



China Clean Energy Inc.

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FOR IMMEDIATE RELEASE

China Clean Energy Announces Fourth Quarter and Fiscal Year 2009 Results

Fuqing City, China – April 1, 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 reported its financial results for the fourth quarter and fiscal year ended December 31, 2009.

Fourth Quarter 2009 Highlights

- Revenue totaled \$4.9 million, up 18.5% from the same period in 2008
- Gross profit totaled \$0.9 million, up 52.4% from the same period in 2008
- Gross margin increased 410 basis points to 18.4% from 14.3%
- Operating income was \$0.3 million, compared to operating loss of \$0.2 million in the fourth quarter 2008
- Net income was \$0.6 million, or \$0.02 per fully-diluted share, compared to a net loss of \$0.6 million, or \$0.02 per fully-diluted share in the fourth quarter 2008
- Cash and cash equivalents of \$4.2 million at year-end 2009, compared to \$2.9 million at year-end 2008

Fiscal Year 2009 Highlights

- Total revenue decreased 12.3% in 2009 to \$15.9 million
- Gross profit totaled \$2.9 million
- Gross margin was 18.5%
- Operating income was \$0.9 million
- Net loss was \$0.3 million, or \$0.01 per fully-diluted share, compared to net income of \$0.6 million, or \$0.02 per fully-diluted share in 2008
- Adjusted net income (Non-GAAP) was \$1.0 million, or \$0.03 per fully-diluted share

“We are pleased to report strong fourth quarter revenue growth and margin expansion reflecting an improvement in demand for our products in the back end of the year,” said Mr. Tai-ming Ou, China Clean Energy's Chairman and CEO. “In addition, our Jiangyin plant started operation on a commercial basis in January 2010, expanding our specialty chemical capacity by 30,000 tons and our biodiesel capacity by 40,000 tons per year respectively. We hope to gradually ramp-up our new capacity during the year and expect to achieve solid organic growth in 2010.”

Fourth Quarter 2009 Results

China Clean Energy's net revenue in the fourth quarter was \$4.9 million, up 18.5% from the fourth quarter of 2008. The increase in revenue was driven primarily by the 53.2% year-over-year increase in sales volume of specialty-chemical products to 3,068 tons, offset by a 17.7% year-over-year decrease in average selling price to RMB 9,167 per ton. Biodiesel sales volume was 784 tons in the fourth quarter of 2009, down 37.9% from 1,263 tons in the fourth quarter of 2008. Biodiesel average selling price was RMB 4,436 in the fourth quarter of 2009, down 2.2% from the fourth quarter of 2008. Specialty-chemicals and biodiesel represented 88.5% and 11.5% of net revenue in the quarter, respectively.

Gross profit in the fourth quarter of 2009 was \$896,933, up 52.4% from the fourth quarter of 2008. The increase in gross profit was mostly driven by the 18.5% growth in revenue and compounded by management's ability to control the growth in cost of sales to only 12.9% compared to the fourth quarter of 2008. Gross margin was 18.4% in the fourth quarter of 2009, up from 14.3% during the same period in 2008 as a result of overall increase in volume and higher value added product mix.

Operating expense in the fourth quarter of 2009 was \$646,739 representing a 17.2% decline from \$781,275 in the fourth quarter of 2008 due to the lower professional service expenses. Operating income of the Company in the fourth quarter of 2009 was \$250,194, compared to an operating loss of \$192,566 in the comparable period of 2008.

Net income for the fourth quarter of 2009 was \$627,538, or \$0.02 per fully-diluted share, compared to a loss of \$554,111 or \$0.02 per share in the fourth quarter of 2008. Net income for the fourth quarter includes an \$83,029 non-cash charge for employee stock-based compensation. Additional details about these charges can be found in the 10-K form filed with the SEC on March 31.

Fiscal Year 2009 Results

For the full year 2009, net revenues were \$15.9 million, down 12.3% from \$18.2 million in 2008. Approximately 15.1% of revenue for the full year were derived from biodiesel sales and 84.9% from specialty-chemical sales. Gross profit for the full year 2009 was \$2.9 million, down 23.8% from \$3.9 million in 2008. Gross margin decreased from 21.2% in 2008 to 18.5% in 2009. Operating income for the full year 2009 was \$0.9 million, down 22.9% from \$1.1 million in 2008. Operating margin declined to 5.5% in 2009 from 6.2% in 2008. In 2009 the Company recorded a net loss of \$0.3 million, or \$0.01 per diluted share, compared to the net income of \$0.6 million, or \$0.02 per diluted share in 2008. Net loss in 2009 includes a \$964,391 non-cash charge for warrant liability revaluation and a \$404,582 stock-based compensation expense. Adjusted net income (Non-GAAP) was \$1.0 million, or \$0.03 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 December 31, 2009, China Clean Energy had \$4.2 million in total cash, approximately \$2.9 million in working capital, and \$3.1 million of debt. Stockholders' equity at December 31, 2009 stood at \$31.7 million, or approximately \$1.00 per share.

