

CHANGFENG ENERGY INC.

**Management's Discussion and Analysis for the
Three-month and Nine-month Ended September 30, 2016**

Dated November 14, 2016

Advisory

The Management's Discussion and Analysis ("MD&A") provides an analysis to enable readers to assess material changes in financial condition and results of operations of Changfeng Energy Inc. ("Changfeng" or the "Company") for the three and nine months ended September 30, 2016. This information should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2016 and the audited consolidated financial statements and related notes and the MD&A for the year ended December 31, 2015. "Changfeng" includes Changfeng Energy Inc. and its subsidiaries, unless otherwise indicated. Additional information related to Changfeng is available on SEDAR at www.sedar.com or on its website at www.changfengenergy.com.

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Changfeng bases its estimates on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

This MD&A contains certain non-IFRS financial measures to assist users in assessing its performance. Non-IFRS financial measures do not have any standard meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Non-IFRS Financial Measures".

Amounts are stated in Canadian dollars unless otherwise indicated.

Caution Regarding Forward-Looking Information

Certain statements in this MD&A may constitute "forward looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiaries, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this report, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", the negative thereof or other variations thereon or comparable terminology are intended to identify forward looking statements. Such forward looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward looking statements, such as significant changes in market conditions, the inability of the Company to realize sales and the inability of the Company to attract sufficient financing and the risk factors summarized in the MD&A for the year ended December 31, 2015 under the heading "Risk Factors". New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward looking statements as a prediction of actual results. Although the forward looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. The forward looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Overview

Changfeng is a Canadian public company currently trading on the TSX Venture Exchange ("TSX-V") under the stock symbol "CFY". Changfeng is a natural gas distributor in the People's Republic of China ("the PRC" or "China").

Currently the Company has four projects in operation: two piped natural gas distribution projects, and two compressed natural gas ("CNG") vehicle refueling stations. Changfeng has a 30 year concession right to operate gas distribution business in Sanya City, Hainan Province, and a 50 year operating right for gas distribution business in Xiangdong District, Pingxiang City, Jiangxi Province. Its customer base and exclusive operation provide recurring revenue and operating cash flows to the Company and allow the Company to pursue future expansion of operations.

Changfeng has been actively exploring market opportunities brought by the PetroChina's Second West-East Pipeline ("WEP II"). Changfeng has grown with responsible development and reliable operation of natural gas distribution pipelines and associated facilities in China. Projects currently in operation include:

❖ In Sanya City, Hainan Province, China

- 30-year exclusive concession rights (2007-2037) in Sanya City with wholly-owned gas distribution pipeline networks and associated facilities;
- Secured gas supply through its annual gas quota of approximately 25 million cubic meters (m³) (883 million cubic feet (ft³)) until December 31, 2016 at a favorable price;
- Secured gas supply through its additional gas quota of 9 million cubic meters (m³) (318 million cubic feet (ft³)) until December 31, 2016;
- Serving more than 180,241 residential and 881 commercial customers (primarily hotels and restaurants);
- Serving 15 hotels in Haitang Bay area, Sanya City;
- Operating a new CNG/LNG refueling retail station in Sanya City.

❖ In Xiangdong District, Pingxiang City, Jiangxi Province, China (Xiangdong Project)

- 50-year operation rights (2010-2060) in the administrative region of Xiangdong District, including the Pingxiang Industrial Ceramic Production Park (the "Park");
- Sale of natural gas to 48 commercial customers in the Park;
- Continuing to grow its residential customer base in the gated community.

❖ In Changsha City, Hunan Province, China

- Managing to maintain its customer base;
- Operating a CNG/LNG refueling retail station in Changsha City.

In addition to the operations above, Changfeng will continue to implement its long-term growth strategies for the pipelined gas project in the Western Guangdong Area of the Guangdong Province and for the integrated energy system program and energy comprehensive utilization with EDF Group in Sanya City. The Company believes that its ongoing projects will add value, generate revenues and leverage its strength to create long-term sustainable value for its shareholders and clients.

For the three and nine months ended September 30, 2016

2016 Accomplishments and Events

On March 31, 2016, the Company signed a new gas supply contract with China National Offshore Oil Corporation ('CNOOC'). CNOOC is committed to supplying up to approximately 25 million m³ of natural gas annually until December 31, 2016 with a fixed contractual price and same terms stated in original contract. The price under the 2016 contract with approximately 25 million m³, while higher than under the previous 24 million m³ gas quota, remains favorable compared with the market price.

