Changfeng Revenue up 26% and Gross profit up 32% for the six months ended June 30, 2015 compared to the same period of 2014.

August 25, 2015

Toronto, Ontario, August 25, 2015 – 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, 2015. 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 2015 Consolidated Financial Results

In thousands of Canadian dollars	Three months ended June 30,				Six months ended June 30,			
except percentages	2015	2014	Change	%	2015	2014	Change	%
Revenue	13,717	10,775	2,942	27%	30,418	24,155	6,263	26%
Gross margin	7,004	4,738	2,266	48%	16,579	12,528	4,051	32%
Net income	1,905	607	1,298	214%	4,814	2,537	2,277	90%
EBITDA (1)	4,970	2,385	2,585	108%	11,603	7,404	4,199	57%

Note:

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

Total revenue for the three months ended June 30, 2015 was $13.7 million, an increase of $2.9 million or 27%, from $10.8 million for the same period of 2014. Total revenue for the six months ended June 30, 2015 was $30.4 million, an increase of $6.3 million or 26%, from $24.1 million for the same period of 2014.

Gas sales revenue for the three months ended June 30, 2015 was $5.9 million, an increase of $1.1 million or 23%, from 4.8 million for the same period of 2014. Gas sales revenue for the six months ended June 30, 2015 was $14.5 million, an increase of $2.5 million or 21%, from 12.0 million for the same period of 2014. The increase is mainly attributable to:

- the gas sales volume growth of 11% and 10% respectively in Sanya region for the three and six months periods ended June 30, 2015
- the gas sales volume growth of 129% and 70% respectively in Xiangdong district for the three and six months periods ended June 30, 2015
- the appreciation of Chinese RMB to Canadian dollar

Pipeline installation and connection revenue for the three months ended June 30, 2015 was $5.6 million, a significant increase of $1.8 million or 46%, from $3.8 million for the same period of 2014. Pipeline installation and connection revenue for the six months ended June 30, 2015 was $11.5 million, a significant increase of $3.4 million or 43%, from $8.1 million for the same period of 2014. The increase is mainly attributable to:

- higher number of new residential customers connected during the six months ended June 30, 2015 in Sanya region, which was in a total of 10,322, an increase of 5,253 or 104%, from 5,069 for the same period of 2014;
- significantly higher number of new commercial customers connected during the first six months of 2015 in Sanya region, which 23, an increase of 10 or 77%, from 13 for the same period of 2014, moreover, some of them are in high contract amounts;
- higher amount of new residential customers connected in Xiangdong district during the six months ended June 30, 2015 in a total of 1,275, an increase of 848 or 199%, from 427 for the same period of 2014.
- the appreciation of Chinese RMB to Canadian dollar

Revenue from CNG refueling retail station for the three months ended June 30, 2015 was $2.2 million, an increase of $0.1 million, or 4%, from $2.1 million for the same period of 2014. Total revenue from CNG refueling retail station for the six months ended June 30, 2015 was $4.4 million, an increase of $0.3 million, or 6%, from $4.1 million for the same period of 2014. The increase was totally attributable to Chinese RMB appreciation. Revenue in RMB was actually reduced by RMB 0.9 million or 8% for the three months ended June 30, 2015 and by RMB 1.1 million or 5% for the six months ended June 30, 2015. CNG sales volume dropped by 5% and 6% respectively during the three months and six months ended June 30, 2015 compared to the same periods of 2014.

Gross margin for the three months ended June 30, 2015 increased $2.3 million, or 48%, compared to the same period in 2014, increased 4.1 million or 32% for the six months ended June 30, 2015 compared to the same periods in 2014. The gross margin percentage of 55% for the first half of 2015 is an increase of 3% from 52% for the first half of 2014.

As a percentage of revenue, the gross margin of the gas distribution utility of 60% for the first half of 2015 is an increase of 2% from 58% for the first half of 2014. As a percentage of revenue, the gross margin of the CNG refueling station for the first half of 2015 was 24%, an increase of 4% from 20% in the same period of 2014.

