Changfeng Announces First Quarter Financial Results for the three months ended March 31, 2016.

May 26, 2016

Toronto, Ontario, May 26, 2016 – Changfeng Energy Inc. (TSXV: CFY) ("Changfeng" or the "Company") announces that the Company has filed its unaudited condensed interim consolidated financial results for the first quarter ended March 31, 2016. The Company states that revenue had dropped by 3%, gross profit was down by 11% and net profit was down by 23% for the three months ended March 31, 2016. The unaudited condensed interim consolidated financial results and Management's Discussion and Analysis can be downloaded from www.SEDAR.com or from the Company's website at www.changfengenergy.com.

Summary of the First Quarter of 2016 Consolidated Financial Results

In thousands of Canadian dollars	Three months ended March 31,			
except percentages	2016	2015	Change	%
Revenue	16,198	16,701	(503)	-3%
Gross margin	8,506	9,575	(1,069)	-11%
Profit for the period	2,237	2,909	(672)	-23%
EBITDA (1)	5,138	6,633	(1,495)	-23%

Note:

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

Revenue for the three months ended March 31, 2016 was $16.2 million, a decrease of $0.5 million, or 3%, from $16.7 million for the same period of 2015. This decrease was mainly due to the dropping revenue from pipeline connection and CNG sales in Changsha CNG station which superseded the increases in gas sales revenue in both Sanya and Pingxiang region.

Gas sales revenue for the three months ended March 31, 2016 was $9.9 million, an increase of $1.3 million or 15%, from 8.6 million for the same period of 2015. The increase was mainly attributable to:

- the gas sales volume increased by 4% for Sanya region;
- the gas sales volume growth of 238% in Xiangdong district;
- the appreciation of exchange rate between Chinese RMB and Canadian dollar.

Pipeline installation and connection revenue for the three months ended March 31, 2016 was $4.7 million, a decrease of $1.2 million or 20%, from $5.9 million for the same period of 2015. The decrease was mainly attributable to:

- comparatively fewer new residential customers connected during the period in Sanya region, which was in a total of 5,107, a decrease of 753 or 13%, from 5,860 for the same period of 2015;

- fewer new commercial customer connections completed during the period in Sanya region, which was a total of 16, a decrease of 6 or 27%, from a total of 22 for the same period of 2015.

Total revenue from CNG refueling retail station for the three months ended March 31, 2016 was \$1.6 million, a decrease of \$0.6 million, or 27%, from \$2.2 million for the same period of 2015. The decrease was attributable to market competition and dropped sales volume of 0.8 million m^3, or 28% during the three months ended March 31, 2016 with compared to the same period of 2015.

Gross margin for the three months ended March 31, 2016 was 8.5 million, a decrease of \$1.1 million, or 11%, from \$9.6 million for the same period of 2015. The gross margin percentage of 53% for the three months ended March 31, 2016 was decreased from that of 57% for the same period of 2015. The decrease of gross margin percentage is mainly due to the price under the 2016 CNOOC gas supply contract is higher than under the previous gas quota with CNOOC.

General and administrative expenses for the three months ended March 31, 2016 were \$3.0 million, a decrease of \$0.1 million, or 3%, from \$3.1 million for the same period of 2015. And as a percentage of sales, it is both 19% for the three months ended March 31, 2016 and for the same period of 2015.

Travel and business development expenses for the three months ended March 31, 2016 were \$1.2 million, an increase of \$0.3 million, or 32%, from \$0.9 million for the same period of 2015. And there is also an increase as a percentage of sales to 7% for the three months ended March 31, 2016 from 5% for the same period of 2015. These expenses normally fluctuate with travel and business development activities in mainland China as the Company seeks to develop new projects in close proximity to the new national pipelines.

Profit for the three months ended March 31, 2016 was \$2.2 million, or \$0.03 per share (basic and diluted) compared to \$2.9 million or \$0.04 per share (basic and diluted) for the same period of 2015.

