CHANGFENG ENERGY INC.

Management's Discussion and Analysis for the Three-month and Six-month Ended June 30, 2017

Dated August 15, 2017

Advisory

The Management's Discussion and Analysis ("MD&A") provides an analysis to enable readers to understand the financial condition and operations of Changfeng Energy Inc. ("Changfeng" or the "Company") for the three and six months ended June 30, 2017. This information should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the three and six months ended June 30, 2017 and the audited consolidated financial statements and related notes and the MD&A for the year ended December 31, 2016. "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 or GAAP") 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 Chinese Renminbi (RMB) and 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 below 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 currently 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;
  - Serving more than 207,711 residential and 914 commercial/industrial customers (primarily hotels and restaurants);
  - Serving 23 hotels in Haitang Bay area, Sanya City;
  - Operating one 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");
  - Serving more than 3,507 residential and 68 commercial customers;

- **In Changsha City, Hunan Province, China**
  - Operating a CNG/LNG refueling retail station in Changsha City;
  - Managing to maintain its customer base.

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.

2017 Accomplishments

On January 17, 2017, Changfeng announced that its Board of Directors has approved the adoption of a dividend policy under which dividends will be paid to each holder of Changfeng's common shares (the "Common Shares"). A total of approximately RMB6.0 million, which is approximately CAD1.1 million based on the prevailing exchange rate between CAD and RMB, has been contemplated for payment annually under Changfeng's dividend policy, which will be paid in equal semi-annual instalments. The first semi-annual dividend is contemplated to be payable in July 2017. The specifics of the initial dividend would be announced after it is declared closer to the expected payment date. This would be the first dividend to be paid to shareholders in Changfeng's history.

On January 23, 2017, Changfeng announced that the special resolution to approve the continuation of the Company into British Columbia (the "Resolution") was approved unanimously at a meeting of shareholders of the Company held today (the "Meeting"). The Meeting was called to approve a proposed continuation of the Company into the provincial jurisdiction of British Columbia in order to facilitate the application of the Company for listing on The Stock Exchange of Hong Kong Limited that the Company intends to pursue, and to provide the Company with greater flexibility in corporate governance and administrative matters and corporate structure generally afforded by the Business Corporations Act (British Columbia).

On April 11, 2017, Changfeng announced that the Company has received Hainan provincial regulatory approval ("the approval") to increase natural gas sale price to its residential users, and non- residential users in Sanya City, Hainan Province, China. With the approval, the maximum selling price to residential users increased, on average, 21%, while the maximum selling price to non-residential customers has increased approximately 8.9%. The Company is entitled to adjust its selling price based on its gas purchase cost and the market environment under the maximum selling price. This selling price increase is subject to the Sanya City Price Bureau's final approval before implementation. The approval of increase in natural gas selling price could increase the sales of the Company's operation in Sanya Region.

On June 30, 2017, Changfeng announced that at its annual and special meeting of shareholders (the "Meeting"), shareholders voted in favour of an ordinary resolution (the "Loan Discharge Resolution") to approve a Loan Discharge Agreement. Changfeng will repay indebtedness owed to Mr. Huajun Lin, the majority shareholder and Chair and Chief Executive Officer of the Corporation, and a related party of the Corporation, for an aggregate amount of Chinese RMB 36.0 million. In addition, if the dual-listing of the Company's common shares on the Stock Exchange of Hong Kong Limited (the "HKSE") has not been completed on or prior to June 28, 2019, the Company shall have the right for a period of ninety (90) day following June 28, 2019 to require that the Lender, directly or indirectly, subscribe for common shares of the Corporation, in a minimum amount of Chinese RMB 36.0 million or its Canadian dollar equivalent (the "Right"). The subscription price for such common shares shall be the volume weighted average price of the common shares of the Company on the TSX Venture Exchange (or any other exchange on which such common shares are then trading (collectively the "Exchange")) for the 30 trading days immediately prior to June 28, 2019 subject to Exchange and other applicable regulatory approvals. For greater certainty, Changfeng shall not have the right to request such investment if the Lender has otherwise invested Chinese RMB 36.0 million in common shares or other securities of the Company prior to June 28, 2019 through a private placement or public offering of common shares by the Company.