On April 27, 2016, shareholder loans in the aggregate amount of \$7.8 million (RMB40.0 million) (December 31, 2015 - \$8.5 million (RMB40.0 million)) to the Company, through a subsidiary controlled by the controlling shareholder of the Company, were renewed for one year with the same terms and conditions.

On May 12, 2016, the Company announced that the construction of a new CNG/LNG refueling retail station ("Sanya CNG/LNG Station") in Sanya City, Hainan Province has now been completed and it has commenced operation. Sanya CNG/LNG Station is designed to have a daily capacity of 30,000 m³ and mainly supplies gas to public buses and taxis owned by Sanya Public Transit Group.

On May 31, 2016, the Company announced that, one of its wholly owned subsidiaries has entered into a Statement of Intent for Cooperation (the "Statement of Intent 1") with EDF (China) Holding Ltd., a subsidiary of Electricité de France (the "EDF Group") to jointly pursue energy utilization and low carbon energy projects in Haitang Bay area ("Haitang Bay") of Sanya City, China. Based on Statement of Intent 1, the Company and EDF Group will further discuss the feasibility to establish a joint venture company (the "Joint Venture") and jointly invest and operate in energy utilization projects in Sanya City. The Company and EDF Group will respectively own 50% of the Joint Venture. Statement of Intent 1 creates no legal obligations for the Company or the EDF Group.

On August 4, 2016, the Company announced that, one of its wholly-owned subsidiaries, further to its previously announced Statement of Intent 1 dated on May 31, 2016 for Cooperation with EDF (China) Holding Ltd., a subsidiary of EDF Group, has entered into a Statement of Intent for Cooperation (the "Statement of Intent 2") with the Sanya Municipal Government and EDF Group to jointly pursue the integrated energy system program in Sanya City, Hainan Province. According to the Statement of Intent 2, the Sanya Municipal Government, EDF Group and Changfeng, will cooperatively develop the integrated energy system projects in order to promote a low carbon and energy intelligent urban city. The Sanya Municipal Government is also in support of an integrated energy project in Haitang Bay Area of Sanya City as proposed by EDF Group and Changfeng. Changfeng and EDF Group will further discuss the feasibility of establishing the Joint Venture and jointly invest and operate in the integrated energy program in Sanya City. The Statement of Intent 2 creates no legal obligations for any of the three parties.

On October 28, 2016, Changfeng entered into a natural gas purchase and sale agreement with Hainan Fuel Chemical Co., Ltd., a subsidiary of CNOOC to purchase 9.0 million m³ of natural gas during the remainder of 2016 (the "Additional Gas Quota"). Any unused gas supply of the Additional Gas Quota is non-cumulative and not eligible to be carried forward to 2017. The Company will be billed exclusively on the actual volume of natural gas received until December 31, 2016. The Additional Gas Quota will enable the Company to better supply its operation in Sanya region and to enhance its gross margin by reducing purchases of relatively expensive CNG and LNG.

Changfeng Sold Its Stake in Caofeidian Evergrowth Energy Co., Ltd.

Changfeng, through its wholly-owned subsidiary, Sanya Changfeng Offshore Natural Gas Distribution Co., Ltd., sold its indirect interest in Caofeidian Evergrowth Energy Co., Ltd. ("Evergrowth"), which was established by Changfeng and Tangshan Caofeidian Development Investment Group Co., Ltd. ("CFD Group") in July 2015, to China Overseas Smart City Co., Ltd. ("COMC") on October 17, 2016, pursuant to an agreement dated September 29, 2016 between COMC and Changfeng's wholly-owned subsidiary, Sanya Changfeng Offshore Natural Gas Distribution Co., Ltd. (the "Agreement").

CFD Group has also agreed to sell its interest in Evergrowth to COMC. The purchase price for Evergrowth was satisfied by a cash payment of approximately CAD\$2.6 million (RMB13.0 million) by COMC to Changfeng, with the purchase price having been based on the assessment of the net asset value of Evergrowth as at August 31, 2016 by an independent valuator appointed by COMC. The registered capital of Evergrowth is currently CAD\$41.0 million (RMB200.0 million). Changfeng and CFD Group each owned 50% of Evergrowth. RMB40.0 million of the registered capital had previously been contributed to Evergrowth by Changfeng and CFD Group. The remaining RMB160.0 million of registered capital is required to be contributed within 10 years of incorporation. Pursuant to the Agreement, COMC agreed to assume the responsibilities of Changfeng and CFD Group for the remaining RMB160.0 million of uncontributed registered capital.

