

Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

## **CHANGFENG ENERGY INC.**

Three-month periods ended March 31, 2015 and 2014  
(Unaudited)

# CHANGFENG ENERGY INC.

Condensed Consolidated Interim Balance Sheets  
(Expressed in Canadian dollars)  
(Unaudited)

	March 31, 2015	December 31, 2014
<b>Assets</b>		
Current assets:		
Cash	\$ 16,365,607	\$ 12,119,980
Trade and other receivables	6,070,339	6,060,800
Prepaid expenses and deposits	1,360,572	948,812
Inventories	1,065,595	1,008,946
Total current assets	24,862,113	20,138,538
Non-current assets:		
Long-term deposits and advances	1,119,452	1,023,609
Investment in associate	954,306	872,930
Property and equipment	72,742,055	65,526,160
Intangible assets	1,300,445	1,424,933
Total non-current assets	76,116,258	68,847,632
Total assets	\$ 100,978,371	\$ 88,986,170
<b>Liabilities and Equity</b>		
Current liabilities:		
Bank indebtedness (note 4(b))	\$ 3,943,900	\$ 3,609,150
Trade and other payables	11,169,047	10,105,342
Deferred revenue	15,099,262	13,403,104
Current portion of long-term debt (note 4(a))	3,730,300	3,364,200
Due to related parties (note 6)	1,426,498	1,369,270
Total current liabilities	35,369,007	31,851,066
Non-current liabilities:		
Long-term debt (note 4(a))	23,949,323	22,073,658
Due to related parties (note 6)	8,176,000	7,476,000
Government grants	1,116,249	1,021,417
Deferred income tax liability	1,381,147	1,250,114
Total non-current liabilities	34,622,719	31,821,189
Total liabilities	69,991,726	63,672,255
Equity:		
Share capital	11,032,007	11,032,007
Contributed surplus	2,725,500	2,696,380
Statutory surplus reserves	3,976,659	3,554,010
Retained earnings	5,661,366	3,256,801
Accumulated other comprehensive income	6,705,842	3,971,706
Total shareholders' equity	30,101,374	24,510,904
Non-controlling interest	885,271	803,011
Total equity	30,986,645	25,313,915
Total liabilities and equity	\$ 100,978,371	\$ 88,986,170

See accompanying notes to condensed consolidated interim financial statements.

On behalf of the Board:

"Graham Warren" \_\_\_\_\_ Director

"Wencheng Zhang" \_\_\_\_\_ Director

# CHANGFENG ENERGY INC.

Condensed Consolidated Interim Statements of Comprehensive Income  
(Expressed in Canadian dollars)  
(Unaudited)

	Three-month periods ended March 31,	
	2015	2014 (Recasted - note 10)
Revenue	\$ 16,700,770	\$ 13,380,558
Cost of sales	7,125,778	5,590,659
Gross margin	9,574,992	7,789,899
Expenses:		
General and administrative	3,111,095	2,738,218
Travel and business development	900,374	1,076,884
Stock-based compensation	29,120	87,361
	4,040,589	3,902,463
Income before interest, loss on investment in associate and income taxes	5,534,403	3,887,436
Interest expense	515,592	489,990
Interest income	(33,399)	(8,962)
Share of loss of investment in associate	350	7,583
Income before income taxes	5,051,860	3,398,825
Income taxes	2,142,387	1,469,248
Net income	2,909,473	1,929,577
Other comprehensive income:		
Exchange differences on translation of foreign operations	2,734,136	218,927
<b>Total comprehensive income</b>	<b>\$ 5,643,609</b>	<b>\$ 2,148,504</b>
Net income attributable to:		
Owners of the Company	\$ 2,827,213	\$ 1,884,704
Non-controlling interest	82,260	44,873
	\$ 2,909,473	\$ 1,929,577
Total comprehensive income attributable to:		
Owners of the Company	\$ 5,561,349	\$ 2,103,631
Non-controlling interest	82,260	44,873
	\$ 5,643,609	\$ 2,148,504
Earnings per share attributable to common shareholders (note 5):		
Basic	\$ 0.04	\$ 0.03
Diluted	0.04	0.03

See accompanying notes to condensed consolidated interim financial statements.

