



China Clean Energy Inc.

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FOR IMMEDIATE RELEASE

China Clean Energy Announces Preliminary First Quarter 2010 Financial Results

Fuqing City, China – May 14, 2010 - China Clean Energy Inc. (OTC Bulletin Board: CCGY) (“China Clean Energy”, the “Company”), a producer of biodiesel fuel and environmentally-friendly specialty-chemical products made from renewable resources in China, today preliminary results for the first quarter ended March 31, 2010.

The following are estimates of the Company’s preliminary unaudited financial results for the first quarter ended March 31, 2010. Please note that these estimates remain subject to adjustment based upon completion of review by the Company’s auditors, and final results could differ materially from the estimates provided below. The Company plans to file its 10-Q with final results on or before May 17, 2010.

First Quarter 2010 Highlights

- Revenue totaled \$10.7 million, up 283% from the same period in 2009
- Gross profit totaled \$1.5 million, up 317% from the same period in 2009
- Gross margin increased to 13.8%, up from 12.7% in the same period in 2009
- Operating income was \$1.0 million, compared a loss of \$159 thousand in the first quarter 2009
- Net income was \$350 thousand, or \$0.01 per fully-diluted share
- Cash and cash equivalents of \$5.3 million at the end of March 2010

“Our strong results for the first quarter reflect our focused efforts over the past two years to design, build and commission our Jiangyin plant,” said Mr. Tai-ming Ou, China Clean Energy's Chairman and CEO. “As we discussed in the past, we received positive feedback, which have translated into substantial increase in orders from our existing customers as well as initial orders from new customers. In addition, our increased production scale has opened up new marketing opportunities to sell our biodiesel into power generation applications. We expect our current growth momentum to continue as we strive to expand our order book to support the ramp-up of production to full-capacity in the quarters ahead.”

Preliminary First Quarter 2010 Results

China Clean Energy’s net revenue in the first quarter was \$10.7 million, up 283% from the first quarter of 2009. The increase in revenue was driven by increases in volume and average selling prices for both specialty chemicals and biodiesel product segments. Specialty chemicals sales volume was up 227% year-over-year to 5,825 tons, and average selling price was up 8% year-over-year to RMB 9,346 per ton.

Biodiesel sales volume was up 324% to 4,391 tons in the first quarter of 2010, and average selling price was up 29% in the same period to RMB 4,653. Specialty-chemicals and biodiesel represented 73% and 27% of net revenue in the quarter, respectively.

Gross profit in the first quarter of 2010 was \$1.5 million, up 317% from the first quarter of 2009. The increase in gross profit was mostly driven by the growth in revenue. Gross margin was 13.8% in the first quarter of 2010, up from 12.7% during the same period in 2009.

Operating expense in the first quarter of 2010 was \$0.5 million representing a 3.7% decline from the first quarter of 2009 as the increase in sales and marketing expenses to support our growth was offset by tight administrative expense control and a reduction in research and development expenses. Operating income in the first quarter of 2010 was \$1.0 million, compared to an operating loss of \$159,038 in the comparable period of 2009. Operating margin for the first quarter 2010 was 9.2%.

Other expense totaled \$414,702, including 57,462 in net interest expense and \$357,357 associated with change in fair value of warrant liabilities. Tax provision for the quarter totaled 225,094.

Net income for the first quarter of 2010 was \$350,172, or \$0.01 per fully-diluted share, compared to a loss of \$188,694 or \$0.01 per share in the first quarter 2009. Net income for the first quarter includes \$357,357 non-cash charge to account for change in the value of warrant liabilities.

Adjusted net income excluding the effect of non-cash charges to account for change in fair value of warrants totaled \$813,844 or \$0.03 per fully diluted share.

Financial Condition

As of March 31, 2010, China Clean Energy had \$5.3 million in total cash, approximately \$8.1 million in working capital, and \$6.0 million in total debt. Stockholders' equity at March 31, 2010 stood at \$32.0 million, or approximately \$1.0 per share.