Subsequent to the period ended June 30, 2017, the Company's initial semi-annual dividend in the amount of CAD640,350.35 (approximately RMB3.3 million), or of CAD0.01 per common share was paid on July 14, 2017. The semi-annual dividend of $0.01 per share has been approved by the Board of Directors on June 23, 2017 and designated as an "eligible dividend" for Canadian income tax purposes pursuant to subsection 89(14) of the Income Tax Act (Canada). Future semi-annual dividends, to be approved by the Company's Board of Directors, will be designated as an "eligible dividend" for Canadian income tax purposes unless otherwise indicated by the Company.

On August 8, 2017, Changfeng announced that Sanya Changfeng New Energy Investment Co., Ltd, wholly owned subsidiary of Changfeng Energy Inc., and EDF (China) Holding Ltd. was jointly awarded the concession rights for the integrated smart energy project by the Sanya Ministry of Industry and Information Technology, in Haitang bay Sanya City, Hainan Province, PRC.

Selected Quarterly Financial Information

The following tables provide selected financial information for the three and six months ended June 30, 2017 and 2016 in Chinese RMB:

In thousands of Chinese RMB	Three months ended June 30,				Six months ended June 30,			
except percentages and per share amounts	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%**
% of revenue	35%	40%	-5%		41%	46%	-5%	
General and administrative	12,989	14,046	(1,057)	-8%	31,366	28,351	3,015	11%
% of revenue	13%	18%	-5%		16%	18%	-2%	
Selling and marketing	5,613	3,915	1,698	43%	11,458	9,586	1,872	20%
% of revenue	6%	5%	1%		6%	6%	0%	
Stock-based compensation	1,092	-	1,092	100%	1,092	-	1,092	100%
Total expenses	**19,694**	**17,961**	**1,733**	**10%**	**43,916**	**37,937**	**5,979**	**16%**
% of revenue	20%	23%	-3%		23%	24%	-1%	
Income from operations	**14,198**	**13,105**	**1,093**	**8%**	**35,817**	**33,617**	**2,200**	**7%**
% of revenue	15%	17%	-2%		18%	22%	-4%	
Finance costs	1,630	1,603	27	2%	3,385	4,056	(671)	-17%
Other income	(330)	(125)	(205)	164%	(515)	(204)	(311)	153%
Other gains and losses	100	1,753	(1,653)	94%	1,676	2,404	(728)	-30%
Share of loss of an associate	2	1	1	100%	3	3	-	0%
Share of loss of a joint venture	-	3,914	(3,914)		-	4,504	(4,504)	
Profit before tax	**12,796**	**5,959**	**6,837**	**115%**	**31,268**	**22,854**	**8,414**	**37%**
% of revenue	13%	8%	5%		16%	15%	1%	
Income taxes	5,162	6,656	(1,494)	-22%	12,506	13,558	**(1,052)**	-8%
% of revenue	5%	8%	-3%		6%	9%	-3%	
Profit for the period	**7,634**	**(697)**	**8,331**		**18,762**	**9,296**	**9,466**	**102%**
% of revenue	8%	-1%	9%		10%	6%	4%	
EBITDA (1)	**19,215**	**15,409**	**3,806**	**25%**	**43,392**	**39,207**	**4,185**	**11%**
% of revenue	20%	20%	0%		22%	25%	-3%	
Non-controlling interest	384	236	148	63%	597	648	(51)	-8%
Basic EPS	RMB0.11	RMB(0.02)	0.13	650%	RMB0.28	RMB0.14	0.14	100%
Diluted EPS	RMB0.11	RMB(0.02)	0.13	650%	RMB0.28	RMB0.14	0.14	100%

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

The following tables provide selected financial information for the three and six months ended June 30, 2017 and 2016 in Canadian dollars and it is for information only:

