

Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

## **CHANGFENG ENERGY INC.**

Three-month periods ended March 31, 2013 and 2012  
(Unaudited)

# CHANGFENG ENERGY INC.

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

|   | March 31,<br>2013    | December 31,<br>2012 |
|---|----------------------|----------------------|
| <b>Assets</b>                                 |                      |                      |
| Current assets:                               |                      |                      |
| Cash  | \$ 11,562,945        | \$ 6,377,219         |
| Trade and other receivables                   | 3,059,219            | 3,230,906            |
| Prepaid expenses and deposits (note 6)        | 616,230              | 626,499              |
| Inventories (note 5)                          | 871,314              | 730,506              |
| Due from related parties (note 12)            | 21,938               | 341,338              |
| <b>Total current assets</b>                   | <b>16,131,646</b>    | <b>11,306,468</b>    |
| Non-current assets:                           |                      |                      |
| Long-term deposits and advances (note 6)      | 1,553,754            | 1,518,572            |
| Investment in associate                       | 771,785              | 754,610              |
| Property and equipment (note 7)               | 49,010,462           | 46,247,497           |
| Intangible assets (note 8)                    | 1,424,504            | 1,372,385            |
| Due from related parties (note 12)            | 326,800              | -                    |
| <b>Total non-current assets</b>               | <b>53,087,305</b>    | <b>49,893,064</b>    |
| <b>Total assets</b>                           | <b>\$ 69,218,951</b> | <b>\$ 61,199,532</b> |
| <b>Liabilities and Equity</b>                 |                      |                      |
| Current liabilities:                          |                      |                      |
| Bank indebtedness (note 9(b))                 | \$ 1,634,000         | \$ 4,791,000         |
| Trade and other payables                      | 4,987,816            | 5,650,929            |
| Deferred revenue                              | 9,775,871            | 8,911,201            |
| Interest payable                              | 1,801,028            | 2,079,646            |
| Current portion of long-term debt (note 9(a)) | 817,000              | 798,500              |
| Due to related parties (note 12)              | 1,267,143            | 1,280,123            |
| <b>Total current liabilities</b>              | <b>20,282,858</b>    | <b>23,511,399</b>    |
| Non-current liabilities:                      |                      |                      |
| Long-term debt (note 9(a))                    | 23,441,836           | 14,106,431           |
| Due to related parties (note 12)              | 6,536,000            | 6,388,000            |
| Government grants                             | 845,215              | 811,276              |
| Deferred income tax liability                 | 522,250              | 314,445              |
| <b>Total non-current liabilities</b>          | <b>31,345,301</b>    | <b>21,620,152</b>    |
| <b>Total liabilities</b>                      | <b>51,628,159</b>    | <b>45,131,551</b>    |
| Equity:                                       |                      |                      |
| Share capital (note 10)                       | 12,121,808           | 12,121,808           |
| Contributed surplus                           | 2,042,890            | 2,042,890            |
| Retained earnings                             | 1,974,870            | 683,694              |
| Accumulated other comprehensive income        | 977,844              | 591,636              |
| Treasury stock (note 10)                      | (135,924)            | -                    |
| <b>Total shareholders' equity</b>             | <b>16,981,488</b>    | <b>15,440,028</b>    |
| Non-controlling interest                      | 609,304              | 627,953              |
| <b>Total equity</b>                           | <b>17,590,792</b>    | <b>16,067,981</b>    |
| Going concern (note 2(a))                     |                      |                      |
| Subsequent event (note 10(b))                 |                      |                      |
| <b>Total liabilities and equity</b>           | <b>\$ 69,218,951</b> | <b>\$ 61,199,532</b> |

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<br>March 31, |                   |
|--|--|-------------------|
|  | 2013                                   | 2012              |
| Revenue  | \$ 9,622,842                           | \$ 7,365,093      |
| Cost of sales  | 4,113,853                              | 3,462,712         |
| Gross margin   | 5,508,989                              | 3,902,381         |
| Expenses:  |  |                   |
| General and administrative   | 1,752,858                              | 1,215,050         |
| Travel and business development                                      | 1,306,738                              | 1,078,028         |
|  | 3,059,596                              | 2,293,078         |
| Income from operations   | 2,449,393                              | 1,609,303         |
| Interest on long-term debt   | 441,985                                | 386,458           |
| Interest income  | (9,040)                                | (2,805)           |
| Share of loss of investment in associate                             | 305                                    | 14,454            |
| Income before income taxes   | 2,016,143                              | 1,211,196         |
| Income taxes   | 743,616                                | 384,860           |
| Net income   | 1,272,527                              | 826,336           |
| Other comprehensive income (loss):                                   |  |                   |
| Exchange differences on translation of<br>foreign operations         | 386,208                                | (266,665)         |
| <b>Total comprehensive income</b>                                    | <b>\$ 1,658,735</b>                    | <b>\$ 559,671</b> |
| Net income (loss) attributable to:                                   |  |                   |
| Owners of the Company  | \$ 1,291,176                           | \$ 833,519        |
| Non-controlling interest   | (18,649)                               | (7,183)           |
|  | \$ 1,272,527                           | \$ 826,336        |
| Total comprehensive income (loss) attributable to:                   |  |                   |
| Owners of the Company  | \$ 1,677,384                           | \$ 566,854        |
| Non-controlling interest   | (18,649)                               | (7,183)           |
|  | \$ 1,658,735                           | \$ 559,671        |
| Earnings per share attributable to common<br>shareholders (note 11): |  |                   |
| Basic  | \$ 0.020                               | \$ 0.013          |
| Diluted  | 0.019                                  | 0.013             |