Recent Developments

In March 2010, the Company secured a line of credit for up to RMB33 million (equivalent to approximately \$4.8 million) from Fujian Haixia Bank, which increased the credit line with Fujian Haixia Bank to RMB41 million (equivalent to approximately US \$6.0 million).

In February 2010, the Company appointed William Chen as Chief Financial Officer.

In January 2010, the Company engaged Frazer Frost, LLP as its new independent auditor for the fiscal year ending December 31, 2009, effective January 1, 2010. Frazer Frost replaced Moore Stephens Wurth Frazer and Torbet, LLP.

In January 2010, the Company completed the trial production phase at the Jiangyin plant and started operating on a commercial basis. Additionally, the Company's administrative headquarters is moved to the new plant.

Business Outlook

China Clean Energy's new plant in Jiangyin is expected to achieve a ramp-up to full capacity by the end of the year 2010 and 50% capacity by the end of second quarter of 2010. As previously disclosed, the Jiangyin plant will increase the Company's specialty chemicals capacity by 30,000 tons per year to a total of 40,000 tons per year and the biodiesel capacity by 40,000 tons per year to a total 50,000 tons per year. Before the end of second quarter of 2010, the Company expected to increase the specialty chemicals production by 15,000 tons per year and the biodiesel production by 20,000 tons per year.

Mr. Ou added, "We expect to see more demand from our existing customers. The Jiangyin plant enables us to provide three times more specialty chemicals and four times biodiesel. With the smoothly running operation in our new plant, we are confident that we will exceed our recently released guidance for the first quarter of 2010, which is RMB50 million (approximately \$7.3 million), representing an increase of approximately 150% over the comparable period in 2009. The sales volume expected in the first quarter is 4,000 tons for biodiesel and 5,000 tons for specialty chemicals, separately."

Conference Call

China Clean Energy will hold its fourth quarter and fiscal year 2009 conference call for all interested persons at 08:00 a.m. Eastern Time on Thursday, April 1, 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 passcode 64996885. If you are unable to participate in the call at this time, a replay will be available for 14 days starting on Thursday, April 1, 2010, at 10:00 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 64996885.

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 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
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)

	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
REVENUES	\$ 4,878,426	\$ 4,116,463	\$ 15,933,351	\$ 18,169,835
Less: cost of goods sold	<u>3,981,493</u>	<u>3,527,754</u>	<u>12,993,260</u>	<u>14,310,907</u>
GROSS PROFIT	<u>896,933</u>	<u>588,709</u>	<u>2,940,091</u>	<u>3,858,928</u>
OPERATING EXPENSES				
Selling and marketing	48,840	55,941	286,055	249,583
General and administrative	537,090	693,993	1,641,535	2,328,472
Research and development	60,809	31,341	143,944	154,499
Total operating expenses	<u>646,739</u>	<u>781,275</u>	<u>2,071,534</u>	<u>2,732,554</u>
INCOME FROM OPERATIONS	<u>250,194</u>	<u>(192,566)</u>	<u>868,557</u>	<u>1,126,374</u>
OTHER INCOME (EXPENSE)				
Interest income (expense), net	6,619	6,989	-	24,707
Other income (expense)	11,350	(176,686)	7,997	(184,625)
Change in fair value of warrant liabilities	<u>389,172</u>	<u>-</u>	<u>(964,391)</u>	<u>-</u>
Total other expenses	<u>407,141</u>	<u>(169,697)</u>	<u>(956,394)</u>	<u>(159,918)</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	657,335	(362,263)	(87,837)	966,456
PROVISION FOR INCOME TAXES	<u>29,797</u>	<u>191,848</u>	<u>236,613</u>	<u>369,640</u>
NET INCOME (LOSS)	627,538	(554,111)	(324,450)	596,816
OTHER COMPREHENSIVE INCOME				
Foreign currency translation adjustment	<u>(225)</u>	<u>70,785</u>	<u>(3,742)</u>	<u>1,958,547</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$ 627,313</u>	<u>\$ (483,326)</u>	<u>\$ (328,192)</u>	<u>\$ 2,555,363</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>31,293,091</u>
Earnings per share	<u>\$ 0.02</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>	<u>\$ 0.02</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 December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
Net Income (Loss)	\$ 627,538	\$ (554,111)	\$ (324,450)	\$ 596,816
Add back (Deduct):				
Change in fair value of warrant	\$ (389,172)	\$ -	\$ 964,391	\$ -
Stock-based compensation	\$ 83,029	\$ 142,875	\$ 404,582	\$ 903,769
Adjusted Net Income	\$ 321,395	\$ (411,236)	\$ 1,044,523	\$ 1,500,585
Diluted EPS	\$ 0.02	\$ (0.02)	\$ (0.01)	\$ 0.02
Add back (Deduct):				
Change in fair value of warrant	\$ (0.01)	\$ -	\$ 0.03	\$ -
Stock-based compensation	\$ 0.003	\$ 0.005	\$ 0.01	\$ 0.03
Adjusted EPS	\$ 0.01	\$ (0.01)	\$ 0.03	\$ 0.05