(For Information Only) *In thousands of Canadian Dollars* *except percentages and per share amounts*	**Three months ended June 30,** 2017	2016	Change	%	**Six months ended June 30,** 2017	2016	Change	%
Revenue	**18,999**	**15,488**	**3,511**	**23%**	**37,584**	**31,686**	**5,898**	**19%**
Gross profit	**6,670**	**6,069**	**601**	**10%**	**15,476**	**14,575**	**901**	**6%**
% of revenue	35%	39%	-4%		41%	46%	-5%	
General and administrative	2,346	2,770	(424)	-15%	6,088	5,775	313	5%
% of revenue	13%	18%	-5%		16%	18%	-2%	
Selling and marketing	1,101	761	340	45%	2,224	1,952	272	14%
% of revenue	6%	5%	1%		6%	6%	0%	
Stock-based compensation	212	-	212	100%	212	-	212	100%
Total expenses	**3,659**	**3,531**	**128**	**4%**	**8,524**	**7,727**	**797**	**10%**
% of revenue	20%	23%	-3%		23%	24%	-1%	
Income from operations	**3,011**	**2,538**	**473**	**19%**	**6,952**	**6,848**	**104**	**2%**
% of revenue	15%	17%	-2%		18%	22%	-3%	
Finance costs	320	311	9	3%	657	826	(169)	-20%
Other income	(64)	(25)	(39)	156%	(100)	(42)	(58)	138%
Other gains and losses	22	490	(468)	-95.5%	325	490	(165)	-34%
Share of loss of an associate	0.8	0.3	0.5	167%	1.0	0.7	0.3	43%
Share of loss of a joint venture	-	793	(793)		-	918	(918)	
Profit before tax	**2,732**	**969**	**1,763**	**182%**	**6,069**	**4,655**	**1,414**	**30%**
% of revenue	13%	6%	7%		16%	15%	1%	
Income taxes	1,016	1,312	(296)	-23%	2,427	2,762	**(335)**	-12%
% of revenue	5%	8%	-3%		6%	9%	-3%	
Profit for the period	**1,716**	**(343)**	**2,059**		**3,642**	**1,893**	**1,749**	**92%**
% of revenue	9%	-2%	11%		10%	6%	4%	
EBITDA (1)	**3,778**	**2,848**	**930**	**33%**	**8,422**	**7,986**	**436**	**5%**
% of revenue	20%	18%	1%		22%	25%	-3%	
Non-controlling interest	75	45	30	66%	116	132	(16)	-12%
Basic EPS	CAD0.02	CAD0.00	0.02	100%	CAD0.05	CAD0.03	0.02	67%
Diluted EPS	CAD0.02	CAD0.00	0.02	100%	CAD0.05	CAD0.03	0.02	67%

Results of Operations

Total Revenue

Total Revenue (in RMB'000)	Three months ended June 30, 2017	2016	Change	%	Six months ended June 30, 2017	2016	Change	%
Gas distribution utility								
- Gas Sales	49,586	35,544	14,042	40%	109,806	82,677	27,129	33%
- Pipeline Installation and Connection	32,737	32,270	467	1%	55,729	54,548	1,181	2%
CNG vehicle refueling	14,563	10,643	3,920	37%	28,097	18,327	9,770	53%
Total Revenue in RMB'000	**96,886**	**78,457**	**18,429**	**23%**	**193,632**	**155,552**	**38,080**	**24%**
Total Revenue in CAD'000	**18,999**	**15,488**	**3,511**	**23%**	**37,584**	**31,686**	**5,898**	**19%**

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.

Sales Volume (m^3)	Three months ended June 30, 2017	2016	Change	%	Six months ended June 30, 2017	2016	Change	%
Sanya region	9,852,651	9,162,345	690,306	8%	24,826,522	21,792,345	3,034,177	14%
Xiangdong Region	5,279,037	1,827,732	3,451,305	189%	9,110,937	2,795,856	6,315,081	226%
Total Gas Sales Volume (m^3)	**15,131,688**	**10,990,077**	**4,141,611**	**38%**	**33,937,459**	**24,588,201**	**9,349,258**	**38%**
Changsha CNG	1,751,564	1,920,174	(168,610)	-9%	3,390,570	3,967,249	(576,679)	-15%
Sanya CNG/LNG	1,532,623	668,841	863,782	129%	2,930,727	668,841	2,261,886	338%
Total Sales Volume (m^3)	**3,284,187**	**2,589,015**	**695,172**	**27%**	**6,321,297**	**4,636,090**	**1,685,207**	**36%**

Gas sales revenue increase is mainly attributable to the continuously growing total gas sales volume in both Sanya and Xiangdong regions, with a gross gas sales volume increase of 38% for both three months and six months ended June 30, 2017. CNG sales volume from Changsha CNG vehicle refueling station dropped at 9% and 15% respectively for the three months and six months ended June 30, 2017. CNG sales volume from Sanya CNG vehicle refueling station experienced an increase of 129% and 338% for the three and six months ended June 30, 2017 respectively. Revenue from pipeline connection maintained its steadiness, 1% increase for the three months ended June 30, 2017 and 2% increase for the six months ended June 30, 2017, comparing to the same periods of 2016.

