

Changfeng Revenue up 28% and Gross profit up 27% for the six months ended June 30, 2014 compared to the same period of 2013.

August 20, 2014

Toronto, Ontario, August 20, 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 second quarter ended June 30, 2014. 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 Second Quarter of 2014 Consolidated Financial Results

| <i>In thousands of Canadian dollars except percentages and per share amounts</i> | Three months ended June 30, | | | | Six months ended June 30, | | | |
|--|-----------------------------|-------|--------|-----|---------------------------|--------|--------|-----|
| | 2014 | 2013 | Change | % | 2014 | 2013 | Change | % |
| Revenue | 10,775 | 9,190 | 1,585 | 17% | 24,155 | 18,813 | 5,342 | 28% |
| Gross margin | 4,738 | 4,326 | 412 | 10% | 12,528 | 9,898 | 2,630 | 27% |
| Net income | 607 | 625 | (18) | -3% | 2,537 | 1,897 | 640 | 34% |
| EBITDA (1) | 2,385 | 2,104 | 281 | 13% | 7,404 | 5,105 | 2,299 | 45% |

Note:

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

Sales from the gas distribution utility for the three months ended June 30, 2014 were \$8.7 million, an increase of \$1.5 million, or 21%, from \$7.2 million for same period of 2013. Sales from the gas distribution utility for the six months ended June 30, 2014 were \$20.0 million, an increase of \$4.9 million, or 33%, from \$15.1 million for same period of 2013. This increase was attributable to the following:

- the 6.6% 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 18.2 million m³ in the Sanya operation in the first half of 2014 compared to 17.9 million m³ sold in Sanya operation in the same period of 2013 (of which 7.2 million m³ was sold in the second quarter of 2014, compared to 7.0 million m³ sold in the second quarter of 2013); and
- increased gas volume sold of 0.5 million m³ in the Xiangdong operation in the first half of 2014 compared to 0.1 million m³ sold in the same period of 2013 (of which 0.2 million m³ was sold in the second quarter of 2014, compared to 0.1 million m³ sold in the second quarter of 2013) .

Total revenue from the CNG refueling retail station for the three months ended June 30, 2014 was \$2.1 million, an increase of \$0.1 million, or 5%, from \$2.0 million for same period of 2013. Total revenue from the CNG refueling retail station for the six months ended June 30, 2014 was \$4.1 million, representing an increase of \$0.4 million, or 11%, from \$3.7 million for same period of 2013. The increase was attributable to the combined effect of the increased gas volume sold (6.4 million m³ in the first half of 2014 compared to 6.1 million m³ sold in the same period of 2013) and the appreciation of exchange rate between the Chinese RMB and the Canadian dollar. 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 three months ended June 30, 2014 increased \$0.4 million, or 10%, and increased 2.6 million or 27% for the six months ended June 30, 2014 compared to the same periods in 2013. The gross margin percentage of 52% for the first half of 2014 is approximately the same as for the first half of 2013.

General and administrative expenses for the three months ended June 30, 2014 were \$2.4 million, an increase of \$0.3 million, or 15%, from \$2.1 million in the same period of 2013. For the six months ended June 30, 2014, general and administrative expenses were \$5.1 million, an increase of \$0.9 million, or 21%, from \$4.3 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 three and six month periods ended June 30, 2014 were 22% and 21%, compared to 23% and 23% for the same periods of 2013, respectively.

Travel and business development expenses for the three months ended June 30, 2014 were \$0.8 million, an increase of \$0.1 million, or 13%, from \$0.7 million in the same period of 2013. Travel and business development expenses for the six months ended June 30, 2014 were \$1.9 million, an increase of \$0.2 million, or 13%, from \$1.7 million in the same period of 2013. As a percentage of sales, travel and business development expenses for the three and six month periods ended June 30, 2013 were 7.5% and 7.8% respectively, a decrease from 7.8% and 8.9% in the same periods 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 three months ended June 30, 2014 was \$0.6 million, or \$0.01 per share (basic and diluted) compared to \$0.6 million or \$0.01 per share (basic and diluted) for the same period in 2013. Net income for the six months ended June 30, 2014 was \$2.5 million, or \$0.04 per share (basic and diluted) compared to \$1.9 million or \$0.03 per share (basic and diluted) for the same period in 2013. These increases are primarily driven by an increase in sales.

EBITDA (non-IFRS measure as identified and defined under section "Non-IFRS Measures") for three months ended June 30, 2014 is \$2.4 million, an increase of \$0.3 million, or 13% from \$2.1 million for the same period of 2013. EBITDA for the six months ended June 30, 2014 was \$7.4 million, an increase of \$2.3 million, or 45%, from \$5.1 million for the same period of 2013. The

increase was driven primarily by higher sales. EBITDA as a percentage of revenue for the three months ended June 30, 2014 was 22%, compared to 23% in the same period in 2013. EBITDA as a percentage of revenue for the six months ended June 30, 2014 was 31%, compared to 27% in the same period of 2013, representing an increase of 4% due to the sales increases but was partially offset by higher operating expenses.

Financial Position

Cash increased by \$0.8 million to \$16 million at June 30, 2014 from \$15 million at December 31, 2013, primarily resulting from cash provided by operating activities of \$4.7 million and cash from bank indebtedness of \$1.8 million, offset by the effects of foreign exchange on cash balances of \$0.3 million, \$1.2 million repayment of long-term debt, \$0.6 million for share buyback and cash used for capital expenditures of \$3.6 million.

Net cash provided by operations was \$2.6 million for the three months ended June 30, 2014 compared to \$1.0 million for the same period of 2013. Net cash provided by operations was \$4.7 million for the six months ended June 30, 2014 compared to \$2.6 million for the same period of 2013.

Cash provided by financing activities for the three months ended June 30, 2014 was \$0.5 million, and included a cash inflow of \$1.8 million from an increase in bank indebtedness, offset by a 1.0 million principle payment of long-term debt and \$0.3 million paid for the share buyback. Cash provided by financing activities for the six months ended June 30, 2014 was \$0.05 million, and included a cash inflow of \$1.8 million from an increase in bank indebtedness, offset by a 1.2 million principle payment of long-term debt and \$0.6 million paid for the share buyback.

Capital expenditures totaled \$1.7 million for the three months ended June 30, 2014 compared to \$2.1 million in the same period of 2013. Capital expenditures totaled \$3.6 million for the six months ended June 30, 2014 compared to \$4.3 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 June 30, | | | | Six months ended June 30, | | | |
|--|-----------------------------|--------------|------------|------------|---------------------------|--------------|--------------|------------|
| | 2014 | 2013 | Change | % | 2014 | 2013 | Change | % |
| Net Income | 607 | 625 | (18) | -3% | 2,537 | 1,897 | 640 | 34% |
| Add (less): | | | | | | | | |
| Income tax | 385 | 463 | (78) | -17% | 1,854 | 1,207 | 647 | 54% |
| Interest (income) expense | (11) | (9) | (2) | 22% | (20) | (18) | (2) | 11% |
| Share of loss of investment in associate | - | - | - | 0% | 8 | 1 | 7 | 700% |
| Stock-based compensation | 87 | - | 87 | | 175 | - | 175 | 100% |
| Amortization | 868 | 588 | 280 | 48% | 1,911 | 1,139 | 772 | 68% |
| Interest on borrowing | 449 | 437 | 12 | 3% | 939 | 879 | 60 | 7% |
| EBITDA | 2,385 | 2,104 | 281 | 13% | 7,404 | 5,105 | 2,299 | 45% |



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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