

Changfeng Reports its Third Quarter 2011 Results

November 25, 2011

Toronto, Ontario, November 25, 2011– Changfeng Energy Inc. ("Changfeng" or the "Company") (TSX-V: CFY), a natural gas distribution utility operating in China, has filed today its interim condensed consolidated financial statements for the three and nine months ended September 30, 2011, together with its Management's Discussion and Analysis ("MD&A") for the corresponding period. These documents will be posted on the Company's website at www.changfengenergy.com and under the Company's SEDAR profile at www.sedar.com.

Summary of Q3 2011 Consolidated Financial Results

<i>(in thousands in \$Cdn) except percentages and per share data</i>	Q3	Q3	Change	%	YTD	YTD	Change	%
	2011	2010			2011	2010		
Revenue	5,936	5,393	543	10%	19,247	14,978	4,269	29%
Gross profit	2,523	2,626	(103)	-4%	8,788	7,911	877	11%
EBITDA(i)	612	1,025	(413)	-40%	3,388	2,160	1,228	57%
Net income (loss)	(326)	287	(613)	-214%	484	370	114	31%
Basic and diluted EPS	(0.005)	0.004	(0.009)	-225%	0.008	0.006	0.002	34%

- (i) EBITDA, a non-GAAP financial measure, which the Company use as a supplemental metric of its financial and operating performance, is defined herein as earnings before income tax benefit (expense), (loss) gain on sale of assets, interest income (expense), depreciation and amortization, non-controlling interest and non-cash stock-based compensation expense. EBITDA does not have any standardized meaning prescribed by IFRS and therefore may not conform to the definition used by other companies.

Total revenues for the third quarter increased by 10% to \$5.9 million compared to the same period of 2010. The increase was primarily due to increased sales from the Company's CNG refueling retail station. For the first nine months of 2011, revenues increased by 29% to \$19.2 million compared to the same period in 2010. This increase was mainly attributable to the combination of continued higher gas volume growth, increased gas connection fee from Sanya Region, as well as the gas sales price increase that became effective on July 1, 2010.

Gross profit for the third quarter of 2011 decreased by 4% to \$2.5 million compared to the same quarter of 2010, despite a revenue increase of \$0.5 million or 10%. This disproportionately decrease in gross profit was continually driven by higher gas purchase costs in the Sanya Region due to surging demand for gas in the Sanya Region beyond our annual Gas Quota, partially offset by sale price increases and improved gasification efficiency driven by its LNG/CNG gasification facilities in Haitang Bay region. As a result, gross margin as a percentage of sales for the third quarter of 2011 decreased by 6% to 42.5% compared to 48.7% for the same period of 2010.

Gross profit for the first nine months of 2011 increased by 11% to \$8.8 million compared to \$7.9 million in the same period of 2010, despite a strong revenue increase of \$4.3 million or 29% due to the reasons



stated above. Gross margin as a percentage of sales for the first nine months of 2011 decreased by 7% to 45.7% compared to 52.8% for the same period of 2010.

EBITDA for the third quarter of 2011 was \$0.6 million versus \$1.0 million in the same period of 2010 primarily due to decrease in gross margin and offset by an increase in sale price and volume, and gas connection fee. EBITDA for the nine months of 2011 was \$3.4 million versus \$2.2 million in the same period of 2010 as a result of increase in sales.

Net loss for the third quarter of 2011 was \$0.3 million or \$0.005 loss per share compared to a net income of \$0.3 million or \$0.004 per share for the same period in 2010. Net income for the first nine months of 2011 was \$0.5 million or \$0.008 per share compared to \$0.4 million or \$0.006 per share for the same period of 2010, primarily due to the reasons stated above.

Cash flow from operating activities for the quarter and nine months of 2011 were \$1.5 million and \$0.8 million, respectively, versus \$0.6 million and \$1.1 million for the corresponding periods in 2010.

As at September 30, 2011, the Company reported cash and cash equivalents of \$2.7 million, net working capital deficit of \$9.8 million and long-term debt of \$22.1 million.

“Changfeng's third quarter financial results were slightly lower than our expectations for gross profit, net income and earnings per share. The unexpected gas shortage throughout Hainan Island in 2011 forced the Company to purchase gas from mainland China for higher prices than expected. We have been working closely with the local government for addressable solutions to mitigate higher gas purchase costs. Possible measures include a sales prices increase, a government subsidy and/or additional gas quota through government coordination”, Huajun Lin, Chairman and CEO of the Company stated. He further added: “We are very excited about progress we have made so far for the projects in development along the second West-East Pipeline on Mainland China. All of these projects would provide a strong base from which further growth initiatives can arise. We will continue to make efforts to execute our growth strategy and keep our commitment to deliver long-term value to our shareholders”.

In addition, the Company has noticed a typographical error in the news release dated November 23, 2011, titled " Changfeng Announces the Commence of Construction of the Pipelines and Related Facilities and Approval of Gas Quota in Xiangdong Project, and A Potential Gas Utilization Project in Development in Hunan Province" (the "Press Release"). The Press Release stated that Preliminary approval of its application of a loan of RMB 50 million (\$0.8 million). The statement should have read that Preliminary approval of its application of a loan of RMB 50 million (\$8.0 million).

About Changfeng Energy Inc.

Changfeng Energy Inc., is a natural gas service provider with operations located throughout the People's Republic of China. The company services industrial, commercial and residential customers, providing them with natural gas for heating purposes and fuel for transportation. The Company has developed a significant natural gas pipeline network as well as urban gas delivery networks, stations, substations and gas pressure regulating stations in Sanya City & Haitang Bay. Through its network of pipelines, the company provides safe and reliable delivery of natural gas to both homes and businesses. The Company is headquartered in Toronto, Ontario and its shares trade on the Toronto Venture Exchange under the trading symbol “CFY”. For more information, please visit the company website at www.changfengenergy.com.

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Forward-Looking Statements

Information set forth in this news release may involve forward-looking statements under applicable securities laws. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this document are made as of the date of this document and the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities legislation. Although Management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. This news release does not constitute an offer to sell or solicitation of an offer to buy any of the securities described herein and accordingly undue reliance should not be put on such.

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