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<br>March 31, 2013 | Share<br>capital     | Contributed<br>surplus | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income | Treasury<br>stock   | Non-<br>controlling<br>interest | Total                |
|--|----------------------|------------------------|----------------------|---|---------------------|---------------------------------|----------------------|
| Balance, January 1, 2013                   | \$ 12,121,808        | \$ 2,042,890           | \$ 683,694           | \$ 591,636                                      | \$ –                | \$ 627,953                      | \$ 16,067,981        |
| Net income (loss)                          | –                    | –                      | 1,291,176            | –   | –                   | (18,649)                        | 1,272,527            |
| Currency translation adjustment            | –                    | –                      | –                    | 386,208   | –                   | –                               | 386,208              |
| Stock repurchase                           | –                    | –                      | –                    | –   | (135,924)           | –                               | (135,924)            |
| <b>Balance, March 31, 2013</b>             | <b>\$ 12,121,808</b> | <b>\$ 2,042,890</b>    | <b>\$ 1,974,870</b>  | <b>\$ 977,844</b>                               | <b>\$ (135,924)</b> | <b>\$ 609,304</b>               | <b>\$ 17,590,792</b> |

| Three-month period ended<br>March 31, 2012 | Share<br>capital     | Contributed<br>surplus | Retained<br>earnings<br>(deficit) | Accumulated<br>other<br>comprehensive<br>income (loss) | Non-<br>controlling<br>interest | Total                |
|--|----------------------|------------------------|-----------------------------------|--|---------------------------------|----------------------|
| Balance, January 1, 2012                   | \$ 12,121,808        | \$ 1,863,374           | \$ (1,824,362)                    | \$ 738,015   | \$ 657,599                      | \$ 13,556,434        |
| Net income (loss)                          | –                    | –                      | 833,519                           | –  | (7,183)                         | 826,336              |
| Currency translation adjustment            | –                    | –                      | –                                 | (266,665)  | –                               | (266,665)            |
| <b>Balance, March 31, 2012</b>             | <b>\$ 12,121,808</b> | <b>\$ 1,863,374</b>    | <b>\$ (990,843)</b>               | <b>\$ 471,350</b>                                      | <b>\$ 650,416</b>               | <b>\$ 14,116,105</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<br>March 31, |              |
|--|--|--------------|
|  | 2013                                   | 2012         |
| <b>Cash flows from operating activities:</b>       |  |              |
| Net income   | \$ 1,272,527                           | \$ 826,336   |
| Items not involving cash:                          |  |              |
| Deferred income taxes                              | 186,094                                | 109,146      |
| Amortization                                       | 550,916                                | 506,074      |
| Prepaid rent expense                               | 21,275                                 | -            |
| Share of loss of investment in associate           | 305                                    | 14,454       |
| Current income taxes                               | 557,522                                | 275,714      |
| Interest expense                                   | 441,985                                | 386,458      |
| Income taxes paid                                  | (453,018)                              | (592,001)    |
| Interest paid                                      | (766,185)                              | (370,767)    |
| Change in non-cash operating working capital       | (160,251)                              | (542,897)    |
| Net cash flows from operating activities           | 1,651,170                              | 612,517      |
| <b>Cash flows from financing activities:</b>       |  |              |
| Repurchase of shares                               | (135,924)                              | -            |
| Net decrease in bank indebtedness                  | (3,242,000)                            | -            |
| Net decrease in long-term debt                     | -                                      | (238,050)    |
| Net increase in long-term debt                     | 8,915,500                              | -            |
| Government grants                                  | 15,023                                 | -            |
| Net cash flows from (used in) financing activities | 5,552,599                              | (238,050)    |
| <b>Cash flows from investing activities:</b>       |  |              |
| Acquisition of property and equipment              | (2,229,605)                            | (495,096)    |
| Acquisition of intangible assets (note 8)          | (2,778)                                | (332,555)    |
| Net cash flows used in investing activities        | (2,232,383)                            | (827,651)    |
| Increase (decrease) in net cash                    | 4,971,386                              | (453,184)    |
| Effects of foreign exchange on cash balances       | 214,340                                | (94,511)     |
| Net cash, beginning of year                        | 6,377,219                              | 5,061,517    |
| Net cash, end of year                              | \$ 11,562,945                          | \$ 4,513,822 |

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, 2013 and 2012  
(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) Going concern:

The Company's condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplate the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As at March 31, 2013, the Company had a working capital deficiency of \$4,151,212 (December 31, 2012 - \$12,204,931).

