



**Changfeng Announces Revenue Up 16%, Gross Profit Up 4%
and Net Income Dropped 41% For Year Ended December 31, 2016**

March 31, 2017

Toronto, Ontario, March 31, 2017 – Changfeng Energy Inc., (TSXV: CFY) (“Changfeng” or the “Company”), is pleased to announce that the Company has filed its audited consolidated financial statements for the fiscal year ended December 31, 2016. The audited consolidated financial statements 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 Consolidated Financial Results for Fiscal Year Ended December 31, 2016 and 2015

<i>except percentages and per share amounts</i>					(For information purposes and unaudited)			
	2016 RMB'000	2015 RMB'000 (Restated)	Change RMB'000	%	2016 CAD'000	2015 CAD'000 (Restated)	Change CAD'000	%
Revenue	354,449	305,445	49,004	16%	70,748	62,128	8,620	14%
Gross profit	150,033	143,587	6,446	4%	29,947	29,206	741	3%
Profit for the period	21,326	36,352	(15,026)	-41%	4,256	7,394	(3,138)	-42%
EBITDA (1)	76,315	86,178	(9,863)	-11%	15,232	17,529	(2,297)	-13%

Note:

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

Change in functional and presentation currency of the Company

In prior years, the Company's functional currency was determined as CAD by applying the provisions of paragraph 10 of International Accounting Standard ("IAS") 21 The Effects of Changes in Foreign Exchange Rates.

In the current year, the Directors re-assessed the accounting policy in determining the functional currency of the Company and considered paragraph 9 of IAS 21 together with the other factors set out in paragraph 10 of IAS 21. The Directors have determined that RMB better reflects the economic substance of the Company and its business activity as an investment holding company primarily holding natural gas distribution business in the PRC in light of the currency of its primary sources of revenue. Accordingly, the functional currency was retrospectively changed from CAD to RMB. The retrospective change of functional currency of the Company has no material effects on the financial positions of the Group as at December 31, 2016, December 31, 2015 and January 1, 2015 and the results of the Group for the years ended December 31, 2016 and December 31, 2015. The consolidated financial statements is also presented in the functional currency, i.e. RMB.

For financial information or comparative analysis presented in Canadian dollars, fluctuation in exchange rate should also be considered into. They are only for information purpose and are unaudited.

The exchange rate between Chinese RMB and Canadian dollar is summarized below.

One Chinese RMB to Canadian dollars	2016	2015	% change
Spot rate at the end of the year	0.1930	0.2131	-9.4%
Average rate for the year	0.1996	0.2034	-1.9%

Financial Results

Revenue for the year ended December 31, 2016 was RMB354.4 million, an increase of RMB49.0 million, or 16%, from RMB305.4 million for the year 2015. This increase is mainly resulted from increased gas sales volume, and connection revenue.

Gas sales revenue for the year ended December 31, 2016 was RMB170.4 million, an increase of RMB31.4 million or 23%, from RMB139.1 million in 2015. The increase is mainly attributable to:

- the gas sales volume increased by 11% for Sanya region in 2016;
- the gas sales volume growth of 328% in Xiangdong district in 2016.

Pipeline installation and connection revenue for fiscal 2016 was RMB134.8 million, an increase of RMB11.6 million or 9%, from RMB123.2 million in 2015. The increase is mainly attributable to:

- comparatively higher amount of new residential customers connected during 2016 in Sanya region, which was in a total of 30,558, an increase of 3,530 or 13%, from 27,028 in 2015;
- comparatively higher number of new commercial customers connected during 2016 in Sanya region, which was in a total of 64, an increase of 20 or 45%, from 44 in 2015;
- comparatively higher amount of new residential customers connected during 2016 in Xiangdong district, which was in a total of 1,114, an increase of 706 or 173%, from 408 in 2015;
- significantly higher number of new commercial customers connected during 2016 in Xiangdong region, which was in a total of 45, an increase of 42 or 1400%, from 3 in 2015;

Total revenue from CNG refueling retail stations for 2016 was RMB49.2 million, with an increase of RMB6.0 million, or 14% from 2015. Sales revenue for Changsha CNG station dropped to RMB29.7 million in 2016, a decrease of RMB13.5 million or 31%, from RMB43.2 million in 2015. The drop was mainly due to local market competition thus dropped sales volume decreased to 7.8 million m³ in 2016, a decrease of 3.5 million m³ or 31%, from 11.3 million m³ in 2015. Sales revenue from new Sanya CNG/LNG refueling retail station, which commenced its operation in May 2016, was RMB19.4 million in 2016, and the sales volume was 3.9 million m³.