# CHANGFENG ENERGY INC.

Condensed Consolidated Interim Statements of Changes in Equity  
(Expressed in Canadian dollars)  
(Unaudited)

Three-month period ended March 31, 2015	Share capital	Contributed surplus	Statutory surplus reserves	Retained earnings	Accumulated other comprehensive income	Non- controlling interest	Total
Balance, January 1, 2015	\$ 11,032,007	\$ 2,696,380	\$ 3,554,010	\$ 3,256,801	\$ 3,971,706	\$ 803,011	\$ 25,313,915
Net income	–	–	422,649	2,404,565	–	82,260	2,909,474
Currency translation adjustment	–	–	–	–	2,734,136	–	2,734,136
Stock-based compensation	–	29,120	–	–	–	–	29,120
<b>Balance, March 31, 2015</b>	<b>\$ 11,032,007</b>	<b>\$ 2,725,500</b>	<b>\$ 3,976,659</b>	<b>\$ 5,661,366</b>	<b>\$ 6,705,842</b>	<b>\$ 885,271</b>	<b>\$ 30,986,645</b>

Three-month period ended March 31, 2014 (Recasted - note 10)	Share capital	Contributed surplus	Statutory surplus reserves	Retained earnings	Accumulated other comprehensive income	Non- controlling interest	Total
Balance, January 1, 2014	\$ 11,630,789	\$ 2,424,592	\$ 1,526,693	\$ 1,500,222	\$ 2,358,789	\$ 1,098,853	\$ 20,539,938
Share repurchase	(292,279)	–	–	–	–	–	(292,279)
Net income	–	–	282,643	1,602,062	–	44,872	1,929,577
Currency translation adjustment	–	–	–	–	218,927	–	218,927
Stock-based compensation	–	87,361	–	–	–	–	87,361
<b>Balance, March 31, 2014</b>	<b>\$ 11,338,510</b>	<b>\$ 2,511,953</b>	<b>\$ 1,809,336</b>	<b>\$ 3,102,284</b>	<b>\$ 2,577,716</b>	<b>\$ 1,143,725</b>	<b>\$ 22,483,524</b>

See accompanying notes to condensed consolidated interim financial statements.

# CHANGFENG ENERGY INC.

Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in Canadian dollars)  
(Unaudited)

	Three-month periods ended March 31,	
	2015	2014
<b>Cash flows from operating activities:</b>		
Net income	\$ 2,909,473	\$ 1,929,577
Items not involving cash:		
Deferred income taxes	101,573	109,718
Amortization	1,070,165	1,044,120
Prepaid rent expense	26,118	23,730
Share of loss of investment in associate	350	7,583
Current income taxes	1,640,814	1,359,530
Interest expense on long-term debt	515,592	489,990
Stock-based compensation	29,120	87,361
Income taxes paid	(557,231)	(678,250)
Interest expense paid	(499,703)	(1,397,005)
Change in non-cash operating working capital	589,635	(848,235)
<b>Net cash flows from operating activities</b>	<b>5,825,906</b>	<b>2,128,119</b>
<b>Cash flows from financing activities:</b>		
Repurchase of shares	–	(292,279)
Net decrease in bank indebtedness	(3,980,000)	–
Net increase in bank indebtedness	3,980,000	–
Net decrease in long-term debt	(149,250)	(135,601)
Government grants	18,905	–
<b>Net cash flows used in financing activities</b>	<b>(130,345)</b>	<b>(427,880)</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(3,440,426)	(1,890,043)
Long-term deposits and advances	802,395	–
<b>Net cash flows used in investing activities</b>	<b>(2,638,031)</b>	<b>(1,890,043)</b>
Increase (decrease) in cash	3,057,530	(189,804)
Effects of foreign exchange on cash balances	1,188,097	244,099
Cash, beginning of period	12,119,980	15,151,430
<b>Cash, end of period</b>	<b>\$ 16,365,607</b>	<b>\$ 15,205,725</b>

See accompanying notes to condensed consolidated interim financial statements.

# CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month periods ended March 31, 2015 and 2014  
(Unaudited)

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## 1. Corporate information:

Changfeng Energy Inc. (the "Company" or "Changfeng") was incorporated under the Canada Business Corporations Act on May 4, 2006. Through its subsidiaries, the Company's core business activity is the distribution of natural gas for industrial, commercial and residential users in the People's Republic of China ("China" or "PRC"). The registered office of the Company is located at 25 Adelaide Street East, Suite 1612, Toronto, Ontario, M5C 3A1, and the principal operations of its business are in China.

