crude oil prices and agricultural commodity prices in Asia and China during the quarter, combined with a stagnant wholesale diesel price in China impacted our results for this quarter,” said Mr. Tai-ming Ou, Chairman and CEO of the Company. “We have made the necessary adjustments by shifting our focus away from biodiesel production and toward the sale of higher value added specialty chemicals, the market for which is not regulated by the Chinese government.”

First Quarter 2008 Results

Net revenue for the first quarter 2008 was \$4.47 million, an increase of 8% over the same period in 2007. Biodiesel accounted for 12% and specialty chemicals for 88% of total revenue. The Company shipped 770 tons of biodiesel at an average price of \$717 per ton after value added tax (VAT), and 2,909 tons of specialty chemicals (including dimer acid, printing inks, polyamide resins, hot melt adhesives, plant asphalt) at an average price of \$1,350 per ton after VAT(including 1,000 tons of plant asphalt at \$300 per ton). Exports accounted for 24% of the Company’s specialty chemical shipments and 35% revenues.

Gross profit for the first quarter of 2008 was \$1.04 million, compared to \$1.15 million during first quarter of 2007. Gross margin for the first quarter of 2008 was 23.3%, down from 27.8% in the first quarter of 2007. The decrease in gross profit and gross margin was mainly due to an increase in the cost of raw materials, as the prices for waste cooking oil, cotton seed waste and rape seed waste feedstock, the principal raw materials of the Company’s biodiesel and specialty chemical products, increased to over \$500 per ton in February 2008, compared to an average cost of \$320 per ton in the first quarter of 2007.

Operating expenses were \$731,550 for the first quarter of 2008, as compared to \$701,583 during the first quarter of 2007, representing a 4.3% increase.

The Company's higher operating cost structure resulted in lower operating profits, which were \$311,686, with margins of 7.0%, in the first quarter of 2008, as compared to operating profits and margins of \$446,834 and 10.8%, respectively, in the first quarter of 2007.

Net income for the first quarter of 2008 was \$163,783, or \$0.01 per basic and diluted share, as compared to net income of \$400,706, or \$0.02 per basic and diluted share, during the first quarter of 2007.

Private Placement

The Company completed a \$15 million private placement of common stock and warrants in January 2008, that resulted in net proceeds of \$13,627,403 of net proceeds to us. The proceeds will be used principally to build a refinery capable of producing 100,000 tons of biodiesel per year, or 100,000 tons specialty chemicals per year, or a combination of biodiesel and specialty chemicals at Jiangyin Industrial Park, Fuqing City, Fujian Province of China.

Financial Condition

At March 31, 2008, China Clean Energy had \$6.2 million in total cash and approximately \$9.3 million in working capital, and \$0.2 million in debt. Cash flows from operations for the three months ended March 31, 2008 totaled \$1.9 million, up from \$236,301 during the three months ended March 31, 2007. This increase in cash flow from operations was attributable to \$1.03 million of accounts receivable reductions, \$440,595 in inventory reductions and our amortization of \$253,618 of stock-based compensation expenses. Capital expenditures totaled \$9.7 for the three months ended March 31, 2008 and shareholders' equity was \$30.0 million, as compared to \$14.8 million at the end of 2007.

Subsequent Events

On April 9, 2008, the Company engaged Moore Stephens Wurth Frazer and Torbet, LLP to serve as the Company's independent auditor. Moore Stephens Wurth Frazer and Torbet, LLP is an international independent auditing firm serving clients in many industries and geographic locations, and through its association with Moore Stephens International Limited in London has an international accounting network with over 621 offices in more than 95 countries.

About China Clean Energy:

China Clean Energy, through its wholly-owned subsidiary, Fujian Zhongde Technology Co., Ltd., is engaged in the development, manufacturing, and distribution of specialty chemical products made from renewable resources.

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 operate as a public company; 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, 2008 AND 2007 (UNAUDITED)

	<u>2008</u>	<u>2007</u>
REVENUES	\$ 4,473,009	\$ 4,138,366
COSTS OF GOODS SOLD	<u>3,429,773</u>	<u>2,989,949</u>
GROSS PROFIT	<u>1,043,236</u>	<u>1,148,417</u>
OPERATING EXPENSE		
Selling and marketing	87,881	213,243
General and administrative	523,790	367,375
Depreciation and amortization	80,097	61,461
Research and development	<u>39,782</u>	<u>59,504</u>
Total operating expense	<u>731,550</u>	<u>701,583</u>
INCOME FROM OPERATIONS	<u>311,686</u>	<u>446,834</u>
OTHER INCOME (EXPENSE)		
Interest income	7,022	2,524
Interest expense	(27,755)	(25,945)
Bank fee	(4,934)	(6,628)
Foreign Currency Transaction Loss	(25,163)	(16,079)
Loss on Disposal of Fixed Assets	<u>(490)</u>	<u>-</u>
Total other income (expense)	<u>(51,320)</u>	<u>(46,128)</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	260,366	400,706
PROVISION FOR INCOME TAXES	<u>96,583</u>	<u>-</u>
NET INCOME	<u>163,783</u>	<u>400,706</u>
OTHER COMPREHENSIVE INCOME		
Foreign currency translation adjustment	<u>1,163,218</u>	<u>106,964</u>
COMPREHENSIVE INCOME	<u>\$ 1,327,001</u>	<u>\$ 507,670</u>
BASIC AND DILUTED EARNINGS PER SHARE		
Weighted average number of shares	<u>30,523,258</u>	<u>21,512,269</u>
Earnings per share	<u>\$ 0.01</u>	<u>\$ 0.02</u>