General and administrative expenses for 2016 were RMB70.2 million, an increase of RMB6.3 million, or 10%, from RMB63.9 million in 2015. The increase was attributable to higher employee salaries and benefits as a result of a higher inflation rate in China, additional

employees, and expenses for new projects and new entities. General and administrative expenses as a percentage of sales for 2016 were 20%, lower than 21% in 2015.

Travel and business development expenses for 2016 were RMB17.8 million, an increase of RMB0.6 million, or 3%, from RMB17.3 million in 2015. As a percentage of sales, travel and business development expenses for 2016 was 5%, a decrease from 6% in 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 a share of loss of approximately RMB3.5 million on its investment on Evergrowth and a loss of RMB3.1 million originated by selling its stakes in Evergrowth in 2016.

EBITDA (non-IFRS measure as identified and defined under section “Non-IFRS Measures”) for fiscal 2016 was RMB76.3 million, a decrease of RMB9.9 million, from RMB86.1 million in 2015. Increase in gross profit was offset by the loss of RMB6.6 million on the investment and disposal of the joint venture, Evergrowth. EBITDA as a percentage of revenue for 2016 was 22%, a decrease of 6% from 28% in 2015.

Net income for fiscal 2016 was RMB21.3 million, or RMB0.32 per share basic and diluted compared to RMB36.4 million or RMB0.54 and RMB0.54 per share (basic and diluted) in 2015.

Financial Position

Cash increased by RMB75.8 million to RMB142.4 million at December 31, 2016 from RMB66.6 million at December 31, 2015. Cash change mainly originated from cash inflow provided by operating activities of RMB69.5 million, proceeds from the disposal of a joint venture of RMB13.0 million and disposal of available-for-sale financial assets of RMB1.0 million as well as from short-term loan withdrawal of RMB30.0 million and proceeds from stock option exercise of RMB1.2 million, withdrawal of pledged bank deposits of RMB9.0 million and long term debt raised of RMB60.0 million, but offset by cash outflow due to acquisition of property and equipment of RMB44.1 million, purchase of land use right of RMB7.5 million, payoff of due to related parties of RMB1.8 million, repayments of short term bank loan of RMB30.0 million and long term loan of RMB18.0 million.

Net cash provided by operations was RMB69.6 million for fiscal 2016 compared to RMB81.0 million in 2015.

Cash provided in financing activities in 2016 included a RMB30.0 million short-term bank borrowing repayment and RMB30.0 million for new short-term bank borrowing raised, RMB1.1 million paid for share buyback, repayment of long-term debts of RMB18.0 million as well as proceeds on exercised options of RMB1.2 million, and cash inflow of RMB60.0 million from new long-term debts raised.

Cash used in investing activity included capital expenditures of RMB33.3 million for fiscal 2016 compared to RMB80.0 million in 2015, proceeds on disposal of a joint venture of RMB13.0 million and on disposal of available-for-sale financial assets of RMB1.0 million and withdrawal of pledge bank deposits of RMB9.0 million, as well as cash outflow for investment in available-for-sale financial assets of RMB1.9 million and land use rights of RMB7.5 million.

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 an 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 RMB'000 (except for % figures)	2016	2015 (Restated)	Change	Change%
Net Income	21,326	36,352	(15,026)	-41%
Add (less):				
Income tax	24,088	19,993	4,095	20%
Interest (income) loss	(681)	(590)	(91)	15%
Share of loss of an associate	7	7	-	0%
Share of loss of a joint venture	3,516	399	3,117	781%
Loss on disposal of a joint venture	3,114	-	3,114	100%
Stock-based compensation	-	821	(821)	-100%
Amortization	17,071	21,786	(4,715)	-22%
Interest on borrowing	7,874	7,410	464	6%
EBITDA	76,315	86,178	(9,863)	-11%



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

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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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