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

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; and revenue from pipeline installation and connection has also grown steadily during the first half of 2017.

Gas Sales

Gas Volume Sold – Sanya Region

Sanya Region Gas volume sold (m^3)	Three months ended June 30, 2017	2016	Change	%	Six months ended June 30, 2017	2016	Change	%
Residential customers	2,119,243	1,913,913	205,330	11%	6,855,798	5,683,913	1,171,885	21%
Commercial customers	7,733,408	7,248,432	484,976	7%	17,970,724	16,108,432	1,862,292	12%
Subtotal (Sanya Region)	**9,852,651**	**9,162,345**	**690,306**	**8%**	**24,826,522**	**21,792,345**	**3,034,177**	**14%**

Gas sales volume for Sanya Region during the three months ended June 30, 2017 was 9.9 million m^3, an increase of 0.7 million m^3 or 8%, compared to 9.2 million m^3 for the same period of 2016, of which 2.1 million m^3 was for residential customers at a growth rate of 11% and 7.7 million m^3 was for commercial customers at a growth rate of 7%. Gas sales volume for Sanya Region during the six months ended June 30, 2017 was 24.8 million m^3, an increase of 3.0 million m^3 or 14%, compared to 21.8 million m^3 for the same period of 2016, of which 6.8 million m^3 was for residential customers at a growth rate of 21% and 18.0 million m^3 was for commercial customers at a growth rate of 12%.

The Company's non-residential customers include commercial and industrial customers, mainly comprised of hotels, resorts and restaurants in Sanya City. Approximately 72% of the gas sold in Sanya City during the six months ended June 30, 2017 was to those non-residential customers. Sanya municipal government's approval of the sales price increase related to the implementation of the long-term Budget Process (the "Budget Process"), which was implemented as part of the solution to address the ongoing gas deficit issue in the Sanya region. The Budget Process is intended to provide (a) potential subsidy for the loss, if any, on the gas sales to its residential customers; and (b) periodic sales price adjustments for its commercial customers enabling the sales prices to reflect the interaction between supply and demand; however, there is no guarantee that the Budget Process will be successfully implemented by the government in the future.

Gas Sales

Gas Volume Sold – Xiangdong Region

Xiangdong Region	**Three months ended June 30,**				**Six months ended June 30,**			
Gas volume sold (m^3)	**2017**	**2016**	**Change**	**%**	**2017**	**2016**	**Change**	**%**
Residential customers	126,758	56,435	70,323	125%	291,758	148,191	143,567	97%
Commercial customers	5,152,279	1,771,297	3,380,982	191%	8,819,179	2,647,665	6,171,514	233%
Subtotal (Xiangdong District)	**5,279,037**	**1,827,732**	**3,451,305**	**189%**	**9,110,937**	**2,795,856**	**6,315,081**	**226%**

Gas sales volume for Xiangdong district during the three months ended June 30, 2017 was 5.3 million m^3, an increase of 3.5 million m^3 or 189%, compared to 1.8 million m^3 for the same period of 2016, of which 98% of gas volume was sold to non-residential customer. Gas sales volume for Xiangdong district during the six months ended June 30, 2017 was 9.1 million m^3, an increase of 6.3 million m^3 or 226% compared to 2.8 million m^3 for the same period of 2016.

Gas Sales

Gas Sales Revenue

Gas sales revenue	**Three months ended June 30,**				**Six months ended June 30,**			
(in RMB'000)	**2017**	**2016**	**Change**	**%**	**2017**	**2016**	**Change**	**%**
Sanya	35,489	30,825	4,664	15%	86,022	75,154	10,868	14%
Xiangdong	14,097	4,719	9,378	199%	23,784	7,523	16,261	216%
Total	**49,586**	**35,544**	**14,042**	**40%**	**109,806**	**82,677**	**27,129**	**33%**

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

Sanya Region	Three months ended June 30, 2017	2016	Change	%	Six months ended June 30, 2017	2016	Change	%
Customers newly connected								
Residential customers	6,585	2,017	4,568	226%	7,877	7,124	753	11%
Commercial customers	6	14	(8)	-57%	17	30	(13)	-43%
Total customers connected								
Residential customers	207,711	176,400	31,311	18%	207,711	176,400	31,311	18%
Commercial customers	914	863	51	6%	914	863	51	6%