General and administrative expenses for the three months ended June 30, 2015 were $2.3 million, a decrease of $0.1 million, or 4%, from $2.4 million in the same period of 2014. For the six months ended June 30, 2015, general and administrative expenses were $5.4 million, an increase of $0.3 million, or 5%, from $5.1 million in the same period of 2014. General and administrative expenses as a percentage of sales for the three and six month periods ended June 30, 2015 were 17% and 18%, compared to 22% and 21% for the same periods of 2014, respectively. The decrease for the second quarter of 2015 was a result of more stringent and efficient expense management.

Travel and business development expenses for the three months ended June 30, 2015 were $0.9 million, an increase of $0.1 million, or 12%, from $0.8 million in the same period of 2014. Travel and business development expenses for the six months ended June 30, 2015 were $1.8 million, a decrease of $0.1 million, or 4%, from $1.9 million in the same period of 2014. As a percentage of sales, travel and business development expenses for the three and six month periods ended June 30, 2015 were 6.6% and 6.0% respectively, decreased from 7.5% and 7.8% in the same periods of 2014. 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. The decrease in percentage of sales was attributed to more stringent and efficient expense management.

Net income for the three months ended June 30, 2015 was $1.9 million, or $0.03 per share (basic and diluted) compared to $0.6 million or $0.01 per share (basic and diluted) for the same period in 2014. Net income for the six months ended June 30, 2015 was $4.8 million, or $0.07 per share (basic and diluted) compared to $2.5 million or $0.04 per share (basic and diluted) for the same period in 2014. 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, 2015 was $5.0 million, an increase of $2.6 million, or 108% from $2.4 million for the same period of 2014. EBITDA for the six months ended June 30, 2015 was $11.6 million, an increase of $4.2 million, or 57%, from $7.4 million for the same period of 2014. The increase was driven primarily by higher sales and appreciation of Chinese RMB to Canadian dollar.

Financial Position

Cash increased by $3.4 million to $15.5 million at June 30, 2015 from $12.1 million at December 31, 2014, primarily resulting from cash provided by operating activities of $5.2 million, cash from bank indebtedness of $5.9 million and 1.0 million from foreign exchange gain, but offset by $1.8 million repayment of long-term debt and 4.0 million repayment of bank indebtedness, as well as cash used for capital expenditures of $3.0 million.

Net cash provided by operations was $5.2 million for the six months ended June 30, 2015 compared to $4.7 million for the same period of 2014.

Cash provided by financing activities for the six months ended June 30, 2015 was $0.2 million, and included a cash inflow of $2.0 million from a net increase in bank indebtedness, offset by a 1.8 million principle payment of long-term debt.

Capital expenditures totaled $3.0 million for the six months ended June 30, 2015 compared to $3.6 million in the same period of 2014. The expenditures were mainly related to the purchase of equipment for the on-going construction of pipeline networks to connect new customers in the Sanya region and Xiangdong district.

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	Three months ended June 30,				Six months ended June 30,			
(except for % figures)	2015	2014	Change	%	2015	2014	Change	%
Net Income	1,905	607	1,298	214%	4,814	2,537	2,277	90%
Add (less):								
Income tax	1,368	385	983	255%	3,510	1,854	1,656	89%
Interest (income) expense	(30)	(11)	(19)	172%	(63)	(20)	(43)	216%
Share of loss of investment in associate	-	-	-		1	8	(7)	-92%
Stock-based compensation	48	87	(39)	-45%	77	175	(98)	-56%
Amortization	1,192	868	324	37%	2,262	1,911	351	18%
Interest on borrowing	487	449	38	8%	1,002	939	63	7%
EBITDA	4,970	2,385	2,585	108%	11,603	7,404	4,198	57%

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

Information set forth in this news release may involve forward-looking statements under applicable securities laws. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this document are made as of the date of this document and the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities legislation. Although Management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. This news release does not constitute an offer to sell or solicitation of an offer to buy any of the securities described herein and accordingly undue reliance should not be put on such.

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