Changfeng Delivers Strong Revenue and EBITDA Growth in Q2 2011

August 29, 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 second quarter and six month periods ended June 30, 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 Q2 2011 Consolidated Financial Results

(in thousands in $Cdn) except percentages and per share data	Q2 2011	Q2 2010	Change	%	YTD 2011	YTD 2010	Change	%
Revenue	6,776	4,495	2,281	51%	13,310	9,585	3,725	39%
Gross profit	2,246	2,113	133	6%	6,265	5,285	980	19%
EBITDA	553	245	308	126%	2,776	1,135	1,642	145%
Net income (loss)	(300)	(352)	52	-15%	810	83	728	880%
Basic and diluted EPS	(0.005)	(0.005)	-	0%	0.012	0.001	0.011	821%

Revenue

Q2 2011 revenue grew 51% to $6.8 million compared to $4.5 million in Q2 2010. Revenue for the first six months of 2011 grew 39% to $13.3 million versus $9.6 million for the same period in 2010. This increase in revenue in the quarter and year-to-date ("YTD") reflects:

(i) continued growth of piped gas sales from Sanya Region, driven 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 18% in the quarter and 17% YTD versus the same periods last year;

(ii) increased revenue from residential and commercial connection fees;

(iii) increased sales from our CNG refueling retail station that only commenced initial testing operation in April 2010 and began full operation in June 2010; and

(iv) new gas sales and connection fees in Haitang Bay, as the Company only began to recognize connection fees and gas sales revenue in Haitang Bay in late 2010.

During the first half year of 2011, 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. However, during the quarter, residential connection fees were higher versus the same period last year due to more residential connections. Commercial connections fees were higher during the quarter versus the same period last year due to higher value connections despite slightly fewer connections in the quarter.

YTD the Company experienced a 30% reduction in new residential customers connected and a corresponding drop in revenue from residential connections. Offsetting this drop, were increased connections of small restaurants, which are classified as residential connections and have higher connection fees than typical residential customers. The Company also earned increased revenue from commercial connections YTD due to higher-value connections despite fewer new connections.

During the quarter and YTD, revenue from the Sanya Region Business (the "Sanya Region Business"), was $6.2 million or 92% of total revenue and $12.4 million or 93% of total revenue, respectively.

Customer Metrics in Sanya Region

The Company had 74,805 residential customers connected at the end of the quarter versus 61,483 at the end of the same quarter last year, an increase of 13,322 customers or 24%. The Company had 554 commercial customers at the end of the quarter versus 483 at the end of the same quarter last year, an increase of 71 customers or 15%.

Gas sold to residential customers in Q2 2011 increased 37% to 0.86 million m3 versus the same period last year, and YTD volume sold increased 16% to 2.23 million m3 versus the same period last year. Residential gas volume YTD was 15% of total volume sold.

Gas sold to commercial customers in Q2 2011 increased 16% to 6.82 million m3, and YTD volume sold increased 17% to 14.63 million m3 versus the same period last year. Commercial gas volume YTD was 85% of total volume sold.

CNG Retail Refueling Station in Hunan Province

Q2 2011 revenue from the CNG retail refueling station was $0.54 million versus $0.40 million in Q1 2011, an increase of 33%. Average daily volume sold in this quarter was approximately 12,000 m3, which is at or near its estimated capacity of 12,000–15,000 m3 per day. This compares to approximately 9,100 m3 per day in Q1 2011, an increase of 32%.

Gross Profit

Q2 2011 gross profit grew 6% to $2.2 million versus $2.1 million for Q2 2010 despite a strong revenue increase of $2.3 million or 51%. Gross margin percentage for Q2 2011 decreased to 33% versus 44% for Q2 2010.

The disproportionately lower increase in gross profit was driven mainly by higher gas purchase costs in the Sanya Region due firstly to surging demand for gas in the Sanya Region beyond our annual Gas Quota (gas purchased from CNOOC as part of our 24 million m3 per year gas quota at approximately RMB 0.6/m3) and secondly, by higher purchase prices for Other Gas (gas purchased from 3rd parties at market-based prices), caused in part by a recent gas shortage on Hainan Island. This decrease in gross margin is despite Changfeng's improved gasification utilization, which lowers the effective cost of Other Gas. It was also driven by the lower mix of gas sold from the higher-margin Gas Quota versus from lower-margin Other Gas during the quarter in the Sanya Region to meet demand

Gross profit and EBITDA will vary considerably depending on the cost of Other Gas and the mix of gas sold from Gas Quota and Other Gas in the period. In the quarter, the Company sold 7.67 million m3 of gas in the Sanya Region but only 4.3 million m3 (56%) came from the higher-margin Gas Quota with 3.4 million m3 (44%) from lower-margin Other Gas. In Q1 2011, 9.1 million m3 came from the higher-margin Gas Quota, being 95% of the 9.5 million m3 sold in Q1 2011. There is 10.6 million m3 of Gas Quota remaining to be used in the second half of 2011. Gas sold YTD was 17.21 million m3, a 17% increase over the same period last year. In 2010, the Company sold 29.1 million m3.

