



Changfeng Received a \$714,000 Tax Free Government Subsidy and a Long-term Government Scheme for Its Sanya Operation, Hainan Province, China

June 27, 2012

Toronto, Ontario, June 27, 2012 – Changfeng Energy Inc., (TSXV: CFY) (“Changfeng” or the “Company”), is pleased to announce that the Company has received a \$714,000 (RMB 4.5 million) one-time tax free subsidy from the municipal government of Sanya City, Hainan Province, China.

This subsidy was granted to the Company as compensation for the negative effects of the higher purchasing price that the Company paid for in additional volume of natural gas beyond its annual 24 million M³ (approximately 847.2 million ft³) Gas Quota for the fiscal year 2011.

Currently, the Company has an annual 24 million M³ Gas Quota (“Gas Quota”) which was originally granted in 2006 and will expire in 2015. Since 2010, the demand for natural gas in the Sanya region has exceeded the Company’s Gas Quota. As a result, the Company started to purchase additional volume of gas in the form of Liquefied Natural Gas (“LNG”) and/or Compressed Natural Gas (“CNG”) (collectively, the “Other Gas”) at a higher market price to meet its increasing demand for natural gas.

Going forward, the Sanya municipal government agreed to implement a long term scheme to address the gas shortage issue. The scheme includes (a) a long term subsidy plan for the Company. The annual subsidy will be based on the Company’s actual purchase cost for natural gas beyond the Gas Quota for residential customers’ uses. The subsidy will be included in the municipal government’s annual fiscal budget; (b) the sales price for commercial customers can be adjusted according to the cost of natural gas beyond the Company’s Gas Quota. The Company’s proposal to raise the sale price is pending final approval by the Hainan Provincial Pricing Bureau.

“We are very pleased with the government subsidy for 2011 and the progress we made to address the gas shortage issue in our operation in the Sanya region,” Mr. Huajun Lin, the Chairman and CEO of the Company stated. “It reflects the collective efforts by both the Company and the local government to address this issue. We believe that this government subsidy and the Gas & Electricity Exchange Program that we announced on February 22, 2012, together with other long-term solutions, will enable us to keep pace with the increasing demand for natural gas in the Sanya region.”

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

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