Changfeng has recognized an investment loss of approximately CAD\$1.3 million (before giving effect to any adjustments resulting from foreign currency translation) on Evergrowth in 2016. Changfeng had also previously loaned RMB2.0 million to a subsidiary of Evergrowth and recognized an impairment loss of CAD\$402,000 (RMB2.0 million) in its financial statements with respect to this loan.

For the three and nine months ended September 30, 2016

Selected Interim Financial Information

The following table provides selected financial information for the three and nine months ended September 30, 2016 and 2015:

<i>In thousands of Canadian dollars except percentages and per share amounts</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%
% of revenue	42%	47%	-5%		45%	52%	-7%	
General and administrative	2,565	2,920	(355)	-12%	8,340	7,837	503	6%
% of revenue	16%	22%	-6%		17%	18%	-1%	
Travel and business development	675	746	(71)	-10%	2,628	2,558	70	3%
% of revenue	4%	6%	-2%		5%	6%	-1%	
Stock based compensation	-	95	(95)	-100%	-	173	(173)	-100%
Other gains and losses	441	80	361	451%	930	589	341	58%
Total expenses	3,681	3,841	(160)	-4%	11,898	11,157	741	7%
% of revenue	22%	29%	-7%		25%	26%	-1%	
Income from operations	3,186	2,356	830	35%	9,544	11,620	(2,076)	-18%
% of revenue	19%	18%	1%		20%	27%	-7%	
Finance costs	378	447	(69)	-15%	1,205	1,449	(244)	-17%
Interest income	(14)	(20)	6	-30%	(56)	(83)	27	-33%
Share of loss of an associate	0.3	6.4	(6.1)	-95%	1.0	7.1	(6.1)	-86%
Investment loss of a joint venture	412	-	412		1,330	-	1,330	
Profit before income taxes	2,409	1,922	487	25%	7,064	10,247	(3,183)	-31%
% of revenue	15%	15%	0%		15%	24%	-9%	
Income taxes	875	926	(51)	-6%	3,637	4,436	(799)	-18%
% of revenue	5%	7%	-2%		8%	10%	-2%	
Profit for the period	1,534	996	538	54%	3,427	5,811	(2,384)	-41%
% of revenue	9%	8%	1%		7%	13%	-6%	
EBITDA (1)	3,828	3,543	285	8%	11,815	15,148	(3,333)	-22%
% of revenue	23%	27%	-4%		25%	35%	-10%	
Non-controlling interest	130	123	7	6%	262	332	(70)	-21%
Basic EPS	0.02	0.02	0.00	0%	0.05	0.09	(0.04)	-43%
Diluted EPS	0.02	0.02	0.00	0%	0.05	0.09	(0.04)	-43%
Weighted average number of common shares outstanding - Basic	61,338	62,919	(1,581)	-3%	61,365	62,937	(1,572)	-2%
Weighted average number of common shares outstanding - Diluted	61,574	63,766	(2,192)	-3%	61,580	63,492	(1,912)	-3%

Note: (1) EBITDA is identified and defined under the section "Non-IFRS Financial Measures".

For the three and nine months ended September 30, 2016

Results of Operations

Total Revenue

Total Revenue in RMB	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Gas distribution utility								
- Gas Sales	34,845,783	26,662,004	8,183,779	31%	117,522,877	99,770,785	17,752,092	18%
- Pipeline Installation and Connection	33,154,787	25,283,875	7,870,912	31%	87,702,380	83,192,129	4,510,251	5%
CNG vehicle refueling	15,651,486	11,042,220	4,609,266	42%	33,978,892	33,187,409	791,483	2%
Total Revenue in RMB	83,652,056	62,988,099	20,663,957	33%	239,204,149	216,150,323	23,053,826	11%

Total Revenue in CAD	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Gas distribution utility								
- Gas Sales	6,780,775	5,594,386	1,186,389	21%	23,622,099	20,113,790	3,508,309	17%
- Pipeline Installation and Connection	6,516,831	5,270,954	1,245,877	24%	17,628,178	16,771,533	856,645	5%
CNG vehicle refueling	3,096,466	2,292,547	803,919	35%	6,829,757	6,690,582	139,175	2%
Total Revenue in CAD	16,394,072	13,157,887	3,236,185	25%	48,080,034	43,575,905	4,504,129	10%

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.