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.

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
(Unaudited)

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## 2. Basis of presentation (continued):

The above conditions have resulted in a material uncertainty that may cast significant doubt over the Company's ability to finance its operations to permit it to continue as a going concern. These condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern basis of presentation was not appropriate. If the going concern basis of presentation was not appropriate for these condensed consolidated interim financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported net income for the period and the balance sheet classifications used.

### (b) Statement of compliance:

The condensed consolidated interim financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including IAS 34, Interim Financial Reporting.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2012 annual audited consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB.

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2012 annual audited consolidated financial statements.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 30, 2013.

### (c) Basis of measurement:

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.

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
(Unaudited)

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## 2. Basis of presentation (continued):

### (d) Presentation and functional currencies:

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").

## 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 2012 annual consolidated financial statements. In addition, the Company has adopted the following new accounting policies:

### Recent accounting pronouncements:

#### (a) Financial assets and liabilities:

During the quarter, the Company adopted certain amendments to IFRS 7, Financial Instruments: Disclosures ("IFRS 7"), on a retrospective basis. These amendments contain new disclosure requirements for financial assets and liabilities that are offset in the balance sheet or subject to master netting arrangements or similar arrangements. As the Company is not offsetting financial instruments and does not have relevant offsetting arrangements, the retrospective adoption of these amendments to IFRS 7 had no impact on the disclosures of the Company.

#### (b) Consolidated financial statements:

During the quarter, the Company adopted IFRS 10, Consolidated Financial Statements ("IFRS 10"), on a retrospective basis. IFRS 10 replaces portions of IAS 27, Consolidated and Separate Financial Statements ("IAS 27"), that address consolidation, and supersedes SIC-12 Consolidation - Special Purpose Entities ("SPEs") ("SIC-12"), in its entirety. IFRS 10 provides a single model to be applied in the analysis of control of all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures specified in IFRS 10 are carried forward substantially unmodified from IAS 27. The adoption of IFRS 10 had no impact on the Company.



# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
(Unaudited)

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

#### (c) Joint arrangements:

During the quarter, the Company adopted IFRS 11, Joint Arrangements on a Retrospective Basis ("IFRS 11"). IFRS 11 supersedes IAS 31, Interest in Joint Ventures, and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement, which are classified as either joint operations or joint ventures, and provides guidance for financial reporting activities required by the entities that have an interest in arrangements that are controlled jointly. Investments in joint ventures are required to be accounted for using the equity method.

As a result of the issuance of IFRS 10 and IFRS 11, IAS 28, Investments in Associates and Joint Ventures, has been amended to correspond to the guidance provided in IFRS 10 and IFRS 11. The adoption resulted in no impact on net income or on equity for the three-month period ended March 31, 2013 or the year ended December 31, 2012.

#### (d) Disclosure of interests in other entities:

During the quarter, the Company adopted IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"). IFRS 12 contains annual disclosure requirements for companies that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The new disclosure required by the adoption of this standard will be presented for the first time in the annual consolidated financial statements for the year ending December 31, 2013.

IFRS 10, IFRS 11 and IFRS 12, and the amendments to IAS 27 and IAS 28 are all effective for annual periods beginning on or after January 1, 2013. The Company adopted IFRS 10, IFRS 11 and IFRS 12, and the amendments to IAS 27 and IAS 28 in its consolidated financial statements for the annual period beginning on January 1, 2013. The disclosure requirements are not required for condensed consolidated interim financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Company will make any relevant disclosures in its annual statements for the year ending December 31, 2013.

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
(Unaudited)

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

(e) Fair value measurement:

During the quarter, the Company adopted IFRS 13, Fair Value Measurement ("IFRS 13"), on a prospective basis. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. The adoption of IFRS 13 had no impact on the fair value measurements carried out by the Company.

(f) Presentation of items of other comprehensive income:

During the quarter, the Company adopted the amendment to IAS 1, Presentation of Financial Statements, on a retrospective basis. The amendment requires that a company present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The amendment had no impact on the financial results of the Company or on the presentation of its condensed consolidated interim statements of comprehensive income.

