



China Clean Energy Inc.

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China Clean Energy Inc.

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FOR IMMEDIATE RELEASE

China Clean Energy Announces Third Quarter 2008 Results

Fuqing City, China – November 14, 2008 -- 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 results for the third quarter ended on September 30, 2008.

Third Quarter 2008 Highlights

- Revenue totaled \$4.1 million, down 24.9% from the third quarter of 2007
- Gross Profits totaled \$ 0.9 million, down 39.1% from the third quarter of 2007
- Operating Income totaled \$262,452, down 72.4% from the third quarter of 2007
- Net Income was \$401,699, or \$0.01 per share

“We are disappointed with our results for the quarter, as our revenue, which was 100% generated from specialty chemicals, declined sequentially and year over year primarily due to slower production and sales driven by restrictions placed on the transportation of chemical products during the Beijing Olympics, as well as the temporary halt in our biodiesel production,” commented Mr. Tai-ming Ou, Chairman and CEO of China Clean Energy. “Subsequent to the end of the quarter, we were very pleased to announce the resumption of our biodiesel production, which may help compensate for slower demand for specialty chemicals due to the current global slowdown.”

Third Quarter 2008 Results

Net revenue for the third quarter of 2008 was \$4.1 million, down 24.9% from \$5.5 million reported in the third quarter of 2007. Specialty chemical sales accounted for 100% of the Company’s total revenue compared to approximately 70.7% in the same period of last year, as the Company’s biodiesel production remained temporarily halted during the quarter. The Company shipped 1,989 tons of specialty chemicals in the third quarter of 2008, compared to 3,540 tons in the same period

of last year. Exports accounted for 40.0% of the Company's specialty chemicals shipment and 42.0% of revenues in this quarter.

Gross profit for the third quarter of 2008 was \$0.9 million, down 39.1% from \$1.4 million in the third quarter of 2007. Gross margin for the third quarter of 2008 was 21.2%, down from 26.1% in the same period of last year, and down from 24.8% in second quarter of 2008. The decrease in gross margin was due to the significant increase in feedstock costs, which averaged RMB 4,000 per ton in the third quarter of 2008, compared to RMB 2,600 in the comparable period of last year.

Operating expenses totaled \$606,078 for the third quarter of 2008, up 27.5% from \$475,478 in the third quarter of 2007, and down 1.2% from \$613,651 in the second quarter of 2008. General and administrative expenses were up due to expenses related to employee stock based compensation of \$251,103 in the quarter, offset by lower marketing and sales expenses resulting from lower export volume.

Operating income was \$262,452, with an operating margin of 6.4%, for the third quarter of 2008, compared to \$950,808 and 17.4% in the third quarter of 2007, and \$774,802 and 13.6% in the second quarter of 2008, respectively.

During the third quarter of 2008, the Company recorded a tax benefit of \$61,074, as the Company's Fujian Zhongde Technology Co. Ltd. subsidiary received official approval from the Chinese tax authority for a corporate income tax exemption and reduction status. As a result, the Company will be subject to the income tax rate of 12% (versus a normal 25% rate) between January 1, 2008 and December 31, 2010.

Net income for the third quarter of 2008 was \$401,699 or \$0.01 per basic share, compared to \$834,586 or \$0.04 per basic share in the comparable period of last year, and \$557,690 or \$0.02 per basic and diluted share in the second quarter of 2008.

Nine Month Results

Revenue for the nine months ended September 30, 2008 was down 5.4% over the comparable period in 2007 to \$14.1 million. Gross profit was down 18.3% in the same period to \$3.3 million, with gross margin coming in at 23.3%. Operating expenses for the nine months ended September 30, 2008 increased 7.7% to \$2.0 million, compared from \$1.8 million during the same period in 2007. Operating profits in the first nine months of 2008 were down 39.9% over the comparable period in 2007 to \$1.3 million, with operating margins coming in at 9.4%. Net income for the nine months ended September 30, 2008 was \$1.2 million or \$0.04 per basic and diluted shares, compared to \$2.0 million or \$0.09 per basic and diluted share in the first nine months of 2007. Cash flow from operations for the nine months ended September 30, 2008 totaled \$4.2 million, compared to \$1.2 million in the comparable period in 2007. Capital expenditures for the nine months ended September 30, 2008 totaled \$12 million, which was primarily for additions to the Company's new Jiangyin plant, purchases and advances for equipment, as well as property.

Financial Condition

As of September 30, 2008, China Clean Energy had \$6.4 million in total cash, approximately \$8.3 million in working capital, and \$0.3 million in debt. Shareholder's equity at the end of the third quarter stood at \$32.3 million, compared to \$14.8 million recorded at the end of 2007.

