



China Clean Energy Inc.

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FOR IMMEDIATE RELEASE

China Clean Energy Announces Fourth Quarter and Fiscal Year 2008 Results

Fuqing City, China – March 27, 2009 -- China Clean Energy Inc. (OTC Bulletin Board: CCGY.OB) (“China Clean Energy”, the “Company”), a leading 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 fourth quarter and fiscal year ended December 31, 2008.

Fourth Quarter 2008 Highlights

- Total revenue totaled \$4.1 million
- Gross profit totaled \$588,709
- Adjusted EBITDA was \$384,419
- Operating loss was \$0.2 million
- Net loss was \$0.6 million, equivalent to \$0.02 per basic and diluted share

Fiscal Year 2008 Highlights

- Total revenue decreased 16.5% in 2008 to \$18.2 million
- Adjusted EBITDA was \$3.2 million, down from \$4.0 million in fiscal year 2007
- Operating Income decreased in 2008 to \$1.1 million
- Net income was \$0.6 million in 2008, or \$0.02 per basic and diluted share

“Our results for the quarter and the full year have been adversely impacted by the global economic crisis as prices for our specialty chemical and biodiesel products fell faster than our raw material costs. We also experienced lower overall demand for our specialty chemical products, notably from our export markets,” said Mr. Tai-ming Ou, China Clean Energy’s Chairman and CEO. “On a positive note, despite the difficult environment, we have continued to generate cash from operations both during the quarter and for the full year, and we have also made good progress in the construction of our new plant which we expect will be completed in the second quarter of 2009.”

Fourth Quarter 2008 Results

China Clean Energy's net revenue in the fourth quarter was \$4.1 million, down 40.4% from the fourth quarter of 2007. The decline in revenue was driven by lower sales volume and lower sales prices for both our biodiesel as well as specialty chemical products, due to the decline in demand caused by the global economic slowdown and rapid decline in crude oil prices.

Gross profit in the fourth quarter of 2008 was \$0.6 million, down 68.5% from the fourth quarter of 2007. Gross margin was 14.3% in the fourth quarter of 2008, down from 27.1% during the same period in 2007 as a result of lower sales volume, lower selling prices, higher raw material costs and lower export tax rebates. The decline in gross profit was the result of lower revenue and higher costs, including the year-end inventory write-down caused by falling selling prices.

Operating expense in the fourth quarter of 2008 was \$781,275 representing a 30.9% increase from \$596,897 in the fourth quarter of 2007, driven by higher stock-based compensation expenses partially offset by lower sales commissions. In the fourth quarter of 2008 the Company recorded an operating loss of \$192,566 compared to an operating profit of \$1.3 million in the comparable period of 2007. Operating margin in the fourth quarter of 2008 was -4.7% compared to 18.4% in the comparable period of 2007.

Adjusted EBITDA for the fourth quarter 2008 was \$384,419 compared to \$1.5 million in the comparable period of 2007.

Net loss for the fourth quarter of 2008 was \$554,111 or \$0.02 per basic and diluted share, compared to a profit of \$1.3 million or \$0.06 per share in the fourth quarter of 2007.

Fiscal Year 2008 Results

For the full year 2008, net revenues were \$18.2 million, down 16.5% from \$21.8 million in 2007. Approximately 7.68% of revenue for the full year came from biodiesel sales and 92.32% came from specialty chemical sales. The decrease in net revenue in 2008 was the result of a decrease in sales volume particularly in the second half of the year, primarily driven by declining demand for our specialty chemical products as well as the significant decrease in biodiesel production compared to fiscal year 2007. Gross profit for the full year 2008 was \$3.9 million, down 34.3% from \$5.9 million in 2007. The decrease in gross profit was primarily attributable to a decrease in sales volume of the Company's biodiesel and specialty chemical products. Gross margin decreased from 27.0% in 2007 to 21.2% in 2008 due to higher raw material costs and the decrease in Chinese government export tax rebates from 13% to 5% effective on July 1, 2007 for the Company's exported specialty chemical products as well as higher raw material costs. Operating income for the full year 2008 was \$1.1 million, including \$0.9 million stock-based compensation expense, down 67.5% from \$3.5 million in 2007. Operating margin declined to 6% in 2008 from 16% in 2007. Adjusted EBITDA for the full year 2008 was \$3.2 million compared to \$4.0 million in 2007. Net Income for 2008 decreased to \$0.6 million, or \$0.02 per basic and diluted share, from \$3.4 million, or \$0.16 per basic and diluted share in 2007. Cash flow from operations for 2008 totaled \$5.1 million, compared to \$3.3 million in 2007. Capital expenditures for 2008 totaled \$16.5 million, related to equipment purchase and construction expenses for the new Jiangyin plant, which is expected to be completed in June 2009.