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2008 AND DECEMBER 31, 2007

A S S E T S

	March 31, 2008 <u>(Unaudited)</u>	December 31, 2007 <u></u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,199,022	\$ 1,133,555
Accounts receivable, net of allowance for doubtful accounts of \$310,495 and \$407,593, as of March 31, 2008 and December 31, 2007, respectively	1,860,909	2,795,363
Refundable income taxes	54,948	147,485
Inventories	967,714	1,361,478
Advances for inventory purchase	933,541	-
Prepaid expenses and other receivables	-	32,330
Total current assets	<u>10,016,134</u>	<u>5,470,211</u>
PROPERTY, PLANT AND EQUIPMENT, NET	9,855,850	5,820,045
INTANGIBLE ASSETS	5,101,131	4,879,635
ADVANCES FOR CONSTRUCTION MATERIAL AND EQUIPMENT PURCHASE	<u>5,977,930</u>	<u>872,974</u>
TOTAL ASSETS	<u>\$ 30,951,045</u>	<u>\$ 17,042,865</u>

L I A B I L I T I E S A N D S H A R E H O L D E R S ' E Q U I T Y

CURRENT LIABILITIES		
Accounts payable	\$ 111,178	\$ 150,557
Customer deposits	145,248	181,825
Accrued liabilities	149,633	83,824
Salaries payable	34,544	31,425
VAT payable	92,054	320,397
Other taxes payable	9,970	13,652
Short-term bank loans	-	1,028,228
Long-term bank loans - current portion	195,532	202,792
Total current liabilities	<u>738,159</u>	<u>2,012,700</u>
NONCURRENT LIABILITIES		
Long-term bank loans	<u>215,796</u>	<u>241,097</u>
TOTAL LIABILITIES	<u>953,955</u>	<u>2,253,797</u>
SHAREHOLDERS' EQUITY		
Preferred stock, par value \$0.0001 per share, authorized 10,000,000 shares, 0 shares issued and outstanding	-	-
Common stock, par value \$0.0001 per share, authorized 90,000,000 shares, 31,512,269 and 21,512,269 shares issued and outstanding as of March 31, 2008 and December 31, 2007, respectively	3,151	2,151
Additional paid-in capital	20,933,855	7,053,834
Statutory reserves	785,536	785,536
Retained earnings	5,899,888	5,736,105
Accumulated other comprehensive income (loss)	<u>2,374,660</u>	<u>1,211,442</u>
	<u>29,997,090</u>	<u>14,789,068</u>
Total liabilities and shareholders' equity	<u>\$ 30,951,045</u>	<u>\$ 17,042,865</u>

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (UNAUDITED)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 163,783	\$ 400,706
Adjusted to reconcile net income to cash provided by operating activities:		
Depreciation	126,371	125,844
Amortization	59,407	49,248
Amortization of stock-based compensation expense	253,618	-
Loss on disposal of assets	490	-
Changes in operating assets and liabilities		
Accounts receivable	1,028,595	(282,933)
Inventories	440,923	(73,565)
Other receivables and prepaid expenses	32,330	(111,639)
Advances for inventory purchase	(23,660)	-
Accounts payable	(42,189)	246,604
Customer deposit	(43,216)	-
Other payables and accrued liabilities	66,010	-
Value added tax payables	(236,551)	-
Income tax and other tax payables	92,421	(117,964)
Net cash provided by operating activities	<u>1,918,332</u>	<u>236,301</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to construction in progress	(3,711,599)	-
Purchase of property and equipment	(127,150)	(26,815)
Proceeds from sale of equipment	1,747	-
Advances for construction material and equipment purchase	(5,850,585)	(1,826,940)
Net cash used in investing activities	<u>(9,687,587)</u>	<u>(1,853,755)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) due to related parties	-	(6,419)
Net proceeds from issuance of common stock	13,627,403	-
Payments on short-term bank loan	(1,048,275)	242,410
Payments on long-term bank loans	(49,977)	-
Net cash provided by financing activities	<u>12,529,151</u>	<u>235,991</u>
EFFECT OF EXCHANGE RATE ON CASH	<u>305,571</u>	<u>36,929</u>
INCREASE IN CASH AND CASH EQUIVALENTS	5,065,467	(1,344,534)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,133,555	2,241,712
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 6,199,022</u>	<u>\$ 897,178</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest expense	\$ 27,755	\$ 25,945
Income taxes	<u>\$ 86,113</u>	<u>\$ -</u>