

**Changfeng Announces the Second Quarter Financial Results  
for the Three and Six Months Ended June 30, 2017**

**August 15, 2017**

**Toronto, Ontario, August 15, 2017** – Changfeng Energy Inc., (TSXV: CFY) (“Changfeng” or the “Company”) announces that the Company has filed its unaudited condensed interim consolidated financial results for the second quarter ended June 30, 2017. The Company states that revenue had increased 24%, gross profit increased 11% and net profit also increased by 102% for the six months ended June 30, 2017 with compared to the same period of 2016.

The unaudited condensed interim consolidated financial results and Management’s Discussion and Analysis can be downloaded from [www.SEDAR.com](http://www.SEDAR.com) or from the Company's website at [www.changfengenergy.com](http://www.changfengenergy.com).

**Summary of the three and six months ended June 30, 2017 Condensed Consolidated Financial Results**

<i>In thousands of Chinese RMB except percentages</i>	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Change	%	2017	2016	Change	%
Revenue	96,886	78,457	18,429	23%	193,632	155,552	38,080	24%
Gross profit	33,892	31,066	2,826	9%	79,733	71,554	8,179	11%
Net profit	7,634	(697)	8,331		18,762	9,296	9,466	102%
EBITDA (1)	19,215	15,409	3,806	25%	43,392	39,207	4,185	11%

Note:

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

Revenue for the three months ended June 30, 2017 was RMB96.9 million, an increase of RMB18.4 million, or 23%, from RMB78.5 million for the same period of 2016. Revenue for the six months ended June 30, 2017 was RMB193.6 million, an increase of RMB38.1 million, or 24%, from RMB155.5 million for the same period of 2016.

Gas sales revenue for the three months ended June 30, 2017 was RMB49.5 million, an increase of RMB14.0 million or 40%, from 35.5 million for the same period of 2016. Gas sales revenue for the six months ended June 30, 2017 was RMB109.8 million, an increase of RMB27.1 million or 33%, from 82.7 million for the same period of 2016. The increase is mainly attributable to:

- the gas sales volume growth of 8% and 14% in Sanya region for the three and six months periods ended June 30, 2017
- the gas sales volume growth of 189% and 226% respectively in Xiangdong district for the three and six months periods ended June 30, 2017

Pipeline installation and connection revenue for the three months ended June 30, 2017 was RMB32.7 million, an increase of RMB0.5 million or 1%, from RMB32.3 million for the same period of 2016. Pipeline installation and connection revenue for the six months ended June 30, 2017 was RMB55.7 million, an increase of 1.2 million or 2%, from 54.5 million for the same period of 2016. The changes are results of:

- higher number of new residential customers connected during the three and six months ended June 30, 2017 in Sanya region, partly offset by the declining of new commercial customers connected;
- higher number of new residential customers connected during the three and six months ended June 30, 2017 in Xiangdong region, offset by the declining of new commercial customers connected.

Total revenue from CNG refueling retail stations for the three months ended June 30, 2017 was RMB14.5 million, an increase of RMB3.9 million, or 37%, from RMB10.6 million for the same period of 2016. Total revenue from CNG refueling retail stations for the six months ended June 30, 2017 was RMB28.1 million, an increase of RMB9.8 million, or 53%, from RMB18.3 million for the same period of 2016. The increase was mainly due to the revenue and sales volume increase from Sanya new CNG/LNG refueling retail station, 129% and 338%, for the three and six months ended June 30, 2017 respectively, partly offset by the continuous drop in sales volume and revenue from Changsha CNG refueling retail station.

Gross margin for the three months ended June 30, 2017 was RMB33.9 million, increased RMB2.8 million, or 9%, compared to the same period in 2016. Gross margin was RMB79.7 million, an increase of RMB8.2 million or 11% for the six months ended June 30, 2017 with compared to the same period in 2016. The gross margin percentage of 41% for the first half of 2017 was decreased from 46% for the first half of 2016.