The ability to build and operate gas pipeline infrastructure and distribute piped gas in China is established by concession rights obtained from the applicable municipal and provincial governments. Natural gas distribution operations in China are subject to certain government regulations regarding the purchase and sale of natural gas, including pricing.

## 2. Basis of presentation:

### (a) Statement of compliance:

The unaudited interim period condensed consolidated financial statements are prepared in accordance with International Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2014 audited annual consolidated financial statements and accompanying notes.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 29, 2015.

### (b) Historical cost basis and presentation and functional currencies:

The condensed consolidated interim financial statements have been prepared on a historical cost basis for all its recognized assets and liabilities, except for certain financial instruments measured at fair value.

The condensed consolidated interim financial statements are presented in Canadian dollars. The functional currencies of the Company's subsidiaries include the Canadian dollar and the Chinese Renminbi ("RMB").

# CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month periods ended March 31, 2015 and 2014  
(Unaudited)

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### 3. Significant accounting policies:

These condensed consolidated interim financial statements have been prepared in accordance with IFRS using the same accounting policies as were applied in the 2014 annual consolidated financial statements. In addition, the Company has adopted the following new accounting policies:

(a) Recent accounting pronouncements:

- (i) International Accounting Standard ("IAS") 32, Financial Instruments - Presentation ("IAS 32"):

The Company adopted the amendments to IAS 32, on a retrospective basis. The amendments to IAS 32 clarify when an entity has a legally enforceable right to offset as well as clarify, when a settlement mechanism provides for net settlement, or gross settlement that is equivalent to net settlement. The adoption of the revised standard did not have a material impact on the Company's consolidated interim financial statements.

- (ii) International Financial Reporting Interpretations Committee ("IFRIC") 21, Levies ("IFRIC 21"):

The Company adopted IFRIC 21. This IFRIC is applicable to all levies other than outflows that are within the scope of other standards and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payments, as identified by the relevant legislation occurs. The adoption of the new standard did not have a material impact on the Company's consolidated interim financial statements.

# CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month periods ended March 31, 2015 and 2014  
(Unaudited)

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### 3. Significant accounting policies (continued):

#### (iii) IAS 36, Impairment of Non-Financial Assets:

The Company adopted the amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets. The amendments clarify existing guidance that was intended to require disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. Further, the amendments require additional information about these fair value measurements, including the fair value hierarchy level, and for measurements categorized within Levels 2 and 3 of the fair value hierarchy, a description of the valuation techniques and key assumptions used by management in its determination of fair value less costs of disposal. The adoption of the new standard did not have a material impact on the Company's consolidated interim financial statements.

#### (b) Accounting standards issued but not yet effective:

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these consolidated financial statements.

#### (i) Revenue recognition:

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The new standard provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. The extent of the impact of adoption of IFRS 15 has not yet been determined.



# CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month periods ended March 31, 2015 and 2014  
(Unaudited)

### 3. Significant accounting policies (continued):

#### (ii) Financial Instruments - Recognition and Measurement:

In July 2014, the IASB issued IFRS 9, Financial Instruments replacing IAS 39, Financial Instruments - Recognition and Measurement. The standard had three main phases: classification and measurement, impairment and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with the exception of the general hedging phase which is applied prospectively. Early adoption is permitted. The extent of the impact of adoption of IFRS 9 has not yet been determined.

### 4. Long-term debt and bank indebtedness:

#### (a) Long-term debt:

	March 31, 2015	December 31, 2014
Term loan facility - Bank of China (i)	\$ 16,352,000	\$ 14,952,000
Term loan facility - Bank of China (ii)	8,176,000	7,476,000
Term loan facility - Bank of China (iii)	3,321,500	3,177,300
	27,849,500	25,605,300
Less unamortized transaction costs	169,877	167,442
	27,679,623	25,437,858
Less current portion	3,730,300	3,364,200
	\$ 23,949,323	\$ 22,073,658

# CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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Three-month periods ended March 31, 2015 and 2014  
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## 4. Long-term debt and bank indebtedness (continued):

- (i) On January 5, 2010, the Company entered into a term loan with the Bank of China, Sanya Branch ("BOC, Sanya") for \$20,440,000 (RMB 100,000,000) (December 31, 2014 - \$18,690,000 (RMB 100,000,000)), maturing in January 2019 and bearing interest at the prescribed lending rate of the People's Bank of China, which is reset every six months. It is secured by 60% of the interest in CF China held by HEL, and certain gas connection rights. During the three-month period ended March 31, 2015, the Company made no repayments (2014 - nil) in accordance with the semi-annual repayment provisions of the term loan agreement. At March 31, 2015, \$16,352,000 (RMB 80,000,000) of the term loan is outstanding.