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,154,814	\$ 2,913,711
Accounts receivable, net of allowance for doubtful accounts of \$69,733 and \$136,389 as of September 30, 2009 and December 31, 2008, respectively	1,766,952	1,092,768
Inventories, net	464,842	815,210
Advances for inventory and other current assets	188,659	310,773
Other current assets	11,000	-
Prepaid tax credit	69,466	-
Total current assets	6,655,733	5,132,462
PLANT AND EQUIPMENT, NET	25,119,034	19,167,624
INTANGIBLE ASSETS, NET	4,860,645	5,072,626
ADVANCES ON EQUIPMENT PURCHASES	-	3,649,192
TOTAL ASSETS	\$ 36,635,412	\$ 33,021,904
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 157,433	\$ 350,618
Accrued liabilities	279,516	349,435
Customer deposits	71,090	31,422
Taxes payable	130,287	156,965
Short-term bank loans	3,080,700	-
Long-term bank loans - current portion	-	236,308
Total current liabilities	3,719,026	1,124,748
WARRANT LIABILITIES	1,259,774	-
LONG-TERM BANK LOANS - NET OF CURRENT PORTION	-	21,553
COMMITMENTS AND CONTINGENCIES	-	-
Total liabilities	4,978,800	1,146,301
SHAREHOLDERS' EQUITY		
Preferred stock, par value \$0.001 per share, authorized 10,000,000 shares, no shares issued and outstanding as of December 31, 2009 and 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 December 31, 2009 and 2008, respectively	31,512	31,512
Additional paid-in capital	12,420,523	21,555,645
Statutory reserves	1,630,882	1,457,432
Retained earnings	14,407,448	5,661,025
Accumulated other comprehensive income	3,166,247	3,169,989
Total shareholders' equity	31,656,612	31,875,603
Total liabilities and shareholders' equity	\$ 36,635,412	\$ 33,021,904

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

	Twelve months ended December 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	(324,450)	596,816
Adjusted to reconcile net income (loss) to cash provided		
by operating activities:		
Depreciation	710,051	707,177
Change in allowance for uncollectible accounts	(42,602)	(294,534)
Change in warrant liabilities	964,391	-
Amortization of intangible assets	211,851	225,731
Stock-based compensation	404,582	903,769
Writedown on inventory	-	93,838
Loss on disposal of assets	-	177,905
Deferred tax assets	(69,424)	-
Impairment on fixed assets	-	74,817
Changes in operating assets and liabilities		
Accounts receivable	(631,169)	2,159,868
Inventories	350,154	536,611
Advances for inventory purchase	122,038	(116,310)
Other current assets	(11,000)	-
Accounts payable	(193,068)	186,224
Customer deposit	39,644	(160,299)
Other payables and accrued liabilities	(69,890)	222,185
Taxes payables	(26,660)	(196,992)
Net cash provided by operating activities	<u>1,434,448</u>	<u>5,116,806</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to construction in progress	-	(11,635,579)
Purchase of equipment	(3,010,857)	(2,182,310)
Proceeds from sale of equipment	-	160,871
Advances for equipment purchases	-	(2,667,896)
Net cash used in investing activities	<u>(3,010,857)</u>	<u>(16,324,914)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of common stock	-	13,627,403
Payment on short-term bank loans	-	(1,081,102)
Proceeds from short-term bank loans	3,078,810	-
Payment on long-term bank loans	(257,702)	(213,336)
Net cash provided by financing activities	<u>2,821,108</u>	<u>12,332,965</u>
EFFECT OF EXCHANGE RATE ON CASH	<u>(3,596)</u>	<u>673,299</u>
INCREASE IN CASH AND CASH EQUIVALENTS	1,241,103	1,780,156
CASH AND CASH EQUIVALENTS, beginning of period	<u>2,913,711</u>	<u>1,133,555</u>
CASH AND CASH EQUIVALENTS, end of period	<u><u>4,154,814</u></u>	<u><u>2,913,711</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest expenses paid (net of amount capitalized)	<u>114,717</u>	<u>50,672</u>
Income taxes paid	<u>283,103</u>	<u>298,024</u>

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