



## **Changfeng Enters into a Loan Discharge Agreement with Companies Controlled by Mr. Huajun Lin, the Chairman, Chief Executive Officer and President of Changfeng**

**September 23, 2015**

**Toronto, Ontario, September 23, 2015** – Changfeng Energy Inc. ("Changfeng" or the "Company") (TSX-V: CFY), announces that it has entered into a Loan Discharge Agreement with two companies (the "Lenders") controlled by Mr. Huajun Lin ("Mr.Lin"), the Chairman, Chief Executive Officer and President of Changfeng.

In 2007, the Lenders advanced loans in the aggregate amount of RMB 40,000,000 (\$8,048,000; December 31, 2014, \$7,476,000) to a 100% owned subsidiary of Changfeng, in accordance with Consignment Loan Agreements dated May 23rd, 2007, and June 26th, 2007, a Subordination and Forbearance Agreement dated April 27th, 2007, and other ancillary documentation (collectively, the "Loans"); Pursuant to a Loan Renewal Agreement dated April 27, 2007 the parties to the Loan Agreements agreed to enter into further loan agreements on the same terms and conditions every three years, in perpetuity.

The Loans are non-interest bearing, due on demand after April 27th, 2010, but on April 27th, 2010, the Loans were renewed for three years with the same terms and conditions, on April 27th, 2013, the Loans were renewed for two years with the same terms and conditions, and on April 27, 2015, the Loans were renewed for one year with the same terms and conditions.

On March 20, 2015, Changfeng formed a Special Committee of its directors, composed entirely of directors unrelated to Mr. Lin, to review alternatives for the discharge of the Loans. The Special Committee retained independent legal counsel and an independent financial adviser, and thereafter negotiated with the Lenders for the discharge of the Loans. The independent financial adviser has issued an opinion that the terms of the Transaction are fair, from a financial point of view, to the Minority Shareholders.

The Loan Discharge Agreement between Changfeng and the Lenders provides for an absolute discharge of the Loans, in exchange for the issuance by Changfeng to the Lenders of 5,000,000 preferred shares of Changfeng. These preferred shares will be non-dividend bearing, are not convertible, will have three votes per share, will not be redeemable or retractable by the holder, will be redeemable at the option of Changfeng at \$0.96 per share until April 27, 2025, and thereafter at \$1.20 per share, must be redeemed by the Company at a price of \$0.96 per share until April 27, 2025, and thereafter \$1.20 per share, in the event of a change of control of the Company or a sale of substantially all of its assets, and would have a liquidation preference before the holders of the common shares, and have a fixed liquidation value of \$0.96 cents until November 15, 2030 and \$1.60 per share thereafter. Upon issuance of these preferred shares, the voting rights in Changfeng of entities controlled by Mr. Lin will increase from approximately 55% to approximately 63.6%.



In order to create the preferred shares to be issued pursuant to the Loan Discharge Agreement, Changfeng will be required to amend its Articles of Incorporation to create the preferred shares. This will require a shareholder approval by Special Resolution, requiring the affirmative votes of not less than 66 $\frac{2}{3}$ % of shares voted on the Special Resolution.

Completion of the transactions contemplated by the Loan Discharge Agreement is subject to receipt of the above shareholder approval and the approval of the TSX Venture Exchange.

### **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).

### **For further information please contact:**

Mr. Yan Zhao CPA. CA. MBA  
Chief Financial Officer

416.362.5032/647.528.0115  
[yan.zhao@changfengenergy.cn](mailto:yan.zhao@changfengenergy.cn)

Ms. Ann S.Y. Lin  
VP, Corporate Development and  
Corporate Secretary  
416.362.5032  
[siyin.lin@changfengenergy.cn](mailto:siyin.lin@changfengenergy.cn)

### **Forward-Looking Statements**

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



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