At March 31, 2015, the Company had unamortized transaction costs of \$169,877 (RMB 830,288) (December 31, 2014 - \$167,442 (RMB 895,891)), which has been offset against term loan.

- (ii) On January 15, 2013, the Company entered into an agreement with the BOC, Sanya to secure a bank loan facility in the amount of \$10,220,000 (RMB 50,000,000) (the "Term Loan"). The bank loan facility provides that the proceeds of the Term Loan will be used to fund continued construction of pipeline and associated facilities of the Haitang Bay project in Sanya City. It has a 10-year term from the date of the first initial withdrawal, and bears interest of 110% of the prime rate set by the People's Bank of China (the central bank of China). As at March 31, 2015, the Company has withdrawn \$8,176,000 (RMB 40,000,000) (December 31, 2014 - \$7,476,000 (RMB 40,000,000)), which remains fully outstanding.
- (iii) On December 21, 2012, the Company entered into a term loan with the Bank of China, Pingxiang Branch ("BOC, Pingxiang") for \$4,088,000 (RMB 20,000,000), maturing six years from the date of the first withdrawal, and bearing both fixed and variable interest at 120% of the prime rate of the People's Bank of China. The variable component of interest will be calculated initially on the date of withdrawal and will be reset every three months. This term loan is secured by the property and equipment of Pingxiang CF and guaranteed by CF China. The proceeds from this term loan will be used to fund the construction of pipelines and related property and equipment in the Xiangdong district, Pingxiang City, Jiangxi province. During the three-month period ended March 31, 2015, the Company made payments in the amount of \$149,250 (RMB 750,000) (2014 - \$133,350 (RMB 750,000)). At March 31, 2015, \$3,321,500 (RMB 16,250,000) (December 31, 2014 - \$3,177,300 (RMB 17,000,000)) of the term loan is outstanding.

# CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month periods ended March 31, 2015 and 2014  
(Unaudited)

## 4. Long-term debt and bank indebtedness (continued):

(b) Bank indebtedness:

Included in current liabilities is \$2,044,000 (RMB 10,000,000) (December 31, 2014 - \$1,869,000 (RMB 10,000,000)) relating to the Company's line of credit (the "Credit Line") with BOC, Sanya. This loan contains a financial covenant, which requires the Company's subsidiary, CF China's debt-to-total-assets ratio to be maintained below 75%.

Also included in current liabilities is \$1,899,900 (RMB 9,295,010) (December 31, 2014 - \$1,740,150 (RMB 9,310,594)) relating to a U.S. \$1,500,000 Term Loan from the Bank of China (Canada) pursuant to a Credit Facility Letter Agreement effective October 30, 2013. The Term Loan is secured by a Standby Letter of Credit provided by the Company and issued by the Bank of China Hainan Branch for the amount of RMB 10,000,000. The Term Loan has a one-year term from the date of the withdrawal and bears annual interest of six-month LIBOR rate plus 250bps.

As at March 31, 2015, the Company was in compliance with all of its debt covenants.

## 5. Earnings per share ("EPS"):

Basic EPS amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of shares outstanding during the three-month period ended March 31, 2014. Diluted EPS amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of shares issued during the three-month period ended March 31, 2014, adjusted for the effect of potentially dilutive stock options.