Sales Volume (m³)	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Sanya region	8,417,333	7,090,000	1,327,333	19%	30,209,678	27,210,000	2,999,678	11%
Xiangdong Region	1,933,118	448,253	1,484,865	331%	4,728,975	1,327,609	3,401,366	256%
Total Gas Sales Volume (m³)	10,350,451	7,538,253	2,812,198	37%	34,938,653	28,537,609	6,401,044	22%
Changsha CNG	2,027,622	2,845,347	(817,725)	-29%	5,994,871	8,833,176	(2,838,305)	-32%
Sanya CNG/LNG	1,153,634	-	1,153,634		1,822,475	-	1,822,475	
Total CNG Sales Volume (m³)	3,181,256	2,845,347	335,909	12%	7,817,346	8,833,176	(1,015,830)	-12%

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.

Further analysis is presented below for the Company's two business segments: Natural Gas Distribution Utility and CNG Vehicle Refueling Stations.

For the three and nine months ended September 30, 2016

Natural Gas Distribution Utility

Natural Gas Distribution Utility segment consists of two components: Gas Sales and Pipeline Installation and Connection. With the stable growth in customers newly connected and in gas volume consumed, revenue from gas sales has been growing steadily in recent periods.

Gas Sales

Gas Volume Sold – Sanya Region

Sanya Region Gas volume sold (m ³)	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Residential customers	1,584,360	1,470,000	114,360	8%	7,268,273	6,460,000	808,273	13%
Commercial customers	6,832,973	5,620,000	1,212,973	22%	22,941,405	20,750,000	2,191,405	11%
Subtotal (Sanya Region)	8,417,333	7,090,000	1,327,333	19%	30,209,678	27,210,000	2,999,678	11%

Currently, the Company has an annual gas quota of approximately 25.0 million m³ for its Sanya Region operation, and an unfixed amount of extra gas quota is also available each year through coordination with the local government in Sanya region. During the nine months ended September 30, 2016, the Company utilized all 25.0 million m³ of its gas quota.

Gas sales volume for Sanya Region during the three months ended September 30, 2016 was 8.4 million m³, an increase of 1.3 million m³ or 19%, compared to 7.1 million m³ for the same period of 2015, of which 1.6 million m³ was for residential customers at a growth rate of 8% and 6.8 million m³ was for commercial customers at a growth rate of 22%. Gas sales volume for Sanya Region during the nine months ended September 30, 2016 was 30.2 million m³, an increase of 3.0 million m³ or 11%, compared to 27.2 million m³ for the same period of 2015, of which 7.3 million m³ was for residential customers at a growth rate of 13% and 22.9 million m³ was for commercial customers at a growth rate of 11%.

Gas Volume Sold – Xiangdong Region

Xiangdong Region Gas volume sold (m ³)	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Residential customers	80,580	43,387	37,193	86%	228,771	133,576	95,195	71%
Commercial customers	1,852,538	404,866	1,447,672	358%	4,500,204	1,194,033	3,306,171	277%
Subtotal (Xiangdong District)	1,933,118	448,253	1,484,865	331%	4,728,975	1,327,609	3,401,366	256%

Gas sales volume for Xiangdong District during the three months ended September 30, 2016 was 1.9 million m³, an increase of 1.5 million m³ or 331%, compared to 0.4 million m³ for the same period of 2015, of which 96% of gas volume was sold to non-residential customers. Gas sales volume for Xiangdong District during the nine months ended September 30, 2016 was 4.7 million m³, an increase of 3.4 million m³ or 256% compared to 1.3 million m³ for the same period of 2015.

For the three and nine months ended September 30, 2016

Gas Sales

Gas Sales Revenue

Gas sales revenue in RMB	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Sanya	29,431,503	25,205,179	4,226,324	17%	104,585,386	95,392,540	9,192,846	10%
Xiangdong	5,414,280	1,456,825	3,957,455	272%	12,937,491	4,378,245	8,559,246	195%
Total	34,845,783	26,662,004	8,183,779	31%	117,522,877	99,770,785	17,752,092	18%

Gas sales revenue in CAD	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Sanya	5,712,817	5,291,926	420,891	8%	21,021,663	19,231,136	1,790,527	9%
Xiangdong	1,067,958	302,460	765,498	253%	2,600,436	882,654	1,717,782	195%
Total	6,780,775	5,594,386	1,186,389	21%	23,622,099	20,113,790	3,508,309	17%

