



Changfeng Reports Third Quarter 2012 Financial Results and Provides Business Update

November 22, 2012

Toronto, Ontario, November 22, 2012 – Changfeng Energy Inc. ("Changfeng" or the "Company") (TSX-V: CFY), a natural gas utility in China, today reported its unaudited interim consolidated financial results for the third quarter ended September 30, 2012. All figures are in Canadian dollars unless otherwise stated. The unaudited interim consolidated financial statements and Management Discussion and Analysis can be downloaded from www.SEDAR.com or from the Company's website at www.changfengenergy.com.

Summary of Q3 2012 Consolidated Financial Results

<i>(in thousands in \$Cdn) except percentages and per share data</i>	Q3	Q3	Change	%	YTD	YTD	Change	%
	2012	2011			2012	2011		
Revenue	7,929	5,936	1,993	34%	22,416	19,247	3,169	16%
Gross profit	3,164	2,059	1,105	54%	10,488	7,424	3,064	41%
EBITDA (note a)	1,349	612	737	120%	5,603	3,389	2,214	65%
Net income (loss)	55	-326	381	117%	1,707	484	1,223	253%
Adjusted net income (loss) (note b)	55	-326	381	117%	1,074	484	590	122%
Basic and diluted EPS	0.001	-0.005	0.006	120%	0.026	0.008	0.018	225%

(a) This is a non-GAAP financial measure. The definition and reconciliation of GAAP to this non-GAAP financial measure are included in the Management Discussion and Analysis, under the heading "Non-GAAP Financial Measures."

(b) The adjusted net income excludes a one-time government grant of \$722,535 and associated income tax provision of \$90,000.

Financial Results

Revenue

Revenue for the third quarter of 2012 was \$7.9 million, an increase of \$2.0 million, or 34%, from \$5.9 million for the same quarter in 2011. Revenue for the nine months ended September 30, 2012 was \$22.4 million, an increase of \$3.2 million, or 16%, from \$19.2 million for the same period in 2011. The increases in revenue during the quarter and YTD of 2012 versus the same periods last year are mainly attributable to continued gas volume growth (109% in Q3'12 and 115% YTD) and a 15% price increase from the CNG refueling retail station. Piped gas sales from its operation in the Sanya Region for the quarter and YTD of 2012 were relatively flat compared to the same periods of 2011 due to limited sources of gas supply. Pipeline connection fees from its operation in the Sanya Region for the quarter and YTD of 2012 increased by 40% and 17%, respectively, compared to the same periods of 2011 due to an increase in the number of residential



customers and an increase in certain higher-value commercial customers despite fewer commercial connections.

Gross profit

Gross profit for the third quarter of 2012 increased by \$1.1 million (or 54%) and for the nine months ended September 30, 2012 increased by \$3.1 million (or 41%), compared to the same periods of 2011. Gross profit as a percentage of sales for the third quarter and nine months of 2012 increased by 5% to 40% and by 8% to 47%, respectively, compared to the same periods of 2011. CNG refueling retail station gross margins year-over-year improved 9% due primarily to sale price increases and lower operating costs as a result of gas volume increase. Piped gas gross margins year-over-year improved 6% reflecting the reduced volume of gas purchased at market rate prices. Pipeline connection fee margins year-over-year improved 19% due to higher-value commercial customers.

Operating expenses

General and administrative expenses for the third quarter of 2012 increased by \$0.3 million (or 22%) to \$1.7 million and for the nine months ended September 30, 2012 increased by \$0.9 million (or 24%) to \$4.4 million, compared to the same periods of 2011. The increases were attributable to general expenses increases including employee salary and benefits as a result of a high inflation rate in China, and sales increases. General and administrative expense as a percentage of sales for the quarter of 2012 decreased by 2% to 21%, and for the nine months ended September 30, 2012 increased by 1% to 20%, compared to the same periods of 2011.

Travel and business development expenses for the third quarter of 2012 increased by \$0.2 million (or 28%) to \$0.8 million and for the nine months ended September 30, 2012 increased by \$1.0 million (or 50%) to \$2.9 million, compared to the same periods of 2011. The increases were attributable to the travel and business development activities in mainland China as the Company seeks to develop new projects in close proximity to the new national pipelines. Included in this amount was a \$0.2 million one-time sponsorship fee for a provincial-level table tennis tournament. The majority of the travel and business development expenses did not relate to the Company's business in the Sanya Region or the CNG retail station but instead related to projects under consideration or development in mainland China.

EBITDA

Earnings before interest, tax, depreciation and amortization ("EBITDA") as defined in the Management Discussion and Analysis for the third quarter of 2012 increased by \$0.7 million, or 120%, to \$1.4 million and for the nine months ended September 30, 2012 increased by \$2.2 million, or 65%, to \$5.6 million, compared to the same periods of 2011. The increases were primarily attributable to the reasons noted above relating to the sales increases, higher gross margins and a \$0.7 million one-time government grant, partially offset by higher operating expenses.

Net income (loss)

The net income for the third quarter of 2012 was \$0.06 million or \$0.001 per basic and diluted share compared to a net loss of \$0.3 million or -\$0.005 per basic and diluted



share for the same period in 2011, primarily due to the reasons stated above. The net income for the nine months ended September 30, 2012 was \$1.7 million, or \$0.026 per basic and diluted share compared to \$0.5 million or \$0.008 per basic and diluted share for the same period of 2011.