The following tables set forth the calculation of basic and diluted EPS:

	Three-month period ended March 31, 2015			Three-month period ended March 31, 2014		
	Net income attributable to common shareholders	Weighted average number of shares	EPS	Net income attributable to common shareholders	Weighted average number of shares	EPS
						(Recasted - note 10)
Basic	\$ 2,827,213	63,099,200	\$ 0.04	\$ 1,884,704	64,172,087	\$ 0.03
Diluted	2,827,213	63,822,360	0.04	1,884,704	65,145,942	0.03

# CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month periods ended March 31, 2015 and 2014  
(Unaudited)

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## 6. Related party disclosures:

### (a) Related party transactions:

Shin-Ko Energy:

Included in current due to related parties as at March 31, 2015, is a required capital contribution of \$613,200 (RMB 3,000,000) (December 31, 2014 - \$560,700 (RMB 3,000,000)) to be made to Shin-Ko Energy. Also included in current due to related parties, as at March 31, 2015, was \$255,306 (RMB 1,249,050) (December 31, 2014 - \$233,447 (RMB 1,249,050)) relating to a loan made to the Company by Shin-Ko Energy. The loan is interest-free and is not secured. It is payable on demand.

### (b) Transactions with key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and/or its subsidiaries, directly or indirectly, including any external director of the Company and/or its subsidiaries. Key management personnel include: the Chief Executive Officer, the Chief Financial Officer, the Vice President and the Company's directors.

- (i) In 2007, a significant shareholder, who is also an officer and director of the Company, advanced loans in the aggregate amount of \$8,176,000 (RMB 40,000,000) (December 31, 2014, \$7,476,000 (RMB 40,000,000)) to the Company, through wholly owned corporations, in accordance with a Subordination and Forbearance Agreement dated April 27, 2007, Consignment Loan Agreements dated May 23, 2007 and June 26, 2007, and other ancillary documentation. These loans are unsecured, non-interest bearing, are subordinated to the claims of all other creditors, including unsecured creditors, of the Company, and are due on demand only after April 27, 2010. Pursuant to the Subordination and Forbearance Agreement, the lenders agreed to take no steps to demand or recover payment under the loans for a period of three years, and to enter into an agreement with the Company with the same terms and conditions as the Subordination and Forbearance Agreement every three years in perpetuity.

On April 27, 2010, these loans were renewed for another three years with the same terms and conditions. On April 27, 2013, these loans were renewed for another two years with the same terms and conditions. On April 27, 2015, these loans were renewed for another year with the same terms and conditions.

# CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month periods ended March 31, 2015 and 2014  
(Unaudited)

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## 6. Related party disclosures (continued):

- (ii) As at March 31, 2015, the Company owed an officer of the Company \$486,983 (December 31, 2014 - \$449,483) for unpaid salary.
- (iii) As at March 31, 2015, the Company owed certain directors \$71,009 (December 31, 2014 - \$71,009) for unpaid director's fees.
- (iv) As at March 31, 2015, the Company owed a minority shareholder of the Company nil (December 31, 2014 - \$54,631) for unpaid dividend.

## 7. Financial instruments and risk management:

The Company is exposed to foreign exchange risk, interest rate risk, credit risk, liquidity risk and regulatory risk and uncertainty. The Company has policies for managing these risks that are aligned with its overall objectives to maintain a simple and cost-effective capital structure that supports a long-term growth strategy and maximizes operating flexibility. There have been no material changes to the Company's risk and risk management activities since December 31, 2014.

As at March 31, 2015, the Company had a working capital deficiency of \$10,506,894 (December 31, 2014 - \$11,712,528). The Company believes that this deficiency can be funded through projected operating cash flows from operations and through securing additional financing from third-party financial institutions. There are certain assumptions made by management in determining projected operating cash flow, such as temporary natural gas contracts from the government of China and continued growth in its operations.

While management believes that the assumptions included in its operating forecast are reasonable, there is no guarantee that they will materialize as planned. The Company may not be successful in obtaining additional financing on acceptable terms, on a timely basis, or at all, and projected operating cash flows may not materialize as planned.

As at March 31, 2015, the carrying amounts for trade and other receivables, trade and other payables and interest payable on the condensed consolidated interim balance sheets approximate fair values because of the limited term to maturity of these financial instruments.

The Company's financial instruments that are carried at fair value consisting of cash, have been classified as Level 1 within the fair value hierarchy.

# CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month periods ended March 31, 2015 and 2014  
(Unaudited)

## 8. Seasonality of operations:

Seasonality can impact the Company's natural gas distribution sales. The Company's current operations are primarily located in Sanya City, an international tourist destination in the PRC's only tropical province. Sanya City attracts more tourists in the winter than the rest of the period. The Company's natural gas sales are higher during this high tourism season, as a large portion of the Company's natural gas sales are made to hotels and restaurants. Seasonality can also impact the Company's CNG retail station sales due to vehicles being in need of more gas during the warmer seasons for air-conditioning.

## 9. Segmented reporting:

The Company has two reportable segments: gas distribution utilities (the "utility") and CNG refuelling station. The utility provides gas pipeline connection services and delivers natural gas to commercial, industrial and residential customers through its pipeline networks and associated facilities. The Company's other segment is a CNG refuelling retail station, which is used primarily to supply gas for taxicabs and public transportation vehicles. The performance of each segment is measured by income from operations.

There were no significant intercompany transactions between segments. Summarized financial information concerning the reportable segments is shown in the following tables:

March 31, 2015	Gas distribution utility	CNG refuelling station	Consolidated
Revenue	\$ 14,500,815	\$ 2,199,955	\$ 16,700,770
Cost of sales	5,397,833	1,727,945	7,125,778
	9,102,982	472,010	9,574,992
Expenses:			
General and administrative	2,816,682	294,413	3,111,095
Travel and business development	879,824	20,550	900,374
Stock-based compensation	29,120	–	29,120
	3,725,626	314,963	4,040,589
Income before interest, loss on investment in associate and income taxes	\$ 5,377,356	\$ 157,047	\$ 5,534,403
Total assets, March 31, 2015	\$ 96,615,720	\$ 4,362,651	\$ 100,978,371
Total assets, December 31, 2014	\$ 84,284,662	\$ 4,701,508	\$ 88,986,170

# CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month periods ended March 31, 2015 and 2014  
(Unaudited)

## 9. Segmented reporting (continued):

March 31, 2014	Gas distribution utility	CNG refuelling station	Consolidated
Revenue	\$ 11,353,628	\$ 2,026,930	\$ 13,380,558
Cost of sales	3,934,874	1,655,785	5,590,659
	7,418,754	371,145	7,789,899
Expenses:			
General and administrative	2,516,043	222,175	2,738,218
Travel and business development	1,060,323	16,561	1,076,884
Stock-based compensation	74,127	13,234	87,361
	3,650,493	251,970	3,902,463
Income before interest, loss on investment in associate and income taxes	\$ 3,768,261	\$ 119,175	\$ 3,887,436
Total assets, March 31, 2014	\$ 81,419,684	\$ 3,635,532	\$ 85,055,216
Total assets, December 31, 2013	\$ 79,942,756	\$ 3,694,466	\$ 83,637,222

### Geographic information:

The Company's revenue is wholly generated from China and the majority of its assets are located in China. For the three-month periods ended March 31, 2015 and 2014, there is no significant individual customer from which sales amounted to more than 10% of the Company's revenue.

# CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars, unless otherwise indicated)

Three-month periods ended March 31, 2015 and 2014  
(Unaudited)

## 10. Recast of comparative financial information:

The comparative financial information has been recasted only to correct an error identified by management relating to the attribution of net income to non-controlling interest in the December 31, 2014 consolidated financial statements. Accordingly, the comparative financial information presented in these condensed consolidated interim financial statements are recasted as follows:

Condensed consolidated interim statements of comprehensive income for period ended March 31, 2014:

	As previously reported	Adjustments	As recasted
Net income attributable to:			
Owners of the Company	\$ 1,952,037	\$ (67,333)	\$ 1,884,704
Non-controlling interest	(22,460)	67,333	44,873
	<u>\$ 1,929,577</u>	<u>\$ -</u>	<u>\$ 1,929,577</u>
Total comprehensive income (loss) attributable to:			
Owners of the Company	\$ 2,170,964	\$ (67,333)	\$ 2,103,631
Non-controlling interest	(22,460)	67,333	44,873
	<u>\$ 2,148,504</u>	<u>\$ -</u>	<u>\$ 2,148,504</u>

In addition, basic and diluted earnings per share attributable to common shareholders decreased by 0.001 (from \$0.030 to \$0.029). Based on the current period presentation of showing earnings per share to the nearest cent, there is no impact to the earnings per share presented. The recasted basic and diluted earnings per share attributable to common shareholders remained at \$0.03.