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

Pipeline connection revenue in RMB	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Sanya	30,612,698	25,134,117	5,478,581	22%	84,478,821	82,104,372	2,374,449	3%
Xiangdong	2,542,089	149,758	2,392,331	1597%	3,223,559	1,087,757	2,135,802	196%
Total	33,154,787	25,283,875	7,870,912	31%	87,702,380	83,192,129	4,510,251	5%

Pipeline connection revenue in CAD	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Sanya	6,007,711	5,237,949	769,762	15%	16,980,243	16,552,241	428,002	3%
Xiangdong	509,120	33,005	476,115	1443%	647,935	219,292	428,643	195%
Total	6,516,831	5,270,954	1,245,877	24%	17,628,178	16,771,533	856,645	5%

Sanya Region	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Customers newly connected								
Residential customers	3,841	5,019	(1,178)	-23%	10,965	15,341	(4,376)	-29%
Commercial customers	18	7	11	157%	48	30	18	60%
Total customers connected								
Residential customers	180,241	157,589	22,652	14%	180,241	157,589	22,652	14%
Commercial customers	881	819	62	8%	881	819	62	8%

Xiangdong Region	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Customers newly connected								
Residential customers	479	107	372	348%	774	291	483	166%
Commercial customers	23	-	23		38	2	36	1800%
Total customers connected								
Residential customers	2,209	1,382	827	60%	2,209	1,382	827	60%
Commercial customers	48	9	39	433%	48	9	39	433%

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;

For the three and nine months ended September 30, 2016

CNG vehicle refueling stations

CNG Sales Volume (m ³)	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Changsha CNG	2,027,622	2,845,347	(817,725)	-29%	5,994,871	8,833,176	(2,838,305)	-32%
Sanya CNG/LNG	1,153,634	-	1,153,634		1,822,475	-	1,822,475	
Total Sales Volume (m³)	3,181,256	2,845,347	335,909	12%	7,817,346	8,833,176	(1,015,830)	-12%

CNG Sales Revenue	Three months ended September 30,				Nine months ended September 30,			
	2016	2015	Change	%	2016	2015	Change	%
Revenue in RMB								
Changsha CNG	7,898,792	11,042,220	(3,143,428)	-28%	22,772,193	33,187,409	(10,415,216)	-31%
Sanya CNG/LNG	7,752,694	-	7,752,694		11,206,699	-	11,206,699	
Total Revenue in RMB	15,651,486	11,042,220	4,609,266	42%	33,978,892	33,187,409	791,483	2%
Revenue in CAD								
Changsha CNG	1,547,499	2,292,547	(745,048)	-32%	4,577,211	6,690,582	(2,113,371)	-32%
Sanya CNG/LNG	1,548,967	-	1,548,967		2,252,546	-	2,252,546	
Total Revenue in CAD	3,096,466	2,292,547	803,919	35%	6,829,757	6,690,582	139,175	2%

Total 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.

Foreign exchange rates

Changfeng reports its financial results in Canadian dollars but earns all of its revenues and incurs most of its expenses in RMB. Accordingly, any fluctuation in the exchange rate between these two currencies will affect the reported financial information.

One Chinese RMB to Canadian dollars	Q3'2016	Q3'2015	% change	Q2' 2016	Q2'2015	% change	Nine months ended Sept. 30, 2016	Nine months ended Sept. 30, 2015	% change
Spot rate at the end of the quarter	0.1967	0.2107	-6.6%	0.1957	0.2012	-2.7%	0.1967	0.2107	-6.6%
Average rate for the quarter	0.1965	0.2076	-5.3%	0.1972	0.1982	-0.5%	0.2010	0.2016	-0.3%

Gross margin

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.

For the three and nine months ended September 30, 2016

Operating expenses

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.

Finance Costs

Finance costs of \$0.4 million for the three months ended September 30, 2016, the same as compared to the same period of 2015. Finance costs of \$1.2 million for the nine months ended September 30, 2016 was a decrease of 0.2 million compared to 1.4 million for the same period of 2015.

Investment loss of Evergrowth

Changfeng has recognized an investment loss of approximately CAD\$1.3 million originated by selling its stakes in 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

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.

EBITDA

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.

Profit for the period

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.