Financial Condition

As of December 31, 2008, China Clean Energy had \$2.9 million in total cash, approximately \$4.0 million in working capital, and \$0.3 million in debt. Stockholders' equity at December 31, 2008 stood at \$31.9 million, compared to \$14.8 million recorded at the end of 2007.

Conference Call

China Clean Energy will hold its fourth quarter and fiscal year 2008 conference call for all interested persons at 08:00 a.m. Eastern Time on March 30, 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 67334460. If you are unable to participate in the call at this time, a replay will be available for seven days starting on March 30, 2009 at 11:00 a.m. Eastern Time. To access the replay, dial 888-286-8010 and International callers should dial 617-801-6888 and enter the passcode 48474804.

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--

CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE FOURTH QUARTERS AND YEARS ENDED DECEMBER 31, 2008 AND 2007

	Three months ended December 31,		Years Ended December 31,	
	2008	2007	2008	2007
	Unaudited	Unaudited	Audited	Audited
REVENUES	\$ 4,116,463	\$ 6,902,916	\$ 18,169,835	\$ 21,756,010
Less: cost of goods sold	3,527,754	5,034,726	14,310,907	15,882,799
GROSS PROFIT	<u>588,709</u>	<u>1,868,190</u>	<u>3,858,928</u>	<u>5,873,211</u>
	14.30%	27.06%		
OPERATING EXPENSE				
Selling and marketing	55,941	93,074	249,583	695,007
General and administrative	693,993	485,228	2,328,472	1,556,599
Research and development	31,341	18,595	154,499	156,839
Total operating expense	<u>781,275</u>	<u>596,897</u>	<u>2,732,554</u>	<u>2,408,445</u>
INCOME FROM OPERATIONS	<u>(192,566)</u>	<u>1,271,293</u>	<u>1,126,374</u>	<u>3,464,766</u>
OTHER INCOME (EXPENSE)				
Interest income (expense), net	6,989	(5,392)	24,707	(104,872)
Other incomes (expenses)	<u>(176,686)</u>	<u>65,591</u>	<u>(184,625)</u>	<u>-</u>
Total other income (expense)	<u>(169,697)</u>	<u>60,199</u>	<u>(159,918)</u>	<u>(104,872)</u>
INCOME BEFORE INCOME TAXES	(362,263)	1,331,492	966,456	3,359,894
PROVISION FOR INCOME TAXES	<u>191,848</u>	<u>0</u>	<u>369,640</u>	<u>-</u>
NET INCOME	(554,111)	1,331,492	596,816	3,359,894
OTHER COMPREHENSIVE INCOME				
Foreign currency translation adjustment	<u>70,785</u>	<u>411,554</u>	<u>1,958,547</u>	<u>796,353</u>
COMPREHENSIVE INCOME	<u>\$ (483,326)</u>	<u>\$ 1,743,046</u>	<u>\$ 2,555,363</u>	<u>\$ 4,156,247</u>
BASIC AND DILUTED EARNINGS PER SHARE				
Weighted average number of shares	<u>31,512,269</u>	<u>21,512,269</u>	<u>31,293,091</u>	<u>21,512,269</u>
Earnings per share	<u>\$ (0.0176)</u>	<u>\$ 0.0619</u>	<u>\$ 0.0191</u>	<u>\$ 0.1562</u>

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.