(g) Recent accounting pronouncements:

(i) Financial instruments - recognition and measurement:

In October 2010, the IASB published amendments to IFRS 9, Financial Instruments ("IFRS 9 (2010)"), which provide added guidance on the classification and measurement of financial liabilities. IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied. The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) 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, 2013 and 2012  
(Unaudited)

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

#### (ii) Financial assets and liabilities:

In December 2011, the IASB published amendments to IAS 32, Financial Instruments - Presentation ("IAS 32"). 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 effective date for the amendments to IAS 32 is annual periods beginning January 1, 2014. The Company intends to adopt the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of the amendments to IAS 32 has not yet been determined.

### 4. Significant accounting estimates and judgments:

The preparation of the condensed consolidated interim financial statements in accordance with IFRS requires management to make estimates and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the periods in which the estimates are revised and in any future periods affected. Information about significant areas of estimation and critical judgments in applying accounting policies that have significant effects on the amounts recognized in the condensed consolidated interim financial statements is included in the following notes:

#### (a) Revenue recognition:

Revenue from natural gas sales is recognized when the gas is delivered to the customer. The Company determines the quantity of natural gas delivered through its readings of customer gas consumption meters, and estimates the quantity delivered at each period end where the date of the meter reading is prior to the period-end date.

# CHANGFENG ENERGY INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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## 4. Significant accounting estimates and judgments (continued):

Revenue from gas connection contracts is recognized using the percentage-of-completion method, measured by reference to the value of work carried out during the periods. When it is probable that total contract costs will exceed contract revenue, the expected loss is recognized as an expense in the period in which the expected loss is identified. Revenue recognition is dependent upon estimating the stages of completion and the outcome of the contract.

### (b) Amortization expense:

The Company's long-lived assets are amortized over their estimated useful economic lives on a straight-line basis. Useful lives are based upon management's estimates of the length of time that the assets will generate revenue, which is reviewed at least annually for appropriateness. Changes to these estimates can result in variations in the amounts charged for amortization and in the assets' carrying amounts.

### (c) Income taxes:

Provisions for income taxes are based on domestic and international statutory income tax rates and tax planning opportunities available to the Company in the jurisdictions in which it operates. Significant judgment is required in determining income tax provisions and the recoverability of deferred tax assets. The calculation of current and deferred income tax balances requires management to make estimates regarding the carrying values of assets and liabilities that include estimates of future cash flows and income related to such assets and liabilities, the interpretation of income tax legislation in the jurisdictions in which the Company operates, and the timing of reversal of temporary differences. The Company establishes additional provisions for income taxes when, despite management's opinion that tax positions are fully supportable, there is sufficient complexity or uncertainty in the application of legislation that certain tax positions may be reassessed by tax authorities. The Company adjusts these additional accruals in light of changing facts and circumstances.

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
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## 4. Significant accounting estimates and judgments (continued):

### (d) Share-based payments:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the dates at which they are granted. Determining fair value for share-based payment transactions requires the use of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The determination of fair value requires estimating the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 10.

### (e) Impairment:

The Company assesses intangible assets with indefinite lives for impairment annually or when an event or change in circumstances may indicate impairment. This assessment includes a comparison of the carrying value of the indefinite life intangible asset to its estimated fair value to ensure that the fair value is greater than the carrying value. The Company calculates the estimated fair value using valuation methods such as discounted cash flow analysis. These valuation methods employ a variety of assumptions, including future revenue growth, expected earnings and earnings multiples. Estimating the fair value of an indefinite life intangible asset is a subjective process and requires the use of its best estimates. If its estimates or assumptions change from those used in its current valuation, Changfeng may be required to recognize impairment losses in future periods.

## 5. Inventories:

|  | March 31,<br>2013 | December 31,<br>2012 |
|--|-------------------|----------------------|
| Construction materials                 | \$ 491,637        | \$ 425,718           |
| Gas appliances, meters and spare parts | 297,042           | 271,049              |
| Natural gas                            | 82,635            | 33,739               |
|  | <u>\$ 871,314</u> | <u>\$ 730,506</u>    |

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
(Unaudited)

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## 5. Inventories (continued):

The amount of inventories recognized as an expense through cost of sales during the periods ended March 31, 2013 and 2012 was \$579,788 and \$434,358, respectively, which completely comprised raw material costs. There were no impairments of inventory or reversals of impairments recorded during the three-month periods ended March 31, 2013 and March 31, 2012.

## 6. Prepaid expenses and deposits:

Included in prepaid expenses and deposits is a deposit paid by the Company in 2010 of \$163,400 (RMB 1,000,000) (2012 - \$159,700 (RMB 1,000,000)) to the existing shareholder of Hunan CNPC, Guangda Gas Co., Ltd. ("Guangda Gas"), a company that Changfeng has been considering for acquisition. Guangda Gas owns a compressed natural gas ("CNG") primary filling station in Changsha City. In 2012, the Company determined it would not proceed with the acquisition. Pursuant to an agreement dated October 24, 2012, the deposit will be repaid to the Company by way of partially offsetting gas purchases to be made from Guangda Gas over a 10-month period starting in November 2012. As at March 31, 2013, \$81,700 (RMB 500,000) had not yet been repaid and is recorded in prepaid expenses and deposits.