Xiangdong Region	Three months ended June 30, 2017	2016	Change	%	Six months ended June 30, 2017	2016	Change	%
Customers newly connected								
Residential customers	552	148	404	273%	958	295	663	225%
Commercial customers	6	12	(6)	-50%	13	15	(2)	-13%
Total customers connected								
Residential customers	3,507	1,646	1,861	113%	3,507	1,646	1,861	113%
Commercial customers	68	25	43	172%	68	25	43	172%

Pipeline connection revenue (in RMB'000)	Three months ended June 30, 2017	2016	Change	%	Six months ended June 30, 2017	2016	Change	%
Sanya	31,471	31,620	(149)	0%	54,312	53,866	446	1%
Xiangdong	1,266	650	616	95%	1,417	682	735	108%
Total	**32,737**	**32,270**	**467**	**1%**	**55,729**	**54,548**	**1,181**	**2%**

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。

CNG vehicle refueling stations

CNG Sales Volume (m^3)	Three months ended June 30, 2017	2016	Change	%	Six months ended June 30, 2017	2016	Change	%
Changsha CNG	1,751,564	1,920,174	(168,610)	-9%	3,390,570	3,967,249	(576,679)	-15%
Sanya CNG/LNG	1,532,623	668,841	863,782	129%	2,930,727	668,841	2,261,886	338%
Total Sales Volume (m^3)	**3,284,187**	2,589,015	695,172	27%	**6,321,297**	4,636,090	1,685,207	36%

CNG Sales Revenue (in RMB'000)	Three months ended June 30, 2017	2016	Change	%	Six months ended June 30, 2017	2016	Change	%
Revenue in RMB								
Changsha CNG	6,541	7,189	(648)	-9%	12,662	14,873	(2,211)	-15%
Sanya CNG/LNG	8,022	3,454	4,568	132%	15,435	3,454	11,981	347%
Totoal Revenue	**14,563**	**10,643**	**3,920**	**37%**	**28,097**	**18,327**	**9,770**	**53%**

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.

Foreign exchange rates

Changfeng reports its financial results in RMB and earns all of its revenues and incurs most of its expenses in Chinese RMB. As the Company is listed in TSXV Canada, for financial information or comparative analysis presented in Canadian dollars, fluctuation in exchange rate should also be considered.

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

One Chinese RMB to Canadian dollars	Q2 2017	Q2 2016	% change	Q1 2017	Q1 2016	% change
Spot rate at the end of the period	0.1914	0.1957	-2.2%	0.1934	0.2011	-3.8%
Average rate for the period	0.1961	0.1972	-0.6%	0.1921	0.2101	-8.6%

Gross margin

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.

Operating expenses

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.

Finance Costs

Finance costs of RMB1.6 million for the three months ended June 30, 2017, the same as that of the same period of 2016. Finance costs of RMB3.4 million for the six months ended June 30, 2017 was a decrease of 0.7 million compared to 4.1 million for the same period of 2016.

EBITDA

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.

Profit for the period

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.

Selected Quarterly Results

The following set out the Company's consolidated quarterly results for the most recent eight quarters:
In thousands of Chinese RMB, except per share amounts:

Quarterly data (RMB '000)	2017		2016				2015	
except per share amounts	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Foreign exchange rate one RMB to Canadian dollars	0.1961	0.1921	0.1996	0.1965	0.1972	0.2101	0.2034	0.2076
Revenue	96,886	96,746	116,763	82,134	78,457	77,095	91,207	64,690
Gross profit	33,892	45,841	44,075	34,404	31,066	40,488	32,673	30,470
Profit (loss)	7,634	11,128	4,345	7,685	(697)	9,993	9,297	4,900
EPS								
- basic	0.11	0.17	0.06	0.10	0.00	0.16	0.09	0.10
- diluted	0.11	0.17	0.06	0.10	0.00	0.16	0.08	0.11

Financial Condition and Liquidity

Key Financial Data and Comparative Figures		
(RMB000's)	30-Jun-17	31-Dec-16
Cash	167,510	142,377
Working capital (deficit)	(72,049)	(80,724)
Adjusted working capital deficit (note1)	41,437	24,367
Plant and equipment	407,354	385,654
Total assets	656,515	627,060
Long term liabilities	152,475	145,817
Shareholders' equity	215,775	192,010

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

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.

Adjusted Working Capital

The adjusted working capital (see "Non-IFRS Financial Measures") was RMB41.4million at June 30, 2017. Adjusted working capital excludes RMB83.3 million of deferred revenue in connection with gas connection fees and RMB30.2 million of line of credit.

