

Changfeng Announces the Third Quarter Financial Results for the Three and Nine Months Ended September 30, 2016.

November 14th, 2016

Toronto, Ontario, November 14th, 2016 – Changfeng Energy Inc., (TSXV: CFY) (“Changfeng” or the “Company”), an energy service provider in China, announces that the Company has filed its unaudited condensed interim consolidated financial results for the third quarter ended September 30, 2016. The Company states that revenue had been up by 10%, gross profit was down by 6% and net income was down by 41% for the nine months ended September 30, 2016. The unaudited condensed interim consolidated financial results and Management Discussion and Analysis can be downloaded from www.SEDAR.com or from the Company's website at www.changfengenergy.com.

Summary of the Third Quarter of 2016 Consolidated Financial Results

<i>In thousands of Canadian dollars except percentages</i>	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Revenue	16,394	13,158	3,236	25%	48,080	43,576	4,504	10%
Gross margin	6,867	6,197	670	11%	21,442	22,777	(1,335)	-6%
Net income	1,534	996	538	54%	3,427	5,811	(2,384)	-41%
EBITDA (1)	3,828	3,543	285	8%	11,815	15,148	(3,333)	-22%

Note:

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

Revenue for the three months ended September 30, 2016 was \$16.4 million, an increase of \$3.2 million, or 25%, from \$13.2 million for the same period of 2015. Revenue for the nine months ended September 30, 2016 was \$48.1 million, an increase of \$4.5 million, or 10%, from \$43.6 million for the same period of 2015.

The increase in revenue is mainly attributable to the continuously growing total gas sales volume in Sanya and Xiangdong regions, with a gross gas sales volume increase of 37% and 22% respectively for the three months and nine months ended September 30, 2016. As well, CNG/LNG sales volume has climbed at 12% for the three months ended September 30, 2016 with compared to the same period of 2015, which was the result of significant sales volume increase in Sanya station. For the nine months ended September 30, 2016, CNG/LNG sales volume was still in declination at 12% with compared to the same period of 2015. Revenue from pipeline connection increased at 24% and 5% respectively for the three months and nine months ended September 30, 2016 with compared to the same period of 2015. The increase was partly offset by the decrease of exchange rate of Chinese Renminbi (“RMB”) to Canadian dollar.

Gas sales revenue for the three months ended September 30, 2016 was \$6.8 million, an increase of \$1.2 million or 21%, from 5.6 million for the same period of 2015. Gas sales revenue for the nine months ended September 30, 2016 was \$23.6 million, an increase of \$3.5 million or 17%, from 20.1 million for the same period of 2015. The increase is mainly attributable to:

- the gas sales volume growth of 19% and 11% in Sanya region for the three and nine months periods ended September 30, 2016 respectively;
- the gas sales volume growth of 331% and 256% respectively in Xiangdong district for the three and nine months periods ended September 30, 2016 respectively;

Pipeline installation and connection revenue for the three months ended September 30, 2016 was \$6.5 million, an increase of \$1.2 million or 24%, from \$5.3 million for the same period of 2015. Pipeline installation and connection revenue for the nine months ended September 30, 2016 was \$17.6 million, an increase of 0.8 million or 5%, from 16.8 million for the same period of 2015. The changes are results of:

- higher number of new commercial customers connected during the three and nine months ended September 30, 2016 in Sanya region;
- higher number of new residential and commercial customers connected during the three and nine months ended September 30, 2016 in Xiangdong region;
- new residential customers connected in Sanya region remained declining during the nine months ended September 30, 2016.

Revenue from CNG refueling retail stations for the three months ended September 30, 2016 was \$3.1 million, an increase of \$0.8 million, or 35%, from \$2.3 million for the same period of 2015. Total revenue from CNG refueling retail stations for the nine months ended September 30, 2016 was \$6.8 million, an increase of \$0.1 million, or 2%, from \$6.7 million for the same period of 2015. The increase was due to the revenue from new Sanya CNG/LNG refueling retail station but offset by the decrease of sales volume and revenue of Changsha CNG station. The decrease of Changsha station was mainly due to market competition and dropped sales volume of 0.8 million m³ and 2.8 million m³, or 29% and 32% respectively for Changsha CNG refueling station during the three and nine months ended September 30, 2016 with compared to the same period of 2015. Total revenue from new Sanya CNG/LNG refueling retail station for the nine months ended September 30, 2016 was \$2.3 million.

Gross margin for the three months ended September 30, 2016, increased \$0.7 million, or 11%, compared to the same period in 2015, decreased 1.3 million or 6% for the nine months ended September 30, 2016 compared to the same periods in 2015. The gross margin percentage of 45% for the first nine months of 2016 is a decrease of 7% from 52% for the same period of 2015.

As a percentage of revenue, the gross margin of the gas distribution utility of 47% for the first nine months of 2016 is a decrease of 10 % from 57% for the first nine months of 2015. As a percentage of revenue, the gross margin of the CNG refueling stations for the first nine months of 2016 was 27%, an increase of 1% from 26% in the same period of 2015.

General and administrative expenses for the three months ended September 30, 2016 were \$2.6 million, a decrease of \$0.3 million or 12% with compared to \$2.9 million for the same period of 2015. For the nine months ended September 30, 2016, general and administrative expenses were \$8.3 million, an increase of \$0.5 million, or 6%, from \$7.8 million for the same period of 2015. General and administrative expenses as a percentage of sales for the three and nine month periods ended September 30, 2016 were 16% and 17%, compared to 22% and 18% for the same periods of 2015, respectively.

