

**Changfeng revenue up 26%, gross profit up 20% and net income up 44% for year ended December 31, 2014.**

**May 29, 2015**

**Toronto, Ontario, May 29, 2015** – Changfeng Energy Inc., (TSXV: CFY) (“Changfeng” or the “Company”), is pleased to announce that the Company has filed its audited consolidated financial statements for the fiscal year ended December 31, 2014. The audited consolidated financial statement and Management Discussion and Analysis can be downloaded from [www.SEDAR.com](http://www.SEDAR.com) or from the Company's website at [www.changfengenergy.com](http://www.changfengenergy.com).

**Summary of Consolidated Financial Results for Fiscal Year Ended December 31, 2014 and 2013**

<i>In thousands of Canadian dollars except percentages and per share amounts</i>	2014	2013	Change	%
Revenue	53,128	42,049	11,079	26%
Gross margin	23,996	19,998	3,998	20%
Net income	4,043	2,814	1,229	44%
EBITDA (1)	13,509	9,806	3,703	38%

Note:

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

Revenue for fiscal 2014 was \$53.1 million, an increase of \$11.1 million, or 26%, from \$42.0 million in 2013. This increase is mainly attributable to continued gas sales volume growth resulting from a growing customer base, higher average selling price for gas from its CNG refueling retail station in Changsha City, higher pipeline connection revenue, and appreciation of the exchange rate between the Chinese RMB and the Canadian dollar.

Revenue from gas sales for fiscal 2014 was \$23.2 million, an increase of \$2.8 million or 14%, from 20.4 million in 2013. The increase is mainly attributable to:

- gas sales volume growth of 5% in Sanya region, from 33.6 m<sup>3</sup> million in 2013 to 35.3 million m<sup>3</sup> in 2014, an increase of 1.7 million m<sup>3</sup> or 5%, of which 8.2 million m<sup>3</sup> for residential customers at an annual growth rate of 6% and 27.1 million m<sup>3</sup> for commercial customers at an annual growth rate of 5%;
- partly offset by the dropped gas sales volume in Xiangdong district of -11%, mainly due to industrial customers slow-down production; and
- the appreciation of exchange rate between the Chinese RMB and the Canadian dollar

Revenue from pipeline installation and connection service for fiscal 2014 was \$21.1 million, a significant increase of \$7.3 million or 53%, from \$13.8 million in 2013. The increase is mainly attributable to:

- an increased number of new residential customers connected during the period, which totaled 23,583, an increase of 4,087 or 21%, from 19,496 in 2013;
- an increased number of new commercial customers connected during 2014, which was totaled 67, an increase of 28 or 72%, from 39 in 2013, moreover, some of them are in high contract amounts;
- an increased number of new residential customers connected in Xiangdong district during 2014 totaled 762, an increase of 497 or 188%, from 265 in 2013.
- the appreciation of the exchange rate between the Chinese RMB and the Canadian dollar

Revenue from the CNG refueling retail station for 2014 was \$8.8 million, an increase of \$0.9 million, or 12%, from \$7.9 million in 2013. The increase was attributable to higher average selling price and Chinese RMB appreciation, but partly offset by the slightly dropped CNG sales volume (13.0 million m<sup>3</sup> in 2014 compared to 13.3 million m<sup>3</sup> in 2013). Effectively as of August 29, 2014, the local natural gas pricing authority approved a 9% price increase for CNG retail station in Changsha City as a response to a gasoline price increase. In addition, 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 2014 was \$24.0 million, an increase of \$4.0 million, or 20%, from \$20.0 million in 2013. The gross margin percentage of 45% for 2014 was decreased from that of 48% for 2013.

Natural gas distribution utility gross margin as a percentage of sales year-over-year dropped by 3% (50% for 2014 VS 53% for 2013) reflecting the higher volume of gas purchased at market rate prices in order to satisfy the increased gas demand during 2014. The CNG refueling station gross margin as a percentage of sales year-over-year also decreased by 4% (21% for 2014 VS 25% for 2013) primarily due to the higher proportionate gas purchase cost increase compared to the gas sales price increase announced on August 29, 2014 by the local gas pricing authority.

General and administrative expenses for 2014 were \$10.6 million, an increase of \$1.3 million, or 15%, from \$9.3 million in 2013. The increase was attributable to higher employee salaries and benefits as a result of a higher inflation rate in China, additional employees, and higher conference and professional fees. General and administrative expenses as a percentage of sales for 2014 were 20%, lower than 22% for 2013.

Travel and business development expenses for 2014 were \$3.6 million, an increase of \$0.3 million, or 9%, from \$3.3 million in 2013. As a percentage of sales, travel and business development expenses for 2014 were 7%, a decrease from 8% in 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 fiscal 2014 was \$4.0 million, or \$0.06 per share (basic and diluted) compared to \$2.8 million or \$0.04 per share (basic and diluted) in 2013.

EBITDA (non-IFRS measure as identified and defined under section “Non-IFRS Financial Measures”) for fiscal 2014 was \$13.5 million, an increase of \$3.7 million, or 38%, from \$9.8 million for 2013. The increase was driven primarily by higher sales and connection revenue. EBITDA as a percentage of revenue for 2014 was 25%, a slight increase from 23% as in 2013.

### **Financial Position**

Cash decreased by \$3.1 million to \$12.1 million at December 31, 2014 from \$15.2 million at December 31, 2013. The cash increase was mainly derived from cash flow from operations of \$5.6 million, and bank borrowings of \$1.8 million, but was offset by cash repayments of bank indebtedness of \$1.8 million and long term bank loan of \$2.3 million as well as capital expenditures of \$5.7 million and share buyback of \$0.6 million.

Net cash provided by operations was \$5.6 million for fiscal 2014 compared to \$10.0 million in 2013.

Cash used in financing activities in 2014 included a \$2.3 million long term loan repayment, \$0.6 million paid for the share buyback, and in a total amount of \$2.9 million.

Cash used in investing activity included capital expenditures of \$5.7 million for fiscal 2014 compared to \$9.3 million in 2013. The expenditures were mainly related to the purchase of equipment and new office building construction for the Xiangdong project, and 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 the BOC 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 does 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)	2014	2013	Change	Change %
Net Income	4,043	2,814	1,229	44%
Add (less):				
Income tax	3,976	2,594	1,382	53%
Interest (income) expense	(257)	(37)	(220)	596%
Share of loss of investment in associate	8	1	7	538%
Stock-based compensation	272	382	(110)	-29%
Amortization	3,764	2,414	1,350	56%
Interest on borrowing	1,704	1,638	65	4%
EBITDA	13,509	9,806	3,703	38%

## **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](http://www.changfengenergy.com)



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**Forward-Looking Statements**

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