

Changfeng Revenue up 30%, Gross Margin up 39% and Net income up 45% for nine months ended September 30, 2013 and Changfeng provides business update.

November 14, 2013

Toronto, Ontario, November 14, 2013 – 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 third quarter ended September 30, 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 Third Quarter of 2013 consolidated Financial Results

<i>In thousands of Canadian dollars except percentages and per share amounts</i>	Three months ended September 30,				Nine months ended September 30,			
	2013	2012	Change	%	2013	2012	Change	%
Revenue	10,240	7,929	2,311	29%	29,053	22,416	6,637	30%
Gross margin	4,867	3,217	1,650	51%	14,768	10,643	4,125	39%
Other operating income	-	-	-		-	723	-723	
Net income	571	55	516	938%	2,468	1,707	761	45%
EBITDA (1)	2,450	1,349	1,101	82%	7,555	5,603	1,952	35%
Adjusted net income (1) (2)	571	55	516	938%	2,468	984	1,484	151%

Note:

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

(2) The adjusted net income excludes a one-time government grant of \$722,535 and associated income tax provision of \$180,000 for the nine months ended September 30, 2012.

Revenue for the three months ended September 30, 2013 was \$ 10.2 million, representing an increase of \$2.3 million, or 29%, from \$7.9 million for the same period of 2012. Revenue for the nine months ended September 30, 2013 was \$ 29.0 million, representing an increase of \$6.6 million, or 30%, from \$22.4 million for the same period of 2012. This increase is mainly attributable to continued gas volume growth (13% for the three months ended September 30, 2013 and 17% for the nine months ended September 30, 2013) and higher average selling prices for both its CNG refueling retail station in Changsha City and the natural gas distribution utility in Sanya City for commercial and industrial customers.

Gross margin for the three months ended September 30, 2013 increased \$1.7 million, or 51%, and increased \$4.1 million or 39% for the nine months ended September 30, 2013, compared to the same periods in 2012. As a percentage of revenue, gross margin increased to 51% in the nine months ended September 30, 2013 from 48 % in the same period of 2012.

As a percentage of revenue, the gross margin of the gas distribution utilities increased 8% (53% for the three months ended September 30, 2013 versus 45% for the same period of 2012) primarily due to increases in selling price and increased gas purchases at market prices in

2012. As a percentage of revenue, the gross margin of the CNG refueling station slightly improved 4% (26% for the three months ended September 30, 2013 versus 22% for the same period of 2012)

EBITDA (non-GAAP measure as identified and defined under section “Non-GAAP Measures”) for the three months ended September 30, 2013 was \$2.5 million, an increase of 1.1 million, or 82%, from \$1.3 million for the same period of 2012. EBITDA for the nine months ended September 30, 2013 was \$7.6 million, an increase of \$2.0 million, or 35%, from \$5.6 million for the same period of 2012. The increase was driven primarily by higher sales. EBITDA as a percentage of revenue for the three months ended September 30, 2013 was 24%, compared to 17% in the same period in 2012. EBITDA as a percentage of revenue for the nine months ended September 30, 2013 was 26%, compared to 25% in the same period of 2012, representing an increase of 1%. This increase was due to higher sales partially offset by higher operating expenses.

Net income for the three months ended September 30, 2013 was \$0.6 million, or \$0.01 per share (basic and diluted) compared to \$0.05 million or \$0.00 per share (basic and diluted) for the same period in 2012. Net income for the nine months ended September 30, 2013 was \$2.5 million, or \$0.04 per share (basic and diluted) compared to \$1.7 million or \$0.03 per share (basic and diluted) for the same period in 2012.

Adjusted net income is calculated as net income before other operating income. Other operating income represents a government grant received by the Company in 2012. The Company does not expect any similar government grants in 2013. Changfeng believes that adjusted net income is a useful supplemental measure of the Company’s operating results.