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 four term loans into which Changfeng entered in 2010, 2012, 2013 and 2016, 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 BOC, Sanya and BOC, Pingxiang.

In the short term, management does not expect to face any liquidity problems considering its ability to generate sustainable cash flow from operations in the short and long term.

Long-term bank loans

	June 30, 2017 RMB'000	December 31, 2016 RMB'000
Bank borrowings		
- Secured, with variable rate	158,798	148,663
- Unsecured, with variable rate	7,500	11,000
	166,298	159,663
The carrying amounts of the above borrowings are repayable:*		
Within one year	27,000	28,000
Within a period of more than one year, but not exceeding two years	24,500	27,000
Within a period of more than two years, but not exceeding five years	45,000	52,000
Within a period of more than five years	70,000	54,000
	166,500	161,000
Less: Unamortized transaction costs	(202)	(482)
	166,298	160,518
Less: Amounts due within one year shown under current liabilities	(27,000)	(28,000)
Amounts shown under non-current liabilities	139,298	132,518

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's long-term debts comprise:

Lender	Secured/ unsecured	Contractual interest rate	Effective interest rate June 30, 2017	Effective interest rate December 31, 2016	Carrying amount June 30, 2017 RMB'000	Carrying amount December 31, 2016 RMB'000	Note
Bank of China, Sanya	Secured	5-year People's Bank of China ("PBOC") benchmark borrowing rate, repricing every 6 months	4.9%	4.9%	48,798	59,518	(a)
Bank of China, Sanya	Secured	110% of 5-year PBOC benchmark borrowing rate, repricing every 6 months	5.4%	5.4%	30,000	30,000	(b)
Bank of China, Sanya	Secured	10-year PBOC benchmark borrowing rate, repricing every 12 months	4.9%	4.9%	80,000	60,000	(c)
Bank of China, Pingxiang	Unsecured	120% of 5-year PBOC benchmark borrowing rate, repricing every 3 months	5.9%	5.9%	7,500	11,000	(d)
Total long-term debts					166,298	160,518	

Notes:

a. The term loan from Bank of China, Sanya with an original principal amount of RMB100.0 million was drawn upon in 2010. The loan is secured by 60% of the equity interest in CF China together with the gas connection and gas supply rights of CF China. The loan is repayable semi-annually by instalments and will be fully repaid in 2019.

b. In 2013, the Group entered into an agreement with Bank of China, Sanya to secure a bank loan facility in the amount of RMB40.0 million. The bank loan facility was used to fund continued construction of pipeline and associated facilities of the Haitang Bay project in Sanya City, the PRC.

The loan is secured by 60% of the equity interest in CF China together with the gas connection and gas supply rights of CF China and the trade receivables from 2012 to 2022 of CF China and CF Engineering. The loan is repayable semi-annually by instalments and will be fully repaid in 2023.

c. In 2016, the Group entered into an agreement with Bank of China, Sanya to secure a bank loan facility in the amount of RMB80.0 million. The bank loan facility was used to fund continued construction of pipeline and associated facilities of the Haitang Bay project in Sanya City, the PRC. The loan has a 10-year term from the date of the first initial withdrawal. The loan is secured by the gas connection and gas supply rights of CF China, the trade receivables of CF China and CF Engineering and certain property and equipment with an aggregate amount of RMB56.8 million. The loan will begin repayment from 2019 and will be fully repaid in 2025.

d. In 2012, the Group entered into a term loan with the Bank of China, Pingxiang for RMB20.0 million, maturing six years from the date of the first withdrawal. The proceeds from the loan would be used to fund the construction of pipelines and related property and equipment in the Xiangdong district, Pingxiang city, Jiangxi province, the PRC. The loan is repayable by four instalments annually and will be fully repaid in 2018.