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
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## 7. Property and equipment:

| Cost                         | Buildings    | Pipelines     | Land use rights | Motor vehicles | Furniture and equipment | Leasehold improvements | Construction in progress (b) | Total         |
|------------------------------|--------------|---------------|-----------------|----------------|-------------------------|------------------------|------------------------------|---------------|
| Balance, January 1, 2012     | \$ 2,684,603 | \$ 42,131,980 | \$ 1,197,779    | \$ 1,449,961   | \$ 4,826,240            | \$ 423,551             | \$ 361,499                   | \$ 53,075,613 |
| Additions                    | –            | 678,397       | 306,880         | 239,561        | 523,999                 | 210,805                | 3,365,754                    | 5,325,396     |
| Foreign currency translation | (31,564)     | (497,603)     | (14,083)        | (17,048)       | (56,745)                | (4,979)                | (4,250)                      | (626,272)     |
| Balance, December 31, 2012   | 2,653,039    | 42,312,774    | 1,490,576       | 1,672,474      | 5,293,494               | 629,377                | 3,723,003                    | 57,774,737    |
| Additions                    | 98,265       | 403,023       | –               | 144,010        | 140,068                 | –                      | 1,463,707                    | 2,249,073     |
| Foreign currency translation | 61,467       | 997,434       | 33,881          | 38,749         | 122,641                 | 14,582                 | 86,910                       | 1,355,664     |
| Balance, March 31, 2013      | \$ 2,812,771 | \$ 43,713,231 | \$ 1,524,457    | \$ 1,855,233   | \$ 5,556,203            | \$ 643,959             | \$ 5,273,620                 | \$ 61,379,474 |

| Accumulated amortization     | Buildings  | Pipelines    | Land use rights | Motor vehicles | Furniture and equipment | Leasehold improvements | Construction in progress (b) | Total         |
|------------------------------|------------|--------------|-----------------|----------------|-------------------------|------------------------|------------------------------|---------------|
| Balance, January 1, 2012     | \$ 37,962  | \$ 7,616,225 | \$ 338,747      | \$ 564,893     | \$ 1,114,190            | \$ 39,203              | \$ –                         | \$ 9,711,220  |
| Amortization                 | 50,347     | 1,405,866    | 23,582          | 176,530        | 248,183                 | 23,006                 | –                            | 1,927,514     |
| Foreign currency translation | (446)      | (86,862)     | (3,983)         | (6,642)        | (13,100)                | (461)                  | –                            | (111,494)     |
| Balance, December 31, 2012   | 87,863     | 8,935,229    | 358,346         | 734,781        | 1,349,273               | 61,748                 | –                            | 11,527,240    |
| Amortization                 | 14,419     | 410,701      | 6,867           | 50,458         | 83,785                  | 1,941                  | –                            | 568,171       |
| Foreign currency translation | 1,959      | 218,864      | 8,120           | 17,024         | 26,426                  | 1,208                  | –                            | 273,601       |
| Balance, March 31, 2013      | \$ 104,241 | \$ 9,564,794 | \$ 373,333      | \$ 802,263     | \$ 1,459,484            | \$ 64,897              | \$ –                         | \$ 12,369,012 |

| Net book value    | Buildings    | Pipelines     | Land use rights | Motor vehicles | Furniture and equipment | Leasehold improvements | Construction in progress (b) | Total         |
|-------------------|--------------|---------------|-----------------|----------------|-------------------------|------------------------|------------------------------|---------------|
| December 31, 2012 | \$ 2,565,176 | \$ 33,377,545 | \$ 1,132,230    | \$ 937,693     | \$ 3,944,221            | \$ 567,629             | \$ 3,723,003                 | \$ 46,247,497 |
| March 31, 2013    | 2,708,530    | 34,148,437    | 1,151,124       | 1,052,970      | 4,096,719               | 579,062                | 5,273,620                    | 49,010,462    |

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
(Unaudited)

## 7. Property and equipment (continued):

### (a) Capitalized interest:

Included in additions to property and equipment is capitalized interest of \$32,286 (RMB 197,593) (December 31, 2012 - \$44,686 (RMB 282,106)).

### (b) Pipeline construction and equipment:

The Company has signed contracts with several equipment suppliers and construction supervisors for a total amount of \$6,239,827 (RMB 38,187,435) (December 31, 2012 - \$5,523,792 (RMB 34,588,551)), of which \$3,062,153 (RMB 18,740,229) (December 31, 2012 - \$1,988,356 (RMB 12,450,567)) has been paid as at March 31, 2013 and was classified as construction in progress.