For the three and nine months ended September 30, 2016

Selected Quarterly Results

The following sets out the Company's consolidated quarterly results for the most-recently completed quarters:

Quarterly data (\$000's) except per share amounts	2016			2015			2014	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Foreign exchange rate one RMB to Canadian dollars	0.1965	0.1972	0.2101	0.2034	0.2076	0.1982	0.1990	0.1793
Revenue	16,394	15,488	16,198	18,551	13,158	13,717	16,701	16,878
Gross profit	6,867	6,070	8,506	6,429	6,197	6,786	9,575	5,888
Profit (loss)	1,534	(343)	2,237	604	996	1,596	2,909	809
EPS								
- basic	0.02	0.00	0.03	0.01	0.02	0.03	0.04	0.01
- diluted	0.02	0.00	0.03	0.00	0.02	0.03	0.04	0.01

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 this high tourism season, as a large portion of the Company's natural gas sales are made to hotels and restaurants. Seasonality can also impact the Company's CNG retail stations sales due to vehicles being in need of more gas during the warmer seasons for air-conditioning.

Financial Condition and Liquidity

Key Financial Data and Comparative Figures		
(\$000's)	30-Sep-16	31-Dec-15
Cash	20,844	14,183
Working capital (deficit)	(18,592)	(24,885)
Adjusted working capital deficit (note1)	11,811	2,250
Plant and equipment	73,951	75,105
Total assets	117,525	115,361
Long term liabilities	25,157	23,818
Shareholders' equity	36,287	36,370

Note 1: This financial measure is identified and defined under the section "Non-IFRS Financial Measures".

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.

Adjusted Working Capital

The adjusted working capital (see "Non-IFRS Financial Measures") was \$11.8 million at September 30, 2016. Adjusted working capital excludes \$20.6 million of deferred revenue in connection with gas connection fees and \$9.8 million of short-term bank loans.

For the three and nine months ended September 30, 2016

Liquidity and Capital Resources

Overview

The Company's principal sources of short-term funding are its existing cash balances, operating cash flows and borrowing under its line of credit. Its principal sources of long-term funding are its three term loans into which Changfeng entered in January 2010, December 2012 and January 2013, respectively.

The Company's principal sources of liquidity are cash provided by operations, including advance payments from residential and commercial and industrial customers related to construction contracts for gas connection, and access to credit facilities and capital resources.

The Company's primary short-term cash requirement is to fund working capital, and repay the remainder of its outstanding withdrawal on its line of credit.

The Company's medium and long-term cash goals are to fund construction of its pipeline networks and gas distribution facilities, to acquire capital and intangible assets for its growth initiatives in mainland China and to repay its long-term loans from the Bank of China Sanya Branch ("BOC, Sanya") and Bank of China Pingxiang Branch ("BOC, Pingxiang").

In the short term, the management does not expect to face any liquidity problems considering its ability to generate sustainable cash flow from operations. The Company has not experienced any difficulties in collecting its outstanding receivables from its customers and expects no such difficulties in the foreseeable future.

Long-term bank loans

On January 5, 2010, the PRC subsidiary of the Company, Sanya Changfeng Offshore Natural Gas Distribution Co. Ltd ("CF China"), entered into a RMB100.0 million term loan with BOC, Sanya, maturing in January 2019 and bearing interest at the benchmark lending rate of the People's Bank of China, which is reset every six months (the "Term Loan 2010"). It is secured by 60% of the equity interest in CF China held by the Company's wholly owned subsidiary, Hainan Energy Ltd., certain gas connection and gas supply rights, and a maximum of \$6.0 million (RMB30.0 million) guarantee from and trade receivables during 2012 to 2022 owned by Sanya Changfeng Offshore Natural Gas Engineering Construction Co., Ltd. During the nine-month period ended September 30, 2016, CF China made payments in the amount of \$1.5 million (RMB7.5 million (2015 – \$1.5 million (RMB7.5 million))) in accordance with the semi-annual repayment provisions of the term loan agreement.

At September 30, 2016, CF China had \$71,964 (RMB365,857) unamortized transaction cost (December 31, 2015 -\$ 99,382 (RMB 466,363)), which has been offset against the term loan.

On January 15, 2013, CF China entered into an agreement with the BOC, Sanya to secure a bank loan facility in the amount of RMB50.0 million (the "Term Loan 2013"). The bank loan facility provides that the proceeds of the Term Loan 2013 would be used to fund continued construction of pipeline and associated facilities of the Haitang Bay project in Sanya City. It has a 10-year term from the date of the first initial withdrawal, and bears interest of 110% of the benchmark lending rate set by the People's Bank of China. The Term Loan 2013 is secured and guaranteed by the same securities of the Term Loan 2010. During the nine-month period ended September 30, 2016, CF China made no payments (2015 – nil) in accordance to the repayment terms stated in the agreement.