Recent Developments

In April 2010, the Company engaged Friedman, LLP as its new independent auditor. Founded in 1924, Friedman, LLP is headquartered in New York City and has offices in New Jersey and Long Island, employing 325 personnel, and providing accounting, tax and consulting services to public and privately held companies.

Business Outlook

China Clean Energy's Jiangyin plant was commissioned in December of 2009 and was operating in commercial production mode during the whole of the first quarter 2010. During the quarter total shipments of specialty chemicals and biodiesel amounted to 10,217 tons, with Jiangyin plant accounting for 55% of total. Management continues to expect ramp-up of the new plant to 50% of capacity by the end of the second quarter of 2010 and to full capacity by the end of the year 2010. As previously disclosed, the Jiangyin plant has capacity to produce 30,000 tons of specialty chemicals capacity and 40,000 tons of biodiesel.

Mr. Ou added, "We are very happy with the operating performance of our new plant, which is exceeding our expectations. We currently expect to deliver revenue of approximately \$11.5 million in the second quarter of 2010, representing an increase of approximately 167% over the comparable period in 2009. As we look to the future, we intend to continue to focus on gradually ramping up our capacity to meet demand from new and existing customers. We also intend to evaluate opportunities to acquire feedstock suppliers to reduce our exposure to raw material supply disruptions and protect our margins in the quarters and years ahead."

Conference Call

China Clean Energy will hold its first quarter 2010 conference call for all interested persons at 9:00 a.m. Eastern Time on Friday, May 14, 2010 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 (877) 411-1651. International callers should dial +1 (706) 679-8912. When prompted by the operator, mention conference pass code 73228591. If you are unable to participate in the call at this time, a replay will be available for 14 days starting on Friday, May 14, 2010, at 11:00 a.m. eastern time. To access the replay, please dial +1 (800) 642-1687, international callers dial +1 (706) 645-9291, and enter the pass code 73228591.

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 resulting from changes in raw material prices, international oil prices and price controls imposed by the Chinese government; 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, 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--

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

	Three months ended March 31,	
	2010	2009
REVENUES	\$ 10,737,691	\$ 2,806,262
Less: cost of goods sold	9,251,495	2,449,930
GROSS PROFIT	1,486,196	356,332
OPERATING EXPENSES		
Selling and marketing	54,046	48,056
General and administrative	432,280	441,390
Research and development	9,902	25,924
Total operating expenses	496,228	515,370
INCOME (LOSS) FROM OPERATIONS	989,968	(159,038)
OTHER INCOME (EXPENSE)		
Interest income (expense), net	(57,462)	953
Other income (expense)	117	(1,101)
Change in fair value of warrant liabilities	(357,357)	26,064
Total other income (expenses)	(414,702)	25,916
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	575,266	(133,122)
PROVISION FOR INCOME TAXES	225,094	10,362
NET INCOME (LOSS)	350,172	(143,484)
OTHER COMPREHENSIVE LOSS		
Foreign currency translation adjustment	(983)	(45,210)
COMPREHENSIVE INCOME (LOSS)	\$ 349,189	\$ (188,694)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE		
Weighted average number of shares	31,512,269	31,512,269
Earnings (loss) per share	\$ 0.0111	\$ (0.005)

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 March 31,	
	2010	2009
Net Income (Loss)	\$ 350,172	\$ (143,484)
Add back (Deduct):		
Change in fair value of warrant	\$ 357,357	\$ (26,064)
Stock-based compensation	\$ 106,315	\$ 93,094
Adjusted Net Income	\$ 813,844	\$ (76,454)
Diluted EPS	\$ 0.01	\$ (0.00)
Add back (Deduct):		
Change in fair value of warrant	\$ 0.01	\$ (0.00)
Stock-based compensation	\$ 0.00	\$ 0.00
Adjusted EPS	\$ 0.03	\$ (0.00)