Financial position

Cash increased by \$0.1 million to \$5.2 million at September 30, 2012 from \$5.1 million at December 31, 2011, primarily from cash provided by operating activities of \$4.8 million and a government grant of \$0.8 million, offset by cash used for capital expenditures of \$1.4 million and \$0.6 million of principal repayments of the bank term loans.

Working capital deficit as at September 30, 2012 was \$10.4 million, relatively constant when compared to \$10.7 million as at December 31, 2011.

The adjusted working capital as defined in the Management Discussion and Analysis under the heading "Non-GAAP Financial Measures was \$4.5 million as at September 30, 2012, compared to \$2.4 million as at December 31, 2011.

Business Update

Xiangdong project, Xiangdong District, Pingxiang City, Jiangxi Province

The Company continues to accelerate the first phase of construction at Xiangdong. Currently, the Company has completed construction of the 7km main pipelines and site preparation for construction of the citygate in the Park, and it is expected that the Company will be able to supply gas for the ceramic manufacturers in the Park by late 2012 upon completion of the first phase of construction. In addition, the Company is negotiating with a local bank for financing related to upcoming second phase of construction.

On October 30, 2012, the Company entered into its first pipeline installation contract with a local real estate developer. It is expected that the Company will supply gas for a condominium located in the downtown district with a total of 400 units by May 2013, depending upon the progress of construction of the condominium which is currently under construction.

A 24 kilometer pipeline connecting the Company's citygate to the existing intra-provincial pipeline network will be built by a state-owned company. Construction of this pipeline is postponed to mid-2013 subject to the approval of the development by the state-owned company. Once the pipeline is built, it will ship the gas from the PetroChina's Second West-East Pipeline to the Xiangdong district. Before that, the Company will purchase CNG to supply to its customers in this area. The gas quota as previously announced on November 23, 2011 will be saved and accumulated until the Company can access to the gas from the PetroChina's Second West-Ease Pipeline.

On November 13, 2012, the Company received the land use right for an 18-mu (approximately 1.20 hectare) parcel of land which is being used for the Company to construct a citygate for this project.



Sanya Operation, Sanya City, Hainan Province

In connection with the Gas & Electricity Exchange Program (the "Program") as previously announced on February 22, 2012 and April 30, 2012, a total of \$0.4 million (RMB 2.4 million) has been paid as of September 30, 2012 for the first phase of construction of the Program. The completion of the first phase of construction is delayed to early 2013 due to certain engineering design modifications.

In addition, the Company's application to raise the sales prices for its commercial customers is waiting for the final approval by the Hainan Provincial Pricing Bureau. The price increase application was made based on the long term Budget Process previously announced on June 27, 2012 that was approved by Sanya Municipal government as part of the solution to address the gas shortage issue in the Sanya Region.

Proposed Joint Venture for the Pipeline Project, Guangdong Province

During the quarter, the Company continued to work on the proposed joint venture with the subsidiary of PetroChina as previously announced on March 29, 2012. An arm's-length pipeline project research firm has finalized a project feasibility study for supplying gas for one of the targeted industrial customers in these regions. The establishment of the proposed joint venture is subject to the approval by PetroChina after review of the feasibility study.

The proposed joint venture will build, own and operate natural gas pipelines to connect the potential industrial customers to an existing and/or planned intra-provincial pipeline network within four (4) cities in west Guangdong area. Those four (4) cities include Zhaoqing City, Foshan City, Zhuhai City and Jiangmen City.

CNG Refuelling Station, Changsha City, Hunan Province

On October 24, 2012, the Company reached an agreement with the existing shareholder of Hunan CNPC Guangda Gas Co., Ltd. ("Guangda Gas") for return of the good faith deposit in amount of RMB1.0 million (approx.\$0.2 million) that was advanced in early 2010 in connection with the proposed acquisition of Guangda Gas. The good faith deposit will be repaid to the Company by way of partially offsetting gas purchase to be made from Guangda Gas over a ten-month period starting in November 2012.

Guangda Gas owns and runs a CNG wholesales station in the Changsha City and has been one of gas suppliers for the Company's CNG refueling retail station in the city.

Due to favorable market conditions after the PetroChina's Second West-East Pipeline commenced supplying gas for this region, the gas shortage situation has been significantly alleviated. As a result, the Company has no intention of proceeding with this proposed acquisition of Guangda Gas.

"We are pleased with our financial performance achieved for this quarter. We are also very pleased to see the progress we made to address the gas shortage issue in the Sanya Region, and the progress on our other projects under development in Mainland China, especially on the Xiangdong Project and Guangdong Project," stated Mr. Huajun Lin, Chairman and CEO of the Company, "we have nearly completed the first phase of



construction of the Xiangdong Project, and remain on target to commence supply of gas for the Park in 2012. In addition, we are optimistic about the proposed joint venture with a subsidiary of PetroChina and see a tremendous opportunity ahead from the Guangdong Project.”

About Changfeng Energy Inc.

Changfeng Energy Inc., is a local natural gas distribution company (“LDC” or natural gas utility) with operations located throughout the southern part of People’s Republic of China. The Company serves 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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