On December 21, 2012, the PRC subsidiary, Pingxiang Changfeng Natural Gas Co., Ltd ("CF Pingxiang"), entered into a term loan with BOC, Pingxiang for RMB20.0 million, maturing six years from the date of the first withdrawal, and bearing both fixed and variable interest at 120% of the benchmark lending 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 guaranteed by CF China. The proceeds from this term loan will be used to fund the construction of pipelines and related property and equipment in the Xiangdong district, Pingxiang City, Jiangxi province. During the nine-month period, CF Pingxiang made payments in the amount of \$590,100 (RMB3.0 million) (2015 - \$301,800 (RMB1.5 million)).

On September 9, 2016, CF China entered into a RMB80.0 million term loan with BOC, Sanya. It has a 10-year term from the date of the first initial withdrawal, and bears interest of the benchmark lending rate set by the People's Bank of China. The interest rate will be reset in 12 months from the date of the first initial withdrawal. As of September 30, 2016, the Group had withdrawn \$5.9 million (RMB30.0 million).

The Company believes that its ability to obtain funding from these long-term debt bank loans and solid operating cash flows will continue to provide the cash flows necessary to satisfy our working capital and capital expenditure requirements, as well as meet its debt repayments and other financial commitments.

For the three and nine months ended September 30, 2016

Credit Agreement

On November 10, 2015, CF China entered into an agreement with the BOC, Sanya to secure a one-year loan in the amount of \$2.0 million (RMB10.0 million) (December 31, 2015 - \$2.1 million (RMB10.0 million)) relating to CF China's line of credit with BOC, Sanya. The loan has fixed interest rate at 4.35% (2015 - 4.35%) per annum. This line of credit contains a financial covenant, which requires CF China's debt-to-total-assets ratio to be maintained below 80%, respectively.

On December 8, 2015, CF China entered into an agreement with the Minsheng Bank, Sanya to secure a one-year loan in the amount of \$3.9 million (RMB20.0 million) relating to the CF China's credit line with Minsheng Bank, Sanya. This credit line bears fixed interest rate of 5.4% per annum and is guaranteed by a personal guarantee provided by Mr. Lin. During the period, CF China made payments in the amount of \$3.9 million (RMB20.0million) (2015 - nil). At September 30, 2016, the balance of the loan is nil.

On January 26, 2016 and June 28, 2016, CF China entered into two agreements with Guangda Bank, Sanya to secure one-year loans in the total amount of \$5.9 million (RMB30.0 million) (December 31, 2015 - nil) relating to CF China's credit line with Guangda Bank, Sanya granted during the period. This credit line bears fixed interest rate of 4.35% per annum.

On September 22, 2015, the Company entered into an agreement with the Bank of China (Canada) to secure a one-year loan in the total amount of \$2.0 million (December 31, 2015 - \$2.1 million) relating to a US\$1.5 million term loan from the Bank of China (Canada) granted to the Company pursuant to a credit facility letter agreement effective on October 6, 2015 (the "US Term Loan"). The US Term Loan is secured by a Standby Letter of Credit provided by the Company. The US Term Loan has a one-year term from the date of the withdrawal and bears annual interest of six-month LIBOR rate plus 250 basis points. The effective interest rate of the loan was 3.1%.

As at September 30, 2016, the Company was in compliance with all of its debt covenants.

Cash flow from operations

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 Flow from Financing Activities

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.

Investing Activities

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.

Contractual Obligations and Commitments

As of September 30, 2016, there have been no significant changes to contractual obligations and commitments since December 31, 2015.

Off-Balance Sheet Arrangements

As a policy, Changfeng does not enter into off-balance sheet arrangements with special purpose entities, nor does it have any unconsolidated affiliates that have not been accounted for in these financial statements.

Share Capital

As at the date of this MD&A, the Company has 61,337,700 common shares outstanding, 4,640,000 stock options outstanding and exercisable at a weighted average exercise price of \$0.33 per share. The Company has no warrants outstanding.