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	<u>March 31,</u> 2010 (Unaudited)	<u>December 31,</u> 2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,305,161	\$ 4,154,814
Accounts receivable, net of allowance for doubtful accounts of \$69,533 and \$93,761 respectively	2,698,457	1,766,952
Other current assets	11,000	11,000
Deferred tax assets	69,268	69,466
Tax Receivable	335,908	-
Inventories, net	3,386,391	464,842
Advances for inventory purchases	698,757	188,659
Total current assets	12,504,942	6,655,733
Plant and Equipment, net	24,860,925	25,119,034
Intangible assets, net	4,795,104	4,860,645
Total assets	\$ 42,160,971	\$ 36,635,412

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 1,868,308	\$ 157,433
Accrued liabilities	200,631	279,516
Customer deposits	140,124	71,090
Taxes payable	320,727	130,287
Bank loans payable, current portion	1,170,240	3,080,700
Total current liabilities	3,700,030	3,719,026
Warrants liability	1,617,131	1,259,774
Bank loans payable - net of current portion	4,827,240	-
Total liabilities	10,144,401	4,978,800
COMMITMENTS AND CONTINGENCIES	-	-
SHAREHOLDERS' EQUITY		
Preferred stock, par value \$0.001 per share, authorized 10,000,000 shares, no shares issued and outstanding as of March 31, 2010 and December 31, 2009, respectively	-	-
Common stock, par value \$0.001 per share, authorized 90,000,000 shares, 31,512,269 shares issued and outstanding as of March 31, 2010 and December 31, 2009, respectively	31,512	31,512
Additional paid-in capital	12,526,838	12,420,523
Statutory reserves	1,630,882	1,630,882
Retained earnings	14,757,620	14,407,448
Accumulated other comprehensive income	3,069,718	3,166,247
Total shareholders' equity	32,016,570	31,656,612
Total liabilities and shareholders' equity	\$ 42,160,971	\$ 36,635,412

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

	For the three months ended	
	March 31	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 350,172	\$ (143,484)
Adjusted to reconcile net income (loss) to cash provided		
by (used in) operating activities:		
Depreciation	363,810	177,236
Allowance for doubtful accounts	(24,228)	29,153
Amortization of intangible assets	107,739	58,463
Stock-based compensation expense	106,315	93,094
Writedown on inventory	-	25,464
Change in warrants liability	357,357	(26,064)
Changes in operating assets and liabilities		
Accounts receivable	(907,277)	(203,504)
Inventories	(2,921,549)	(19,346)
Other receivables and prepaid expenses	-	-
Advances for inventory and other current assets	(510,098)	102,880
Accounts payable	1,710,875	607,346
Accrued liabilities	(78,885)	29,803
Customer deposits	69,034	(129,361)
Taxes payable	190,440	(12,235)
Taxes receivable	(335,908)	-
Deferred tax assets	198	-
Net cash provided by (used in) operating activities	(1,522,005)	589,445
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to construction in progress	-	(558,889)
Purchase of equipment	(105,701)	(2,102)
Proceeds from sale of equipment	-	-
Advances for equipment purchases	-	(194,631)
Addition to intangibles	(42,198)	-
Net cash (used in) investing activities	(147,899)	(755,622)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loans	4,827,240	(236,002)
Payments on bank loans	(1,910,460)	(21,525)
Net cash provided by (used in) financing activities	2,916,780	(257,527)
EFFECT OF EXCHANGE RATE ON CASH	(96,529)	(31,164)
INCREASE IN CASH AND CASH EQUIVALENTS	1,150,347	(454,868)
CASH AND CASH EQUIVALENTS, beginning of period	4,154,814	2,913,711
CASH AND CASH EQUIVALENTS, end of period	\$ 5,305,161	\$ 2,458,843
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest expenses paid	\$ 55,773	\$ 2,652
Income taxes paid	\$ 68,675	\$ -
Reclassification of advance of equipment purchase to construction in progress	\$ 587,612	\$ -

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