

Changfeng Revenue up 39%, Gross profit up 40% and net income up 52% for the three months ended March 31, 2014 with compared to the same period of 2013.

May 15, 2014

Toronto, Ontario, May 15, 2014 – Changfeng Energy Inc., (TSXV: CFY) (“Changfeng” or the “Company”), is pleased to announce that the Company has filed its unaudited condensed interim consolidated financial results for the first quarter ended March 31, 2013. The unaudited condensed interim consolidated financial results and Management Discussion and Analysis can be downloaded from www.SEDAR.com or from the Company's website at www.changfengenergy.com.

Summary of the First Quarter of 2014 Consolidated Financial Results

<i>In thousands of Canadian dollars except percentages and per share amounts</i>	Three months ended March 31,			
	2014	2013	Change	%
Revenue	13,381	9,623	3,758	39%
Gross margin	7,790	5,572	2,218	40%
Net income	1,930	1,273	657	52%
EBITDA (1)	5,019	3,001	2,018	67%

Note:

(1) See Non- IFRS Financial Measures in this Press Release.

Sales from the gas distribution utility for the three months ended March 31, 2014 were \$11.4 million, an increase of \$3.4 million, or 43%, from \$8.0 million for same period of 2013. This increase was attributable to the 11.5% appreciation of exchange rate between the Chinese RMB and the Canadian dollar, an increase in connection fees in the Sanya operation, increased gas volume sold of 11.0 million m³ in the Sanya operation in the first three months of 2014 compared to 10.9 million m³ sold in Sanya operation in the same period of 2013; and increased gas volume sold of 0.3 million m³ in the Xiangdong operation in the first three months of 2014 compared to 0.0 million m³ sold in the same period of 2013.

Total revenue from the CNG refueling retail station for the three months ended March 31, 2014 was \$2.0 million, an increase of \$0.3 million, or 18%, from \$1.7 million for same period of 2013. The increase was attributable to the combined effect of the increased gas volume sold and the appreciation of exchange rate between the Chinese RMB and the Canadian dollar. (3.0 million m³ in the three months ended March 31, 2014 compared to 2.8 million m³ sold in the same period of 2013). The Company has been upgrading its station's refueling capacity to meet the increasing demand that is primarily driven by both rising gasoline prices and continued



government support for clean energy vehicles. It is expected that more existing gasoline-fueled buses in the city will be converted into dual-fuel vehicles (gasoline/CNG).

Gross margin for the first quarter of 2014 increased \$2.2 million, or 40%, to \$7.8 million from \$5.6 for the comparable period in 2013. The gross margin percentage of 58% for the first quarter of 2014 is approximately the same as for the first quarter of 2013.

General and administrative expenses for the first quarter of 2014 were \$2.7 million, an increase of \$0.6 million, or 27%, from \$2.2 million in the same period of 2013. The increase was attributable to higher employee salaries and benefits as a result of a higher inflation rate in China, additional employees, higher conference and professional fees and higher exchange rate between the Chinese RMB and the Canadian dollar. General and administrative expenses as a percentage of sales for the first quarter of 2014 decreased to 20% from 22% in the first quarter of 2013.

Travel and business development expenses for the first quarter of 2014 were \$1.1 million, an increase of \$0.1 million, or 12%, from \$1.0 million in the first quarter of 2013. Travel and business development expenses as a percentage of sales for the first quarter of 2014 decreased to 8% from 10% in the first quarter of 2013. These expenses normally fluctuate with travel and business development activities in mainland China as the Company seeks to develop new projects in close proximity to the new national pipelines.

Net income for the first quarter of 2014 was \$1.9 million, or \$0.030 per share (basic and diluted) compared to \$1.3 million or \$0.020 per share (basic and diluted) for the same period in 2013, primarily due to the reasons discussed above.

EBITDA (non-IFRS measure as identified and defined under section "Non-IFRS Measures") for the first quarter of 2014 was \$5.0 million, an increase of \$2.0 million, or 67%, from \$3.0 million for the same period of 2013. The increase was driven primarily by higher sales. EBITDA as a percentage of revenue for the first quarter of 2014 was 38%, compared to 31% in the first quarter of 2013, representing an increase of 7% due to the sales increases but was partially offset by higher operating expenses, as discussed above.

Financial Position

Cash increased by \$0.05 million to \$15.20 million at March 31, 2014 from \$15.15 million at December 31, 2013, primarily resulting from cash provided during the quarter by operating activities of \$2.1 million and effects of foreign exchange on cash balances of \$0.2 million, offset by \$0.1 million repayment of long-term debt, \$0.3 million for share buyback and cash used for capital expenditures of \$1.9 million during the quarter.

Net cash provided by operations was \$2.1 million for the first quarter of 2014 compared to \$1.7 million for the same period of 2013.

Cash used in financing activities in the first quarter of 2014 included a \$0.1 million principle payment of long-term debt and \$0.3 million paid for the share buyback.

Capital expenditures in property and equipment totaled \$1.9 million in the first quarter of 2014 compared to \$2.2 million in the same period of 2013. The expenditures were mainly related to



the purchase of equipment for the Xiangdong project and the on-going construction of pipeline networks to connect new customers in the Sanya Region.

Changfeng will finance the majority of the upcoming construction of projects under development in mainland China through its long-term bank loans with BOC Sanya and BOC Pingxiang, as well as operating cash flow from its existing operations.

Non-IFRS Financial Measures

The Company uses the following non-IFRS financial measure: EBITDA. The Company believes this non-IFRS financial measure provides useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

Management uses this non-IFRS financial measure to exclude the impact of certain expenses and income that must be recognized under IFRS when analyzing consolidated operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

This measure do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS. This measure is listed and defined below:

EBITDA

EBITDA is defined herein as income before income tax expense, interest expense, depreciation and amortization, share of loss of investment in associate, as well as 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. A reconciliation of net income to EBITDA for each of the periods presented as follows:

In thousands (except for % figures)	Three months ended March 31,			
	2014	2013	Change	%
Net Income	1,930	1,273	657	52%
Add (less):				
Income tax	1,469	744	725	97%
Interest income	(9)	(9)	0	0%
Share of loss of investment in associate	7.6	0.3	7	2333%
Stock-based compensation	87	-	87	100%
Amortization	1,044	551	493	89%
Interest expense	490	442	48	11%
EBITDA	5,019	3,001	2,018	67%

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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