EBITDA (non-IFRS measure as identified and defined under section “Non-IFRS Measures”) for the three months ended March 31, 2016 was \$5.1 million, a decrease of \$1.5 million, or 23%, from \$6.6 million for the same period of 2015. EBITDA as a percentage of revenue for the three months ended March 31, 2016 was 32%, dropped from 40% for the same period of 2015.

Financial Position

Cash increased by \$1.6 million to \$15.8 million at March 31, 2016 from \$14.2 million at December 31, 2015. Cash change mainly originated from cash inflow provided by operating activities of \$0.7 million, and cash withdrawal from bank indebtedness of \$3.5 million, but offset by cash outflow including repayments of bank indebtedness of \$1.0 million and long-term bank loan of \$0.2 million, share buyback of \$0.2 million as well as capital expenditure of \$2.1 million and release of pledged bank deposits of \$2.1 million.

Net cash provided by operations was $0.7 million for the three months ended March 31, 2016 compared to $5.8 million for the same period of 2015.

Cash used in financing activities during the three months ended March 31, 2016 primarily included a $0.2 million long-term loan repayment, $1.0 million bank indebtedness repayment, $0.2 million for share buyback and proceeds of bank indebtedness of $3.5 million.

Cash used in investing activity included capital expenditures of $2.1 million for the three months ended March 31, 2016 compared to $3.4 million for the same period of 2015 and a release of pledged bank deposits of $2.1 million. The capital expenditures were mainly related to the purchase of equipment and on-going construction of pipeline networks to connect new customers in the Sanya region and Xiangdong district.

Changfeng will finance the majority of the upcoming construction of projects under development in mainland China through its long-term bank loans with the BOC, Sanya and BOC, Pingxiang, as well as operating cash flow from its existing operations.

Non-IFRS Financial Measures

The Company uses the following non-IFRS financial measure: EBITDA. The Company believes this non-IFRS financial measure provides useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

Management uses this non-IFRS financial measure to exclude the impact of certain expenses and income that must be recognized under IFRS when analyzing consolidated operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

This measure does not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS. This measure is listed and defined below:

EBITDA

EBITDA is defined herein as income before income tax expense, interest expense, depreciation and amortization, share of loss of investment in associate and joint venture, as well as non-cash stock-based compensation expense. EBITDA does not have any standardized meaning prescribed by IFRS and therefore may not conform to the definition used by other companies. A reconciliation of net income to EBITDA for each of the periods presented as follows:

In thousands (except for % figures)	Three months ended March 31,			
	2016	2015	Change	Change %
Profit	2,237	2,909	(672)	-23%
Add (less):				
Income tax	1,450	2,142	(692)	-32%
Interest (income) expense	(16)	(33)	17	-52%
Share of loss of investment in associate and joint venture	124	-	124	100%
Stock-based compensation	-	29	(29)	-100%
Amortization	828	1,070	(242)	-23%
Interest on borrowing	515	516	(1)	0%
EBITDA	**5,138**	**6,633**	**(1,495)**	**-23%**

About Changfeng Energy Inc.

Changfeng Energy Inc. is a natural gas service provider with operations located throughout the People's Republic of China. The Company services industrial, commercial and residential customers, providing them with natural gas for heating purposes and fuel for transportation. The Company has developed a significant natural gas pipeline network as well as urban gas delivery networks, stations, substations and gas pressure regulating stations in Sanya City & Haitang Bay. Through its network of pipelines, the Company provides safe and reliable delivery of natural gas to both homes and businesses. The Company is headquartered in Toronto, Ontario and its shares trade on the Toronto Venture Exchange under the trading symbol “CFY”. For more information, please visit the Company website at www.changfengenergy.com.

For further information please contact:

Mr. Yan Zhao CPA. CA
Chief Financial Officer

416.362.5032/647.528.0115
yan.zhao@changfengenergy.com

Ms. Ann S.Y. Lin
VP, Corporate Development and Corporate Secretary
416.362.5032
ann@changfengenergy.com

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.

CHANGFENG ENERGY INC
长丰能源有限公司

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.

- End -