General and administrative expenses for the three months ended June 30, 2017 were RMB13.0 million, a decrease of RMB1.0 million, or 8%, from RMB14.0 million in the same period of 2016. For the six months ended June 30, 2017, general and administrative expenses were RMB31.4 million, an increase of RMB3.0 million, or 11%, from RMB28.4 million in the same period of 2016. General and administrative expenses as a percentage of sales for the three-month and six-month periods ended June 30, 2017 were 13% and 16%, compared to 18% and 18% for the same periods of 2016, respectively.

Selling and marketing expenses for the three months ended June 30, 2017 were RMB5.6 million, an increase of RMB1.7 million, or 43%, from RMB3.9 million in the same period of 2016. Selling and marketing expenses for the six months ended June 30, 2017 were RMB11.5 million, an increase of RMB1.9 million, or 20%, from RMB9.6 million in the same period of 2016. As a percentage of sales, selling and marketing expenses for the six months ended June 30, 2017 maintained the same of 6% as that of the same period of 2016. 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, as well as to develop the integrated energy system projects in Haitang Bay area, Sanya City.

Net profit for the three months ended June 30, 2017 was RMB 7.6 million, or RMB0.11 per share (basic and diluted) with compared to net loss of RMB0.7 million for the same period of

2016. Net profit for the six months ended June 30, 2017 was RMB18.8 million, or RMB0.28 per share (basic and diluted) with compared to RMB9.3 million or RMB0.14 per share (basic and diluted) for the same period in 2016.

EBITDA (non-IFRS measure as identified and defined under section “Non-IFRS Measures”) for three months ended June 30, 2017 was RMB19.2 million, an increase of RMB3.8 million, or 25% from RMB15.4 million for the same period of 2016. EBITDA for the six months ended June 30, 2017 was RMB43.4 million, an increase of RMB4.2 million, or 11%, from RMB39.2 million for the same period of 2016.

### **Financial Position**

Cash increased by RMB25.1 million to RMB167.5million at June 30, 2017 from RMB142.4 million at December 31, 2016, primarily resulting from cash provided by operating activities of RMB49.5 million, cash from bank indebtedness of RMB20.0 million, cash from long term bank loan of RMB20.0 million, and proceedings from stock option exercise of RMB3.2 million, offset by repayments of short-term bank borrowing of RMB30.0 million and of long-term bank loan of RMB14.5 million. Cash also used for acquisition of property and equipment of RMB21.9 million and deposit of RMB0.8 million.

Net cash provided by operations was RMB49.5 million for the six months ended June 30, 2017 compared to RMB16.4 million for the same period of 2016.

Cash from financing activities during the six months ended June 30, 2017 primarily included cash withdrawals of RMB20.0 million from long term bank loan and RMB20.0 million from short term bank loan, and proceeds on exercised options of RMB3.2 million, offsetting by repayments of RMB14.5 million for long-term loan and of RMB30.0 million for bank indebtedness.

Cash used in investing activity included capital expenditures of RMB 0.8 million for deposit and RMB21.9 million for acquisition of property and equipment for the six months ended June 30, 2017 compared to RMB1.1 million for deposit and RMB23.5 million for acquisition for the same period of 2016. 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.

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**

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 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 profit to EBITDA for each of the periods presented in this MD&A as follows:

In RMB thousands (except for % figures)	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Change	%	2017	2016	Change	%
Net profit for the period	7,634	(697)	8,331	-1195%	18,762	9,296	9,466	102%
Add (less):								
Income tax	5,162	6,656	(1,494)	-22%	12,506	13,558	(1,052)	-8%
Interest (income) loss	(330)	(125)	(205)	164%	(515)	(204)	(311)	153%
Share of loss of an associate	2	1	1	100%	3	3	-	0%
Share of loss of a joint venture	-	3,914	(3,914)	100%	-	4,504	(4,504)	100%
Stock-based compensation	1,092	-	1,092	100%	1,092	-	1,092	100%
Amortization	4,025	4,057	(32)	-1%	8,159	7,994	165	2%
Interest on borrowing	1,630	1,603	27	2%	3,385	4,056	(671)	-17%
<b>EBITDA</b>	<b>19,215</b>	<b>15,409</b>	<b>3,806</b>	<b>25%</b>	<b>43,392</b>	<b>39,207</b>	<b>4,185</b>	<b>11%</b>



## **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](http://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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