## 8. Intangible assets:

|                                 | Gas purchase<br>contract and<br>supply rights | Software          | Total               |
|---------------------------------|---|-------------------|---------------------|
| <b>Cost</b>                     |   |                   |                     |
| Balance, December 31, 2012      | \$ 1,317,972                                  | \$ 104,604        | \$ 1,422,576        |
| Additions                       | 2,778   | –                 | 2,778               |
| Foreign currency translation    | 52,750  | 2,423             | 55,173              |
| <b>Balance, March 31, 2013</b>  | <b>\$ 1,373,500</b>                           | <b>\$ 107,027</b> | <b>\$ 1,480,527</b> |
| <b>Accumulated amortization</b> |   |                   |                     |
| Balance, December 31, 2012      | \$ 50,191                                     | \$ –              | \$ 50,191           |
| Amortization                    | 4,669   | –                 | 4,669               |
| Foreign currency translation    | 1,163   | –                 | 1,163               |
| <b>Balance, March 31, 2013</b>  | <b>\$ 56,023</b>                              | <b>\$ –</b>       | <b>\$ 56,023</b>    |
| <b>Net book value</b>           |   |                   |                     |
| December 31, 2012               | \$ 1,267,781                                  | \$ 104,604        | \$ 1,372,385        |
| March 31, 2013                  | 1,317,477                                     | 107,027           | 1,424,504           |



# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
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## 8. Intangible assets (continued):

### (a) Gas and Electricity Exchange Program (the "Program"):

On February 22, 2012, the Company entered into the Program with the Local Power Bureau and China National Offshore Oil Yacheng Operation Co., Ltd., which will secure an additional annual supply of natural gas totalling approximately 5 million cubic meters until 2015. In exchange for this gas supply, the Company will fund the building of infrastructure to link certain of the supplier's operations to the provincial power grid, although it will not own the constructed assets.

In connection with the Program, as at March 31, 2013, construction of approximately \$1,017,288 (RMB 6,225,754) (December 31, 2012 - \$991,538 (RMB 6,208,754)) was completed by a local contractor. This amount has been recorded as an intangible asset on the condensed consolidated interim balance sheets, on which amortization will begin once the construction on the first phase is completed and the exchanged gas is available to the Company. For the remaining construction to be completed pursuant to the Program, the Company has signed contracts with the local contractor for a total amount of \$1,520,586 (RMB 9,305,914) (December 31, 2012 - \$1,400,569 (RMB 8,770,000)) of which \$901,094 (RMB 5,514,650) has been paid as at March 31, 2013.

### (b) Software:

During 2012, the Company implemented a new software system related to its natural gas distribution operations. In connection with this implementation, the Company capitalized \$107,027 (RMB 655,000) of costs that have been recognized as an intangible asset as at March 31, 2013.

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
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## 9. Long-term debt and bank indebtedness:

(a) Long-term debt:

|   | March 31,<br>2013 | December 31,<br>2012 |
|---|-------------------|----------------------|
| Term loan facility - Bank of China      | \$ 15,523,000     | \$ 15,171,500        |
| Term loan facility - Bank of China (i)  | 2,451,000         | –                    |
| Term loan facility - Bank of China (ii) | 6,536,000         | –                    |
|   | 24,510,000        | 15,171,500           |
| Less unamortized transaction costs      | 251,164           | 266,569              |
|   | 24,258,836        | 14,904,931           |
| Less current portion                    | 817,000           | 798,500              |
|   | \$ 23,441,836     | \$ 14,106,431        |

- (i) On December 21, 2012, the Company entered into a term loan with the Bank of China, Pingxiang Branch ("BOC, Pingxiang") for \$3,268,000 (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 the Company's subsidiary Pingxiang Changfeng Natural Gas Co., Ltd., and guaranteed by another of the Company's subsidiaries, Sanya Changfeng Offshore Natural Gas Distribution Co., Ltd. ("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. As of March 31, 2013, the Company had withdrawn \$2,451,000 (RMB 15,000,000).

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
(Unaudited)

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

(ii) On January 15, 2013, the Company entered into an agreement with the Bank of China (Sanya Branch) ("BOC") to secure a bank loan facility in the amount of \$8,170,000 (RMB 50,000,000). This term loan agreement provides that the proceeds will be used to fund continued construction of pipeline and associated facilities of the Haitang Bay project in the Sanya city, Hainan province, China. This term loan has a ten-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. This term loan contains a financial covenant, which requires the Company's subsidiary CF China's debt-to-total-assets ratio to be maintained below 75%. As of March 31, 2013, the Company had withdrawn \$6,536,000 (RMB 40,000,000).

(b) Bank indebtedness:

Included in current liabilities is \$1,634,000 (RMB 10,000,000) (December 31, 2012 - \$4,791,000 (RMB 30,000,000)) relating to the Company's line of credit (the "Credit Line") with BOC. This loan contains a financial covenant, which requires the Company's subsidiary CF China's debt-to-total-assets ratio to be maintained below 80%. On March 28, 2013, the Company repaid \$3,268,000 (RMB 20,000,000) of the Credit Line. The rest of the Credit line will be due on June 20, 2013.