Business Outlook

The recent drop in commodity prices, combined with an increase in retail and wholesale diesel prices mandated by the Chinese government in June 2008, allowed China Clean Energy to resume biodiesel production at its existing plant in November of 2008. The Company expects to produce about 800 tons of biodiesel per month, which, at current prices and margin structure, is expected to improve results with expected gross profit contribution of 23%.

China Clean Energy expects its new plant to be ready for production start-up in the second quarter of 2009, which will add 100,000 tons capacity of biodiesel or specialty chemicals to its existing capacity. As previously disclosed, the new plant will have the flexibility to produce 100,000 tons of biodiesel per year, or 100,000 tons specialty chemicals per year, or a combination of biodiesel and specialty chemicals for a total output of 100,000 tons per year. Assuming the current margin structure remains unchanged, the Company hopes to produce up to 50,000 tons of biodiesel from the new plant in the second half of 2009. These projections are preliminary and subject to risks including construction delays, operating risks, feedstock availability at economical prices, as well as diesel wholesale price, which is regulated by the Chinese government.

"We remain cautiously optimistic that the margin structure for our biodiesel business will remain stable in the quarters ahead, allowing us to focus our efforts on ramping up our biodiesel production once our new plant comes online to deliver positive results to our shareholders," stated Mr. Ou. "We are currently seeing the impact of the global economic slowdown on the demand for our specialty chemicals both in China and abroad, but we are hopeful that our biodiesel product will make up for the slack in our specialty chemicals business"

Conference Call

China Clean Energy will hold its third quarter conference call for all interested persons at 9:00 a.m. Eastern Time on Monday, November 17, 2008 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: 1-800-688-0796. International callers should dial +1-617-614-4070. When prompted by the operator, mention Conference Passcode 77660400. If you are unable to participate in the call at this time, a replay will be available for seven days starting on November 17, 2008 at 11:00 a.m. Eastern Time. To access the replay, dial 1-888-286-8010 and International callers should dial +1-617-801-6888 and enter the passcode 68223323.

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 biodiesel fuel and specialty chemical products made from renewable resources. Since its inception, the Company has been

engaged in the manufacture of high-quality specialty chemical products from renewable resources. Through its research and development efforts, the Company developed a proprietary process for refining biodiesel fuel from waste grease and certain vegetable oil-based waste. Using this proprietary process, China Clean Energy began producing biodiesel in 2005 and commenced selling biodiesel commercially starting in December 2005.

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 Company's ability to raise additional capital to finance the Company's activities; the effectiveness, profitability, and the marketability of its products; the availability of raw material feedstock at economical prices to support the profitable operation of the Company's biodiesel and specialty chemical plants; 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 correct, and investors are cautioned that actual results may differ materially from the anticipated results.

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--FINANCIAL TABLES FOLLOW--

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CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
REVENUES	\$ 4,101,578	\$ 5,459,688	\$ 14,053,372	\$ 14,853,094
Less: cost of goods sold	3,233,048	4,033,402	10,783,153	10,848,073
GROSS PROFIT	<u>868,530</u>	<u>1,426,286</u>	<u>3,270,219</u>	<u>4,005,021</u>
OPERATING EXPENSE				
Selling and marketing	56,721	164,642	193,642	601,933
General and administrative	517,203	263,477	1,634,479	1,071,371
Research and development	32,154	47,359	123,158	138,244
Total operating expense	<u>606,078</u>	<u>475,478</u>	<u>1,951,279</u>	<u>1,811,548</u>
INCOME FROM OPERATIONS	<u>262,452</u>	<u>950,808</u>	<u>1,318,940</u>	<u>2,193,473</u>
OTHER INCOME (EXPENSE)				
Interest income (expense), net	7,910	(50,631)	17,718	(99,480)
Other incomes (expenses)	70,263	(65,591)	(7,939)	(65,591)
Total other income (expense)	<u>78,173</u>	<u>(116,222)</u>	<u>9,779</u>	<u>(165,071)</u>
INCOME BEFORE INCOME TAXES	340,625	834,586	1,328,719	2,028,402
PROVISION FOR INCOME TAXES	<u>(61,074)</u>	<u>-</u>	<u>177,792</u>	<u>-</u>
NET INCOME	401,699	834,586	1,150,927	2,028,402
OTHER COMPREHENSIVE INCOME				
Foreign currency translation adjustment	<u>15,704</u>	<u>127,602</u>	<u>1,887,762</u>	<u>384,799</u>
COMPREHENSIVE INCOME	<u>\$ 417,403</u>	<u>\$ 962,188</u>	<u>\$ 3,038,689</u>	<u>\$ 2,413,201</u>
BASIC AND DILUTED EARNINGS PER SHARE				
Weighted average number of shares	<u>31,512,269</u>	<u>21,512,269</u>	<u>31,182,599</u>	<u>21,512,269</u>
Earnings per share	<u>\$ 0.01</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.09</u>

