

Changfeng Reports its Fiscal Year 2012 Results and Provides Business Update

April 25, 2013

Toronto, Ontario, April 25, 2013 – Changfeng Energy Inc., (TSXV: CFY) (“Changfeng” or the “Company”), is pleased to announce that the Company has filed its audited consolidated financial results for the fiscal year ended December 31, 2012. The audited 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 Consolidated Financial Results for the Fiscal 4th Quarter and the Fiscal Year ended December 31, 2012

<i>(in thousands in \$Cdn) except percentages and per share data</i>	Q4		Q4		Q4		Q4	
	2012	2011	Change	%	2012	2011	Change	%
Revenue	10,857	8,929	1,928	22%	33,273	28,176	5,097	18%
Gross profit	5,172	4,285	887	21%	15,659	11,708	3,951	34%
EBITDA	2,403	2,511	-108	-4%	8,006	5,861	2,145	37%
Net income	771	888	-117	-13%	2,478	1,371	1,107	81%
Basic and diluted EPS	0.011	0.013	-0.002	-15%	0.038	0.021	0.017	81%

Revenue for fiscal 2012 was \$33.3 million, an increase of \$5.1 million, or 18%, from \$28.2 million in 2011. This increase is mainly attributable to continued gas volume growth (16%) and higher average selling prices for both its CNG refueling retail station in Changsha city and the natural gas distribution utility in Sanya city.

Gross margin for 2012 was \$15.7 million, an increase of \$4.0 million, or 34%, from \$11.7 million in 2011. Gross margin as a percentage of sales for 2012 increased by 5% to 47% compared to 42% for 2011. The increase in gross margin percentage is mainly due to higher selling prices and improved margin on the CNG sales from the refueling station.

Gas distribution utility gross margin as a percentage of sales year-over-year improved 8% (52% for 2012 VS 44% for 2011) reflecting the reduced volume of gas purchased at market rate prices and higher-value commercial customers from the Haitang Bay district in the Sanya Region. The CNG refueling station gross margin as a percentage of sales year-over-year improved 9% (22% for 2012 VS 13% for 2011) primarily due to selling price increases and lower operating costs as a result of gas volume increase.

General and administrative expenses for fiscal 2012 were \$6.9 million, an increase of \$1.8 million, or 36%, from \$5.1 million in 2011. The increase was attributable to general



expenses including employee salary and benefits as a result of a higher inflation rate in China, and sales increase. General and administrative expenses as a percentage of sales for 2012 was 21%, compared to 18% in 2011, representing an increase of 3%.

Travel and business development expenses for fiscal 2012 were \$3.6 million, an increase of \$0.9 million, or 35%, from \$2.7 million in 2011. Travel and business development expenses as a percentage of sales for 2012 increased to 11% from 10% in 2011 as a result of increases in revenue. These expenses normally fluctuate with its travel and business development activities in mainland China as the Company seeks to develop new projects in close proximity to the new national pipelines. The majority of travel and business development expenses does not relate to the Company's business in Sanya City or the CNG refueling station but instead to projects under consideration or development in mainland China.

Net income for 2012 was \$2.5 million or \$0.038 per basic and diluted share compared to \$1.4 million or \$0.021 per basic and diluted share for the same period in 2011, primarily due to the reasons stated above.

EBITDA for fiscal 2012 was \$8.0 million, an increase of \$2.1 million, or 37%, from \$5.9 million for 2011, as a result of sales increases. EBITDA as a percentage of sales for 2012 was 24%, compared to 21% in 2011, representing an increase of 3% due 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.

Financial Position

During 2012, 2011 and 2010, the Company's financial position was strengthened by the positive cash flow from operating activities of \$8.4 million, \$4.2 million and \$4.8 million, respectively. As at December 31, 2012, the Company had a working capital deficit of \$12.2 million, which includes \$8.9 million of deferred revenue and \$4.8 million of one-year line of credit.

On December 21, 2012, the Company entered into a term loan with the Bank of China, Pingxiang Branch ("BOC, Pingxiang") for \$3.2 million (RMB 20.0 million), maturing six years from the date of the first withdrawal. The proceeds from this term loan will be used to fund the construction of pipelines and related property and equipment in the Xiangdong district, Pingxiang City, Jiangxi province. As of the date of the press release, the Company withdrew \$2.4 million (RMB 15.0 million).

On January 15, 2013 the Company entered another agreement with BOC, Sanya Branch to secure a bank loan facility in the amount of \$8.0 million (RMB 50.0 million) (the "Term Loan"). The Term Loan has a ten-year term from the date of the first initial withdrawal, and bears interest of 110% of the prime rate set by the People's Bank of China. Upon execution of the agreement, the Company made a withdrawal of \$6.4 million (RMB 40.0 million).



Business Update

Gas to Electricity Exchange Program, Sanya Operation, Hainan Province

As of the date of this press release, the first phase of the construction has been completed and gone through the project acceptance. It is expected that the project will be closed out in May 2013 and the gas will be available for the Company's use.

Xiangdong Project, Pingxiang City, Jiangxi Province

The Company continues the pipeline installation and gas facility construction, including the Citygate, in the Xiangdong Ceramic Production Park (the "Park"). And the Company endeavors to sign more industrial customers.

The construction of the 25 kilometers (approximately 15 miles) pipeline, sub branch of Second West-East Pipeline ("WEP II"), to ship the gas from WEP II to the Company's Citygate in Park, has been approved by the Jiangxi Energy Board, and will be commenced in the second half of the year of 2013. This section of pipeline will be built by a state-owned Company in Jiangxi Province.

Guangdong Program, Guangdong Province

Pursuant to the press release dated March 29, 2012, the Company announced a proposed joint venture with CNPC Kunlun Natural Gas Exploitation Company Limited ("CNPC Kunlun Exploitation"), a wholly-owned subsidiary of PetroChina ("CNPC"), to jointly develop a natural gas distribution business in four prefecture-level cities in Guangdong Province, China, including Zhaoqing City, Jiangmen City, Foshan City and Zhuhai City (collectively "the Yuexi Area") ("the Guangdong project"). Due to the merge of the subsidiary of CNPC, the potential joint venture partner has been changed from CNPC Kunlun Exploitation to PetroChina Kunlun Gas Co., Ltd, Southern China Branch ("CNPC Kunlun Gas"), a wholly owned subsidiary of CNPC. The Company is working with CNPC Kunlun Gas and waiting for the approval from the head office of PetroChina.

"We are very pleased with solid performance for 2012, with strong performance in almost every area of the Company," stated Mr. Huajun Lin, Chairman and CEO of the Company, "During this year, we achieved several operational and project debt financing goals. In 2013, we will focus on connecting more industrial customers to our pipeline network in Xiangdong district, and move on the development of the Guangdong Program."

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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