As at March 31, 2013, the Company was in compliance with all of its debt covenants.

Long-term loan principal payments are as follows:

|            | RMB         | Cdn. \$    |
|------------|-------------|------------|
| 2013       | 5,000,000   | 817,000    |
| 2014       | 13,000,000  | 2,124,200  |
| 2015       | 18,000,000  | 2,941,200  |
| 2016       | 19,000,000  | 3,104,600  |
| 2017       | 27,000,000  | 4,411,800  |
| Thereafter | 68,000,000  | 11,111,200 |
|            | 150,000,000 | 24,510,000 |

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
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## 10. Share capital:

(a) Authorized:

Unlimited common shares

(b) Issued common shares:

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|                            | Number of<br>shares | Amount        |
|----------------------------|---------------------|---------------|
| Balance, December 31, 2012 | 66,025,000          | \$ 12,121,808 |
| Balance, March 31, 2013    | 66,025,000          | 12,121,808    |

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Normal-course issuer bid:

On November 22, 2012, the Company received approval from the TSX-V to make a normal-course issuer bid (the "Bid") to periodically purchase, for cancellation, up to 3,000,000 common shares. The Bid commenced on November 27, 2012, to conclude on or about the earlier of November 26, 2013 or the date on which the Company purchases 3,000,000 common shares, although the Company may terminate the bid at an earlier date. The common shares will be purchased on the open market.

During the first quarter of 2013, the Company purchased 421,800 of its common shares under its normal-course issuer bid (the "Bid") for cash proceeds of \$135,924. These shares have been accounted for as treasury stock in the condensed consolidated interim balance sheet. Subsequent to March 31, 2013, the Company purchased 234,500 shares pursuant to the Bid for cash proceeds of \$75,040.

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
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## 10. Share capital (continued):

### (c) Stock-based compensation:

A summary of the Company's options granted and exercised is presented below:

|                            | Options<br>outstanding | Weighted<br>average<br>exercise<br>price |
|----------------------------|------------------------|--|
| Balance, January 1, 2012   | 5,300,000              | \$ 0.51                                  |
| Granted                    | 1,200,000              | 0.24                                     |
| Expired                    | (250,000)              | 0.23                                     |
| Balance, December 31, 2012 | 6,250,000              | 0.47                                     |
| Expired                    | (3,000,000)            | 0.60                                     |
| Balance, March 31, 2013    | 3,250,000              | 0.34                                     |

The following table summarizes information about the options outstanding and exercisable at March 31, 2013:

| Number<br>outstanding<br>and<br>exercisable | Remaining<br>contractual life<br>(in years) | Exercise<br>price | Expiry<br>date |
|---|---|-------------------|----------------|
| 950,000                                     | 2.16  | \$ 0.60           | 2015           |
| 1,100,000                                   | 3.45  | 0.23              | 2016           |
| 1,200,000                                   | 4.28  | 0.24              | 2017           |
| 3,250,000                                   |   |                   |                |

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
(Unaudited)

## 11. Earnings per share:

Basic earnings per share ("EPS") amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average of shares issued during the year. 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 year, adjusted for the effect of potentially dilutive stock options.

The following table sets forth the calculation of basic and diluted EPS:

|         | Three-month period ended<br>March 31, 2013              |  |          | Three-month period ended<br>March 31, 2012              |  |          |
|---------|---|--|----------|---|--|----------|
|         | Net income<br>attributable<br>to common<br>shareholders | Weighted<br>average<br>number of<br>shares | EPS      | Net income<br>attributable<br>to common<br>shareholders | Weighted<br>average<br>number of<br>shares | EPS      |
| Basic   | \$ 1,291,176  | 66,025,000                                 | \$ 0.020 | \$ 833,519  | 66,025,000                                 | \$ 0.013 |
| Diluted | 1,291,176   | 66,685,606                                 | 0.019    | 833,519   | 66,025,000                                 | 0.013    |

## 12. Related party disclosures:

### (a) Related party transactions:

- (i) As at March 31 2013, a company (Sanya Changkai Industrial Development Co. Ltd.) controlled by a significant shareholder who is also an officer and director of the Company, owed the Company a total of \$21,938 for various expenditures paid by the Company on behalf of this company.
- (ii) As at March 31, 2013, the Company had an outstanding loan of \$326,800 (RMB 2,000,000) due from the minority shareholder of Hunan Changfeng CNPC Energy Co., Ltd. ("Hunan CF CNPC"), which used the funds to contribute the capital it owed to that subsidiary. The minority shareholder has waived its right to any future profit that it would otherwise be allocated until the loan is repaid. The Company will begin recording this shareholder's profit allocation prospectively at the time the loan has been repaid. On May 4, 2012, the Company entered into supplementary agreements with this minority shareholder. Pursuant to the supplementary agreements, the loan will be due on June 8, 2015, secured by this minority shareholder's 40% equity interest in Hunan CF CNPC and bearing interest at 120% of the five-year term loan rate prescribed by the People's Bank of China.

