

Changfeng Reports Strong Revenue and EBITDA Growth in Q1 2011

June 28, 2011. Changfeng Energy Inc. ("Changfeng" or the "Company") (TSX-V: CFY), a natural gas distribution utility operating in China, reported its unaudited consolidated financial results for the first quarter ended March 31, 2011. The unaudited consolidated financial statements and Management Discussion and Analysis may be downloaded from www.SEDAR.com or from the Company's website at www.changfengenergy.com.

Summary of Q1 2011 Consolidated Financial Results

(in thousands in \$Cdn)
except percentages and
per share data

	Q1 2011	Q1 2010	Change	%
Revenue	6,534	5,089	1,445	28%
Gross profit	4,019	3,172	847	27%
EBITDA	2,224	890	1,334	150%
Net income	1,110	435	675	155%
Basic and diluted EPS	0.017	0.007	0.01	143%

Revenue

Revenue for the quarter ended March 31, 2011 grew 28% to \$6.5 million versus \$5.1 million in the same period in 2010. This growth was net of a negative foreign exchange impact of 2% due to the strengthening of the Canadian dollar versus the Chinese Renminbi (RMB) on average during the quarter compared to the same period last year.

The increase in revenue the quarter versus the same period last year reflects:

- (i) higher continued growth of piped gas sales from Sanya Region, driven mainly by (a) the sales price increase that became effective on July 1, 2010 when commercial gas prices increased 20% and residential prices increased 8%; and (b) by increased gas volume, which grew 16%;
- (ii) sales from Changfeng's CNG refueling retail station that commenced initial operation in April 2010 and was not in operation in Q1 2010. Revenue from this station was \$0.4 million for this quarter or 6% of consolidated revenue; and
- (iii) lower revenue from connection fees due to fewer residential customers connected in Sanya City, partially offset by increased commercial connections revenue in Sanya City and Haitang Bay.

During the first quarter, the pace of real estate development in the Sanya Region slowed due to the policy by China to tighten credit to address the inflation rate. As a result, we experienced a 60% reduction in new residential customers connected compared to the same period last year and a 26% reduction in new commercial customers. However, whereas residential connection revenue was down due to fewer residential customers connected and the fact that residential connections occur at a relatively fixed price per connection, commercial connection revenue was higher in Sanya City and Haitang Bay, despite fewer connections, as a result of higher value commercial connections compared to the same quarter last year. During the quarter, in Haitang Bay, the Company signed gas connection agreements for a Sheraton Hotel, Kempinski Hotel and a hospital which have significant connection fees.

Revenue from the Sanya Region business (the “Sanya Region Business”), was \$6.1 million or 94% of total revenue for the Company.

Gross Profit

Gross profit for Q1 2011 grew 27% to \$4.0 million versus \$3.2 million for the same period in 2010. Gross margin percentage for the quarter was 61.5% versus 62.3% for the same period last year.

During 2010, demand for gas in the Sanya Region began to exceed the Company’s annual 24 million m³ quota (the “Gas Quota), which provides gas at a low cost of approximately 0.6 RMB per m³. In Q1 2011, gas sales volume in the Sanya Region grew 16% versus the same period in 2010. As a result, the Company has been and will need to purchase increasing volumes of gas at significantly higher market-based prices in the form of Liquefied Natural Gas (“LNG”) and/or Compressed Natural Gas (“CNG”) (collectively the “Other Gas”). Going forward, depending upon the mix of gas supplied in the period as between the Gas Quota and Other Gas, the gross profit and gross margin as well as the EBITDA and EBITDA margin may be affected. In the quarter, the Company sold a high proportion of natural gas from the Gas Quota rather than from Other Gas, although the relative proportions were similar in the same quarter last year.

During the quarter, the Company completed construction of a gasification facility and began testing. Gasification allows the Company to reduce its effective cost per m³ of Other Gas by diluting it.