Adjusted EBITDA:	Q4 2008	Q4 2007	2008	2007
Net Income:	\$ (554,111)	\$ 1,331,492	\$ 596,816	\$ 3,359,894
Depreciation and Amortization	250,258	188,496	932,908	721,510
Interest	6,989	(5,392)	24,707	(104,872)
Taxes	191,848	0	369,640	-
Stock-based Compensation	142,875	-	903,769	-
Inventory Write-down	93,838	-	93,838	-
Loss on disposal of assets	177,905	-	177,905	-
Impairment loss on FA	74,817	-	74,817	-
Total Adjusted EBITDA	<u>\$ 384,419</u>	<u>\$ 1,514,596</u>	<u>\$ 3,174,400</u>	<u>\$ 3,976,532</u>

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

ASSETS

	December 31,	
	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,913,711	\$ 1,133,555
Accounts receivable, net of allowance for doubtful accounts of \$136,389 and \$407,593 as of December 31, 2008 and December 31, 2007, respectively	1,092,768	2,795,363
Inventories	815,210	1,361,478
Advances for inventory and other current assets	310,773	179,815
Total current assets	5,132,462	5,470,211
PLANT AND EQUIPMENT, NET	19,167,624	5,820,045
INTANGIBLE ASSETS, NET	5,072,626	4,879,635
ADVANCES ON EQUIPMENT PURCHASES	3,649,192	872,974
TOTAL ASSETS	\$ 33,021,904	\$ 17,042,865

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 350,618	\$ 150,557
Customer deposits	31,422	181,825
Accrued liabilities	349,435	115,249
Taxes payable	156,965	334,049
Short-term bank loans	-	1,028,228
Long-term bank loans - current portion	236,308	202,792
Total current liabilities	1,124,748	2,012,700
LONG-TERM BANK LOANS	21,553	241,097
COMMITMENTS AND CONTINGENCIES	-	-
Total liabilities	1,146,301	2,253,797
SHAREHOLDERS' EQUITY		
Preferred stock, par value \$0.001 per share, authorized 10,000,000 shares, no shares issued and outstanding as of December 31, 2008 and 2007	-	-
Common stock, par value \$0.001 per share, authorized 90,000,000 shares, 31,512,269 and 21,512,269 shares issued and outstanding as of December 31, 2008 and 2007, respectively	3,151	2,151
Additional paid-in capital	21,584,006	7,053,834
Statutory reserves	1,457,432	1,195,744
Retained earnings	5,661,025	5,325,897
Accumulated other comprehensive income	3,169,989	1,211,442
Total shareholders' equity	31,875,603	14,789,068
Total liabilities and shareholders' equity	\$ 33,021,904	\$ 17,042,865

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CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 596,816	\$ 3,359,894
Adjusted to reconcile net income to cash provided by operating activities:		
Depreciation	707,177	542,875
Change in allowance for uncollectible accounts	(294,534)	174,767
Amortization of intangible assets	225,731	178,635
Stock-based compensation	903,769	-
Writedown on inventory	93,838	-
Loss on disposal of assets	177,905	-
Impairment on fixed assets	74,817	-
Changes in operating assets and liabilities		
Accounts receivable	2,159,868	(729,952)
Inventories	536,611	(340,505)
Advances for inventory and other current assets	(116,310)	(135,505)
Accounts payable	186,224	(211,552)
Customer deposit	(160,299)	174,628
Other payables and accrued liabilities	222,185	69,353
Taxes payables	(196,992)	225,283
Net cash provided by operating activities	5,116,806	3,307,921
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to construction in progress	(11,653,579)	(1,162,047)
Purchase of equipment	(2,182,310)	(614,343)
Proceeds from sale of equipment	160,871	-
Deposit on purchase of land use rights	-	(2,467,388)
Advances for equipment purchases	(2,667,896)	(838,422)
Net cash used in investing activities	(16,342,914)	(5,082,200)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of common stock	13,627,403	-
Payment on short-term bank loans	(1,081,102)	(329,177)
Proceeds from long-term bank loans	-	426,319
Payment on long-term bank loans	(213,336)	-
Net cash provided by financing activities	12,332,965	97,142
EFFECT OF EXCHANGE RATE ON CASH	673,299	568,980
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,780,156	(1,108,157)
CASH AND CASH EQUIVALENTS, beginning	1,133,555	2,241,712
CASH AND CASH EQUIVALENTS, ending	\$ 2,913,711	\$ 1,133,555
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for:		
Interest expense	\$ 50,672	\$ 114,227
Income taxes	\$ 298,024	\$ -

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