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CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2008 AND DECEMBER 31, 2007

	<u>ASSETS</u>	September 30, 2008 (Unaudited)	December 31, 2007
CURRENT ASSETS			
Cash and cash equivalents	\$	6,358,090	\$ 1,133,555
Accounts receivable, net of allowance for doubtful accounts of \$158,916 and \$407,593, as of September 30, 2008 and December 31, 2007, respectively		1,141,316	2,795,363
Inventories		1,398,970	1,361,478
Advances for inventory and other current assets		360,159	179,815
Total current assets		<u>9,258,535</u>	<u>5,470,211</u>
PROPERTY, PLANT AND EQUIPMENT, NET		16,260,147	5,820,045
INTANGIBLE ASSETS, NET		5,116,196	4,879,635
ADVANCES ON EQUIPMENT PURCHASES		2,647,329	872,974
TOTAL ASSETS	\$	<u>33,282,207</u>	\$ <u>17,042,865</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable	\$	505,946	\$ 150,557
Customer deposits		24,595	181,825
Accrued liabilities		132,642	83,824
Salaries payable		41,988	31,425
Value added tax payables		30,930	320,397
Other taxes payable		19,474	13,652
Short-term bank loans		-	1,028,228
Long-term bank loans - current portion		230,699	202,792
Total current liabilities		<u>986,274</u>	<u>2,012,700</u>
LONG-TERM BANK LOANS		82,432	241,097
COMMITMENTS AND CONTINGENCIES		-	-
Total liabilities		<u>1,068,706</u>	<u>2,253,797</u>
SHAREHOLDERS' EQUITY			
Preferred stock, par value \$0.001 per share, authorized 10,000,000 shares, no shares issued and outstanding as of June 30, 2008 and December 31, 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 September 30, 2008 and December 31, 2007, respectively		31,512	21,512
Additional paid-in capital		21,410,217	7,034,473
Statutory reserves		1,454,650	785,536
Retained earnings		6,217,918	5,736,105
Accumulated other comprehensive income		3,099,204	1,211,442
Total shareholders' equity		<u>32,213,501</u>	<u>14,789,068</u>
Total liabilities and shareholders' equity	\$	<u>33,282,207</u>	\$ <u>17,042,865</u>

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CHINA CLEAN ENERGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Unaudited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,150,927	\$ 2,028,402
Adjusted to reconcile net income to cash provided by operating activities:		
Depreciation	514,268	398,604
Bad debt expense	-	154,032
Amortization of intangible assets	168,382	134,410
Stock-based compensation expense	758,341	-
Writedown on inventory	23,871	-
Loss on disposal of assets	490	-
Changes in operating assets and liabilities		
Accounts receivable	1,804,833	(847,323)
Inventories	52,854	229,307
Advances for inventory and other current assets	(166,374)	(1,027,392)
Accounts payable	342,934	(271,402)
Customer deposit	(166,042)	167,047
Other payables and accrued liabilities	50,948	113,446
Value added tax payables	(304,746)	245,491
Income tax and other tax payables	4,805	(111,205)
Net cash provided by operating activities	4,235,491	1,213,417
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to construction in progress	(6,132,399)	-
Purchase of property and equipment	(4,231,925)	(682,890)
Proceeds from sale of equipment	1,747	-
Deposit on purchase of land use rights	-	(1,856,322)
Advances for equipment purchases	(1,681,328)	(80,163)
Net cash used in investing activities	(12,043,905)	(2,619,375)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of common stock	13,627,403	-
Repayments of amount due to related parties	-	(6,419)
Payment on short-term bank loans	(1,075,275)	(284,798)
Proceeds from long-term bank loans	-	477,379
Payment on long-term bank loans	(157,346)	-
Net cash provided by financing activities	12,394,782	186,162
EFFECT OF EXCHANGE RATE ON CASH	638,167	308,875
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,224,535	(910,921)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,133,555	2,241,712
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 6,358,090	\$ 1,330,791
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest expense	\$ 45,482	\$ 81,434
Income taxes	\$ 296,412	\$ -