Travel and business development expenses for the three months ended September 30, 2016 were \$0.6 million, a decrease of \$0.1 million, or 10%, from \$0.7 million in the same period of

2015. Travel and business development expenses for the nine months ended September 30, 2016 were \$2.6 million, an increase of \$0.1 million, or 3%, from \$2.5 million in the same period of 2015. As a percentage of sales, travel and business development expenses for the nine months ended September 30, 2015 was 5%, a slight decrease from 6% in the same periods 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.

Changfeng has recognized an investment loss of approximately CAD\$1.3 million originated by selling its stakes in Caofeidian Evergrowth Energy Co., Ltd. (“Evergrowth”) (before giving effect to any adjustments resulting from foreign currency translation). Changfeng had also previously loaned RMB2.0 million to a subsidiary of Evergrowth and recognized an impairment loss of RMB2.0 million (CAD\$402,000) in its financial statements with respect to this loan.

Income taxes for the three months ended September 30, 2016 was \$0.9 million, approximately the same as that for the same period in 2015. Income tax decreased \$ 0.8 million or 18% for the nine months ended September 30, 2016 compared to the same period in 2015. However, as a percentage of profit before income taxes, the percentage of 51% for the first nine months of 2016 is an increase of 8% from 43% for the first nine months of 2015. The increase is mainly due to the increased withholding tax expense of \$0.7 million for first nine months of 2016 compared to nil of same period of 2015.

Profit for the three months ended September 30, 2016 was \$1.5 million, or \$0.02 per share (basic and diluted) compared to the profit of \$1.0 million or \$0.02 per share (basic and diluted) for the period in 2015. Profit for the nine months ended September 30, 2016 was \$3.4 million, or \$0.05 per share (basic and diluted) compared to \$5.8 million or \$0.09 per share (basic and diluted) for the same period in 2015.

EBITDA (non-IFRS measure as identified and defined under section “Non-IFRS Measures”) for three months ended September 30, 2016 was \$3.8 million, an increase of \$0.3 million, or 8% from \$3.5 million for the same period of 2015. EBITDA for the nine months ended September 30, 2016 was \$11.8 million, a decrease of \$3.3 million, or 22%, from \$15.1 million for the same period of 2015.

Financial Position

Cash increased by \$6.6 million to \$20.8 million at September 30, 2016 from \$14.2 million at December 31, 2015, primarily resulting from cash provided by operating activities of \$9.8 million, cash from bank indebtedness of \$6.0 million, cash from long term loan of \$6.0 million and cash received as released pledged bank deposit of \$1.9 million and receipt from government for pipeline relocation of \$0.3 million, but offset by \$2.1 million repayment of long-term debt and \$4.0 million repayment of bank indebtedness, repurchase of shares of \$0.2 million, cash used for acquisition of property and equipment of \$7.7 million, cash deposit for acquisition of property and equipment of \$0.9 million as well as acquisition of intangible assets of \$0.3 million.

Net cash provided by operations was \$9.8 million for the nine months ended September 30, 2016 compared to \$10.9 million for the same period of 2015.

Cash provided by financing activities for the nine months ended September 30, 2016 was \$5.7 million, which included cash inflow from bank indebtedness of \$6.0 million and cash outflow bank indebtedness repayment of \$4.0 million as well as cash inflow of long term loan withdrawal of \$6.0 million and cash outflow of \$2.1 million repayment of long-term debt and \$0.2 million for share buyback.

Cash used for acquisition of property and equipment totaled \$7.7 million for the nine months ended September 30, 2016 compared to \$3.6 million in the same period of 2015. And additional \$0.9 million has been paid as deposit for acquisition of property and equipment and \$0.3 paid for intangible asset acquisition during the nine months ended September 30, 2016. The acquisition was mainly related to the purchase of equipment for the on-going construction of pipeline networks to connect new customers in the Sanya region and Xiangdong district as well as initial capital investment for the newly constructed Sanya CNG/LNG vehicle refueling station. There was cash received as released pledged bank deposit of \$1.9 million and cash receipt from government of \$0.3 million for pipeline relocation.

Changfeng will finance the majority of the upcoming construction of projects under development in mainland China through its long-term bank loans with 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 do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS. This measure is listed and defined below:

EBITDA

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

In thousands (except for % figures)	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Net Income	1,534	996	538	54%	3,427	5,811	(2,384)	-41%
Add (less):								
Income tax	875	926	(51)	-6%	3,637	4,436	(799)	-18%
Interest (income) loss	(14)	(20)	6	-30%	(56)	(83)	27	-33%
Share of loss of investment in associate	0.3	6.4	(6.1)	-95%	1.0	7.1	(6.1)	-86%
Investment loss in joint venture	412	-	412		1,330	-	1,330	
Stock-based compensation	-	95	(95)	-100%	-	173	(173)	-100%
Amortization	643	1,093	(450)	-41%	2,271	3,355	(1,084)	-32%
Interest on borrowing	378	447	(69)	-15%	1,205	1,449	(244)	-17%
EBITDA	3,828	3,543	285	8%	11,815	15,148	(3,333)	-22%



About Changfeng Energy Inc.

Changfeng Energy Inc. is an energy 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 is also involved in the integrated energy system programs and energy comprehensive utilization projects in Haitang Bay, Sanya City. 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

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Forward-Looking Statements

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