Financial Position

Cash increased by \$6.7 million to \$13.1 million at September 30, 2013 from \$6.4 million at December 31, 2012, primarily resulting from cash of \$7.0 million provided by operating activities, cash flow from financing activities of 5.9 million, offset by cash used for capital expenditures of \$6.8 million.

The working capital deficit as at September 30, 2013 decreased to \$6.7 million from \$12.2 million as at December 31, 2012, primarily resulting from cash generated from operating activities.

Mr. Huajun Lin, the Chairman and C.E.O. of the Company commented that “Changfeng performed well in the third quarter compared to the same period last year. We are pleased with the gas sales volume increase in Xiangdong District and the CNG refueling station in Changsha City. We have secured 6.5 million cubic metres of additional natural gas and continue to be in constant communication with our major natural gas supplier to get additional quota pipeline gas to be able to reduce the purchase of relatively expensive CNG and LNG. We are excited about the future of Changfeng and will continue our efforts to expand our business, particularly in Mainland China, and to bring long-term and sustainable value to our shareholders.”

Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: EBITDA and adjusted net income. The Company believes these non-GAAP financial measures provide 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 these non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP 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.

These measures do not have a standardized meaning prescribed by GAAP 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 GAAP.

Business Update

Sanya Piped Gas Distribution Operation, Sanya City, Hainan Province

Further to the Press Releases dated February 22, 2012 and September 5, 2013 regarding the Gas to Electricity Exchange Program, construction of the facilities has been completed and has passed acceptance inspection by the relevant authorities. On September 5, 2013, the Company entered into a natural gas purchase and sale agreement with Hainan Fuel Chemical Co., Ltd. a subsidiary of China National Offshore Oil Corporation to purchase 6.5 million cubic metres of natural gas during the remainder of 2013 (the "Additional Quota Gas"). The Additional Quota Gas will be added to the Company's existing 24 million cubic metre quota for the Sanya operations allowing the company to purchase significantly reduced quantities of relatively expensive CNG and LNG to supply its operations.

Xiangdong Piped Gas Distribution Operation, Xiangdong District, Pingxiang City, Jiangxi Province

The Company is continuing its market penetration in the Xiangdong District. As of the date of this release, the Company is supplying gas to four (4) ceramic manufacturers and one residential gated community. In addition the Company has extended its pipeline network to the downtown area and the outskirts of the town. The construction by the Company of a citygate in the ceramic industrial park to depressurize the piped gas from WEP II has been completed. The Company is working with the local energy boards and regulatory authorities on this regulatory approval process.

Guangdong Piped Gas Shipping Program (“Guangdong Program”)

Further to the Press Releases dated March 29, 2012 and April 25, 2013 regarding the Guangdong Program, the Company has identified two gas fueled power plants as its phase I targeted customers (“Phase I”). The Company intends to establish a joint venture with PetroChina Kunlun Gas Co., Ltd (“CNPC Kunlun Gas”), a wholly owned subsidiary of PetroChina, to build high pressure transmission pipelines and associated facilities (the “Pipelines”) to link the existing and/or planned provincial trunk lines to certain gas fueled power plants located in Guangdong province, China.

The Company filed a feasibility study on the first potential gas fueled power plant in Phase I with CNPC Kunlun Gas and is now reviewing CNPC Kunlun Gas’ feedback and preparing a revised feasibility study which will be submitted shortly.

The Company has also submitted an initial project proposal on the second potential gas fueled power plant in Phase I to CNPC Kunlun Gas for its review. If the initial project proposal is accepted by CNPC Kunlun Gas, the company will then prepare a feasibility study for review by CNPC Kunlun Gas.

The two potential gas fueled power plants in Phase I are located in Zhaoqing City and Jiangmen City, in Guangdong province, China, respectively. Phase I will include a 2 – kilometer (1.4 mile) pipeline and a 1 – kilometer (0.7 mile) pipeline for the two potential gas fueled power plants, respectively.

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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