

## Changfeng Reports First Quarter Financial Results

May 18, 2010. Changfeng Energy Inc. ("Changfeng" TSXV: CFY), a China based natural gas distributor, today reported revenue of \$5,089,456 for the quarter ended March 31, 2010 compared to \$4,336,850 for the same period in 2009 representing a 17% increase. The increase was net of negative foreign exchange impact of 20% due to the strengthening of the Canadian dollar. The revenue in Chinese renminbi ("RMB") increased by 40% to 33.4 million RMB for the quarter ended March 31, 2010 from 23.8 million RMB compared to the same period in 2009.

Net income for the first quarter of 2010 was \$445,685 or \$0.007 per share (based on 66,025,000 weighted average shares) compared to \$622,684 or \$0.009 per share (based on 66,025,000 weighted average shares) for the same period in 2009. The decrease in net income was mainly a result of \$514,679 increase in travel and business development expenses, and slight decrease in gross profit margin. Gross profit margin for the first quarter of 2010 was 62% vs. 66% for the same period in 2009. The lower margin is due to the relatively higher procurement price for purchases in excess of quarterly contractual volume of natural gas.

Changfeng's EBITDA decreased by 12% for first quarter of 2010 to \$951,811 compared to \$1,077,179 in the same period in 2009.

The Company's cash and cash equivalents as at March 31, 2010 increased to \$6,664,930 from \$3,782,250 as at December 31, 2009, being an increase of \$2.89 million, primarily as a result of proceeds from the long term bank loan.

During the first quarter of 2010, Changfeng connected 7,046 new residential customers compared to 2,180 in the same quarter in 2009. Total residential customers at the end of March 31, 2010 were 57,501 compared to 39,981 at March 31, 2009 a 44% increase. In the same quarter, the Company connected 27 new commercial customers compared to 15 in 2009. Total commercial customers at March 31, 2010 increased to 467 from 390 at March 31, 2009, a 20% increase.

Mr. Huajun Lin, Chairman and CEO of Changfeng stated "We are very pleased with our progress in the first quarter of 2010. Sanya City remains a strong economy with increasing Central Government mandates and support for rapid expansion. With our new CNG business, the resultant relationships and initiatives in Jianxi and Hunan provinces, as well as, Haitang Bay, we expect significant new projects to be finalized in 2010. We continue to experience high booking requests for connections from new customers and we believe that natural gas demand in Sanya City will continue its strong growth into 2010. We have worked with Sanya City authorities and our gas suppliers to secure additional gas supply."

### Business developments

As a result of the rapid growth of natural gas market in China, Changfeng has entered into the following preliminary acquisition or joint venture agreements, and approximately \$650,000 (4,290,000 RMB) advance payments were made during this quarter:

(a) During this quarter, the Company paid a good faith deposit to the existing shareholder of Hunan CNPC Guangda Gas Co., Ltd. ("Guangda Gas"). Pursuant to a preliminary intention to purchase agreement, the Company expects to acquire a majority equity interest in Guangda Gas, which owns a CNG primary filling station in Changsha City. The final purchase price is being negotiated.

(b) During this quarter, the Company paid a good faith deposit to the existing shareholders Jiangxi Pingxiang Huaneng Energy Co. Ltd. ("Pingxiang Huaneng"). Pursuant to a preliminary intention to purchase agreement, the Company expects to acquire a majority equity interest in Pingxiang Huaneng, a natural gas distributor in Xiangdong district, Pingxiang City, Jiangxi Province. The final purchase price is being negotiated.

### **Natural gas supply**

In order to satisfy the increasing demand for natural gas in Sanya City, the Company recently entered into two 5-year long term natural gas supply agreements with two natural gas companies in Hainan province. One agreement was signed on March 8, 2010 with Hainan CNPC Shennan Oil Serving Co., Ltd. a wholly owned subsidiary of China National Petroleum Corporation ("CNPC"), to supply liquefied natural gas ("LNG"). Pursuant to the agreement, LNG will be supplied 24 hours a day, and the daily volume of LNG delivered will depend on the Company's forecast demand for the next day.

Another agreement was signed April 7, 2010 with Hainan Xinxing Oil Serving Co., Ltd. to purchase compressed natural gas ("CNG") up to 3.65 million m<sup>3</sup> until 2015 with the annual volume of CNG to be based on Changfeng's annual forecast demand.

Changfeng does not expect any difficulty in securing its natural gas supply in the future.

Changfeng continues to work on new business opportunities in mainland China and will release further details as it progresses.

### **About Changfeng Energy Inc.**

Changfeng is engaged in the design and construction of natural gas distribution networks and distribution of natural gas to commercial and residential customers in the greater Sanya City region of Hainan Province, China. During the quarter, the Company has completed trial operations of its first CNG filling station in Changsha, Hunan Province. The Company is headquartered in Toronto, Ontario and its shares trade on the TSX Venture Exchange.

This press release contains forward looking statements based on current expectations. These forward looking statements entail various risks and uncertainties that could cause actual results to differ materially from those reflected in these forward looking statements. Risks and uncertainties about Changfeng's business are more fully discussed in the Company's disclosure materials, including its information circular and MD&A, filed with the securities regulatory authorities in Canada. All amounts are stated in Canadian dollars except for noted otherwise.

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