Recently, Hainan Island has experienced a gas shortage such that the price of Other Gas purchased to meet demand was higher than in Q1 2011. During the quarter, the Company also had to buy gas from mainland China to meet demand. The average price of Other Gas in the quarter was greater than the Company's regulated selling price; however, the Company was able to sell some of the Other Gas to two high-volume industrial customers at significantly higher prices than the regulated selling prices. To further mitigate the negative effects of the gas shortage and higher gas pricing for Other Gas, the Company is working closely with the municipal government to find a solution. Possible solutions include a sales prices increase for commercial customers, a government subsidy and a larger gas quota.

Gross profit for the first six months of 2011 increased $1.0 million, or 19%, to $6.3 million from $5.3 million in the same period of 2010, in despite of a strong revenue increase of $3.7 million or 39%. This disproportionately lower increase was caused primarily by the reasons noted above.

Gross margin as a percentage of sales for the first six months of 2011 decreased by 8% to 47.1% compared to 55.1% for the same period of 2010, mainly as a result of the reasons noted above and the relatively lower margins (17% YTD) on new sales from the Company's CNG retail refueling station, which the Company did not have in full operation for most of the first six months of 2010.

The Company's CNG retail refueling station generated gross profit of $0.09 million during the quarter versus $0.8 million for Q1 2011, an increase of 12%.

Gross profit from the Sanya Region Business was $2.2 million for the quarter or 96% of gross profit for the Company.

Operating Expenses

The Company is experiencing operating leverage as strong revenue growth outpaces growth in operating expenses.

Since the second half of 2010, the Company has begun an initiative to reduce its operating costs. Despite strong revenue increases (51% in Q2 and 39% YTD versus the same periods last year), General and Administrative expenses have not increased proportionately. Q2 2011 General and Administrative expenses increased slightly by $0.1 million, or 9%, to $1.2 million, and for the first six months of 2011, decreased $0.3 million, or 12%, to $2.2 million, as compared to the same periods of 2010. Q2 2011 General and Administrative expenses as a percentage of sales decreased to 17%, down 7% from 24% and for YTD decreased to 17%, down 10% from 26% for the same periods last year.

Travel and Business Development expenses for the quarter decreased $0.3 million, or 33%, to $0.5 million, and YTD decreased $0.4 million, or 22%, to $1.3 million, as compared to the same periods of 2010 as a result of the effort to reduce operating costs. Travel and Business Development expenses as a percentage of revenue for the quarter decreased to 8%, down 10% from 18% for the same quarter last year and decreased to 10% YTD, down 8%, from 17% for the same period last year.

The majority of Travel and Business Development expenses do 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 along the Second West-East Pipeline.

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 126% to $0.6 million compared to $0.2 million for the same period last year. EBITDA margin percentage in the quarter increased to 8.2% versus 5.4% in the same period last year. The increase in EBITDA (+$0.3 million) was primarily as a result of the increase in, gross profit (+$0.1 million) and decreased operating expenses (-$0.2 million), as discussed above.

EBITDA YTD increased by 145% to $2.8 million compared to $1.1 million for the same period last year. EBITDA margin percentage YTD increased to 20.9%

from versus 11.8% in the same period last year. The increase in EBITDA (+$1.6 million) YTD was primarily as a result of the increase in, gross profit (+$1.0 million) and decreased operating expenses (-$0.7 million), as discussed above.

EBITDA for the Sanya Region Business for the quarter was $0.8 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 ($0.3 million) and the EBITDA loss on the CNG retail station ($0 million)) versus $0.6 million for the same period last year, representing a 33% increase. The EBITDA margin for the Sanya Region Business during the quarter was 13%.

EBITDA for the Sanya Region Business YTD was $3.3 million, versus $1.9 million for the same period last year, representing a 72% increase over the same period last year.

Net loss for the quarter decreased by 15% to $0.30 million from $0.35 million for the same period last year. Net income YTD increased by 880% to $0.8 million ($0.012 per share) from $0.1 million ($0.001 per share) versus the same period last year.

The Company's cash and cash equivalents at June 30, 2011 were $3.0 million, an increase of $0.3 million from $2.7 million as at December 31, 2010.

Message from the Chairman and Chief Executive Officer

Mr. Huajun Lin, Chairman and CEO of Changfeng, reflecting on the quarter and year to date stated that, "we are pleased with the continued growth of the Company and the continuing secular growth trends driving it. "The Company's Sanya Region Business is stable and continues to grow strongly. It is a strong driver of EBITDA and value that we can leverage to grow our business in the Sanya Region and on mainland China. We are optimistic about our ability to improve our gas supply/purchase cost situation in the Sanya Region and to expand our business in mainland China along the second West-East Gas Pipeline. We now have two piped gas projects in development being the Xiangdong Project and the Xiangtan Project."

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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