Non-IFRS Financial Measures

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as alternatives to net income or to cash provided by operating, investing, and financing activities determined in accordance with IFRS, as indicators of its performance. Changfeng provides these measures to assist investors in determining its ability to generate income and cash provided by operating activities, and to provide additional information on how these cash resources are used. These measures are listed and defined below:

EBITDA

EBITDA is defined herein as income before income tax expense, interest income and interest on borrowing, 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 in this MD&A 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%

Adjusted working capital

Adjusted working capital is calculated as current assets less adjusted current liabilities. Adjusted current liabilities is calculated as current liabilities, excluding deferred revenue in connection with gas connection fees, which are deferred when Changfeng receives payments from customers in advance of work having commenced and are recognized on the percentage of completion method, as well as the credit line. As is the practice with lines of credit in China, typically, they are renewed when due.

Changfeng believes that adjusted working capital is a useful supplemental measure as it provides an indication of its ability to settle its debt obligations as they come due.

The calculation of adjusted working capital is provided in the table below:

In \$ thousands		
As at	30-Sep-16	31-Dec-15
Current assets	37,489	30,288
Less: Current liabilities	56,081	55,173
Working capital (deficit)	(18,592)	(24,885)
Add: Deferred revenue	20,567	18,666
Short-term bank loans	9,836	8,469
Adjusted working capital (deficit)	11,811	2,250

Financial Instruments

The Company does not have complex financial instruments, and the various risks related to these financial instruments, including foreign currency risk, commodity price risk, interest rate risk, concentration of credit risk and liquidity risk have been disclosed in our audited Consolidated Financial Statements and MD&A for the year ended December 31, 2015 and the notes thereto that are available at www.sedar.com.

Transactions With Related Parties

Amounts are non-trade nature, unsecured and repayable on demand.

- (a) The Group had previously loaned \$402,000 (RMB2.0 million) to Qinglong and recognized an impairment loss of \$402,000 (RMB2.0 million) with respect to this loan.
- (b) In 2007, Mr. Lin, advanced loans in the aggregate amount of \$7.9 million (RMB40.0 million) (December 31, 2015 - \$8.5 million (RMB40.0 million)) to the Company, through a subsidiary controlled by a controlling shareholder, pursuant to a Subordination and Forbearance Agreement dated April 27, 2007, Consignment Loan Agreements dated May 23, 2007 and June 26, 2007, and other ancillary documentation. These loans are unsecured, non-interest bearing, are subordinated to the claims of all other creditors, including unsecured creditors of the Company and were due on demand only after April 27, 2010. Pursuant to the Subordination and Forbearance Agreement, the lenders agreed to take no steps to demand or recover payment under the loans for a period of three years, and to enter into an agreement with the Group with the same terms and conditions as the Subordination and Forbearance Agreement every three years in perpetuity.

On April 27, 2010, these loans were renewed for another three years with the same terms and conditions. On April 27, 2013, these loans were renewed for another two years with the same terms and conditions. On April 27, 2015, these loans were renewed for another year with the same terms and conditions. On April 27, 2016, these loans were renewed for another year with the same terms and conditions.

- (c) Included in current due to related parties as at September 30, 2016 amounted to \$590,100 (RMB3.0 million) (2015 - \$639,300 (RMB3.0 million)) was relating to an advance made by Shin-Ko Energy. Also included in current due to related parties, as at September 30, 2016, was \$247,734 (RMB1.3 million) (2015 - \$266,173 (RMB1.2 million)) relating to a loan made to the Company by Shin-Ko Energy. The loans are interest-free unsecured and payable on demand.
- (d) As at September 30, 2016, the Company owed Mr. Lin nil (December 31, 2015 - \$366,962) for unpaid salary.
- (e) During the nine-month period ended September 30, 2016, the Company has settled the unpaid director's fees to certain directors \$71,009 as at December 31, 2015.

Outlook

The Company expects to continue to add both residential and commercial and industrial customers to its existing pipeline networks in the Sanya Region and Xiangdong district, and the volume of gas sold during 2016 will continue to increase especially from its operations in the Sanya Region.

The construction of Gas to Electricity Exchange Program was completed in 2015 and a 5 million m³ exchanged gas had been sold to the Company in 2015. The Company expects another 5 million m³ exchanged gas from Gas to Electricity Exchange Program will be provided to the Company in 2016 as well. The Company will continue to negotiate with CNOOC to purchase extra quota of natural gas with favorable price in addition to the company's current 25 million m³ annual gas quota and exchanged gas from the company's Gas to Electricity Exchange Program.

In 2016, Changfeng will continue to implement its long-term growth strategies for the pipelined gas project in the Western Guangdong Area of the Guangdong Province and for the integrated energy system program and energy comprehensive utilization with EDF Group in Sanya City.