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
(Unaudited)

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## 12. Related party disclosures (continued):

(iii) Xiangtan Shin-Ko Energy Co.,Ltd. ("Shin-Ko Energy"):

Included in current due to related parties as at March 31, 2013, is a required capital contribution of \$490,200 (RMB 3,000,000) (December 31, 2012 - \$479,100 (RMB 3,000,000 in long-term)) to be made to the Company's associate, Shin-Ko Energy, by October 24, 2013. Also, included in current due to related parties as at March 31, 2013, was \$212,755 (RMB 1,302,050) (December 31, 2012 - \$208,736 (RMB 1,307,050)) 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, Investor Relations 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 \$6,536,000 (RMB 40,000,000) (December 31, 2012 - \$6,388,000 (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, subordinate to the claims of all other creditors, including unsecured creditors of the Company, and are due on demand to April 27, 2015. The Company has not made any repayments during the period ended March 31, 2013.

(ii) As at March 31, 2013, the Company owed an officer and director of the Company \$564,188 (December 31, 2012 - \$543,982) for unpaid salary and director's fees.

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
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## **13. 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, 2012.

As at March 31, 2013, the carrying amounts for cash, 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.

## **14. 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 year. The Company's natural gas sales are higher during these high tourism seasons, as a large portion of the Company's natural gas sales are made to hotels and restaurants.

## **15. Segmented reporting:**

The Company has two reportable segments: gas distribution utility (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 taxicab and public-transportation vehicles. The performance of each segment is measured by income from operations.

There were no significant intercompany transactions between segments. No single customer accounted for more than 10% of the Company's sales or trade and other receivables in 2013 and 2012.



# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
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## 15. Segmented reporting (continued):

Summarized financial information concerning the reportable segments is shown in the following tables:

| March 31, 2013                        | Gas distribution utility | CNG refuelling station | Consolidated   |
|---------------------------------------|--------------------------|------------------------|----------------|
| Revenue                               | \$ 7,946,848             | \$ 1,675,994           | \$ 9,622,842   |
| Cost of sales                         | 2,845,680                | 1,268,173              | 4,113,853      |
|                                       | 5,101,168                | 407,821                | 5,508,989      |
| Expenses:                             |                          |                        |                |
| General and administrative            | 1,563,153                | 189,705                | 1,752,858      |
| Travel and business development       | 1,295,051                | 11,687                 | 1,306,738      |
|                                       | 2,858,204                | 201,392                | 3,059,596      |
| Income from operations                | \$ 2,242,964             | \$ 206,429             | \$ 2,449,393   |
| Acquisition of property and equipment | \$ (2,226,154)           | \$ (3,451)             | \$ (2,229,605) |
| Acquisition of intangible assets      | (2,778)                  | –                      | (2,778)        |
| Investment in associate               | 771,785                  | –                      | 771,785        |
| Total assets, March 31, 2013          | \$ 66,600,998            | \$ 2,617,953           | \$ 69,218,951  |
| Total assets, December 31, 2012       | \$ 58,509,028            | \$ 2,690,504           | \$ 61,199,532  |

# CHANGFENG ENERGY INC.

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

Three-month periods ended March 31, 2013 and 2012  
(Unaudited)

## 15. Segmented reporting (continued):

| March 31, 2012                        | Gas distribution utility | CNG refuelling station | Consolidated  |
|---------------------------------------|--------------------------|------------------------|---------------|
| Revenue                               | \$ 6,367,951             | \$ 997,142             | \$ 7,365,093  |
| Cost of sales                         | 2,686,330                | 776,382                | 3,462,712     |
|                                       | 3,681,621                | 220,760                | 3,902,381     |
| Expenses:                             |                          |                        |               |
| General and administrative            | 1,103,312                | 111,738                | 1,215,050     |
| Travel and business development       | 1,065,534                | 12,494                 | 1,078,028     |
|                                       | 2,168,846                | 124,232                | 2,293,078     |
| Income from operations                | \$ 1,512,775             | \$ 96,528              | \$ 1,609,303  |
| Acquisition of property and equipment | \$ (481,829)             | \$ (13,267)            | \$ (495,096)  |
| Acquisition of intangible assets      | (332,555)                | –                      | (332,555)     |
| Investment in associate               | 758,751                  | –                      | 758,751       |
| Total assets, March 31, 2012          | \$ 53,008,225            | \$ 2,186,158           | \$ 55,194,383 |

### 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, 2013 and 2012, there is no significant individual customer from which sales amounted to more than 10% of the Company's revenue.