Gross profit from gas sales in the Sanya Region was significantly higher during the quarter compared to the same period last year, mainly driven by the price increase described above and by increased gas volume.

Gross profit from connection fees was lower during the quarter compared to the same period last year. This was caused by the decline in gross profit from residential gas connection fees driven by fewer residential connections as a

result of the slower pace of real estate development in the Sanya Region, partially offset by higher gross profit from commercial gas connection fees in Sanya City and Haitang Bay. Gross margin on commercial connections in Haitang Bay are higher than commercial connections in Sanya City.

The Company generated gross profit of \$0.08 million from the CNG retail station during the quarter versus nil for the same period last year as it did not commence full operation until June 2010.

Gross profit from the Sanya Region Business was \$3.9 million for the quarter or 98% of gross profit for the Company.

Operating Expenses

General and administrative expense for the quarter decreased 27% to \$1.0 million (16% of revenue) from \$1.4 million (28% of revenue) in the same period last year. This sharp decrease is as a result of the Company's initiative to reduce operating costs, which began in the second half of 2010.

Travel and business development expense for the quarter decreased 11% to \$0.8 million (12% of revenue) from \$0.9 million (17% of revenue).

The majority of travel and business development expense does not relate to the Company's business in the Sanya Region or the CNG retail station but instead relates to investments in projects under consideration or development in mainland China.

EBITDA and Net Income

Earnings before interest, tax, depreciation and amortization ("EBITDA"), as defined in the Management Discussion and Analysis for the quarter, increased by 150% to \$2.2 million compared to \$0.9 million for the same period last year. EBITDA margin percentage in the quarter increased sharply to 34% versus 18% in the same period last year.

The increase in EBITDA (+\$1.3 million) during the quarter compared to the same quarter last year was primarily as a result of the increase in revenue, gross profit (+\$0.9 million) and decreased expenses (-\$0.3 million), as discussed above. .

EBITDA for the Sanya Region Business was \$2.6 million calculated by starting with the EBITDA for the Company and adding back the travel and business development expense not applicable to the Sanya Region Business (\$0.4 million) and the EBITDA loss on the CNG retail station (\$0.1 million). The EBITDA margin for the Sanya Region Business during the quarter was 43%.

Net income for the quarter increased by 155% to \$1.1 million or \$0.017 per share versus net income of \$0.4 million or \$0.007 per share for the same period last year.

The Company's cash and cash equivalents at March 31, 2011 were \$3.5 million, an increase of \$0.9 million from \$2.7 million as at December 31, 2010.

Annual General Meeting

At the Annual General Meeting on Wednesday, June 29th at 4:30 p.m. in Toronto at the offices of Blake, Cassels and Graydon, LLP, 199 Bay Street (Commerce Court West) on the 40th floor in the Cassels Room, the Company will provide a review of Fiscal 2010 and a business update in the form of a PowerPoint presentation which will be posted on the Company's website after the meeting and prior to the market open.

Message from the Chairman and Chief Executive Officer

Mr. Huajun Lin, Chairman and CEO of Changfeng, reflecting on the quarter stated that, "we are pleased with the quarter over quarter revenue and EBITDA growth for the Company. The Company's Sanya Region Business is stable and growing. It is a strong driver of EBITDA that we can leverage to grow our business in the Sanya Region and on mainland China. We are optimistic about our ability to expand our business in mainland China along the second West-East Gas Pipeline."

About Changfeng Energy Inc.

The Company is a natural gas distribution utility in the People's Republic of China ("China"). The Company is engaged in the design, construction, ownership and operation of natural gas pipelines and related gas distribution activities including a CNG refueling station. The Company markets and distributes natural gas to residential, commercial and industrial users as well as vehicle users.

The Company is headquartered in Toronto, Ontario and its shares trade on the TSX Venture Exchange under the symbol "CFY".

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 management discussion and analysis, filed with the securities regulatory authorities in Canada. All amounts are stated in Canadian dollars except for noted otherwise.

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