Credit Agreement

The Group's short-term bank borrowings comprise:

Lender	Secured/unsecured	Contractual interest rate	Effective interest rate		Carrying amount		Note
			June 30, 2017	December 31, 2016	June 30, 2017 RMB'000	December 31, 2016 RMB'000	
Bank of China, Sanya	Unsecured	Fixed interest rate at 4.35%	4.35%	-	20,000	-	(a)
Bank of China (Canada)	Secured	Six-month LIBOR plus 250 basis point	3.8%	2.3%	10,170	10,435	(b)
China Everbright Bank, Haikou	Unsecured	Fixed interest rate at 4.4%	-	4.4%	-	30,000	(c)
Total short-term bank borrowings					30,170	40,435	

Notes:

a. In 2017, the Group entered into 1-year facility line of credit with Bank of China Sanya with an aggregate amount of RMB20.0 million. RMB20.0 million is withdrawn by the Group during the period ended June 30, 2017.

b. The 1-year term loan from Bank of China (Canada) is denominated in United States dollars ("USD") with a principal amount of USD1.5 million and is secured by a pledged bank deposit to of RMB1.0 million (2016: RMB10.0 million).

c. In 2016, the Group entered into 1-year facility line of credit with China Everbright Bank Haikou with an aggregate amount of RMB50.0 million.

As at June 30, 2017 and December 31, 2016, the Group was in compliance with all of its debt covenants.

Cash flow from operations

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 Flow from Financing Activities

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.

Investing Activities

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.

Contractual Obligations and Commitments

As of June 30, 2017, there have been no significant changes to contractual obligations and commitments since December 31, 2016.

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 64,035,035 common shares outstanding, 4,889,150 stock options outstanding and exercisable at a weighted average exercise price of RMB0.37 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 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	**Three months ended June 30,**				**Six months ended June 30,**			
(except for % figures)	**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%
EBITDA	**19,215**	**15,409**	**3,806**	**25%**	**43,392**	**39,207**	**4,185**	**11%**

Net profit before income tax adjustments

Net profit before income tax adjustments is defined herein as net profit adding income tax adjustments made by the Company. Those income tax adjustments include adjustment on tax effect of expenses not deductible for tax purposes, adjustment on deferred tax and other income tax adjustments. Net profit before income tax adjustments 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 net profit before income tax adjustments for each of the periods presented in this MD&A as follows:

In RMB thousands	Three months ended June 30,				Six months ended June 30,			
(except for % figures)	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:								
Income tax adjustments	1,333	1,103	230	21%	2,538	2,069	469	23%
Net profit before income tax adjustments	**8,967**	**406**	**8,561**	2109%	**21,300**	**11,365**	**9,935**	**87%**

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 RMB thousands As at	30-Jun-17	31-Dec-16
Current assets	216,216	208,509
Less: Current liabilities	288,265	289,233
Working capital (deficit)	(72,049)	(80,724)
Add: Receipts in advance from custsomers	83,316	64,656
Short-term bank loans	30,170	40,435
Adjusted working capital	**41,437**	24,367

Financial Instruments

The Company's major financial instruments include available-for-sale financial assets, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to an ultimate controlling shareholder and related parties, and short-term bank borrowings and long-term debts. Details of these financial statements are disclosed in the respective notes. The risks associated with these financial instruments include market risks (foreign exchange risk, commodity price risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Related Parties Transactions

Other payable to an ultimate controlling shareholder

The amount is unsecured, non-interest bearing, subordinated to the claims of all other creditors, including unsecured creditors of the Group and were due on demand only after April 27, 2017. In 2007, companies controlled by Mr. Lin advanced loans in the aggregate amount of RMB40.0 million to the Company, in accordance with a Subordination and Forbearance Agreement dated April 27, 2007, Consignment Loan Agreements dated May 23, 2007 and June 26, 2007, and other ancillary documentation. 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 have been renewed for one year with the same terms and conditions.

On November 7, 2016, these loans were transferred to Mr. Lin by the lenders.

On June 30, 2017, in the Company's annual and special meeting of shareholders (the "Meeting"), shareholders voted in favour of an ordinary resolution (the "Loan Discharge Resolution") to approve a Loan Discharge Agreement pursuant to which, among other things, Changfeng will repay indebtedness owed to Mr. Huajun Lin, the majority shareholder and Chair and Chief Executive Officer of the Corporation, and a related party of the Corporation, for an aggregate amount of Chinese RMB 36.0 million. In addition, if the dual-listing of the Company's common shares on the Stock Exchange of Hong Kong Limited (the "HKSE") has not been completed on or prior to June 28, 2019, the Company shall have the right for a period of ninety (90) day following June 28, 2019 to require that the Lender, directly or indirectly, subscribe for common shares of the Corporation, in a minimum amount of Chinese RMB 36.0 million or its Canadian dollar equivalent (the "Right"). The subscription price for such common shares shall be the volume weighted average price of the common shares of the Company on the TSX Venture Exchange (or any other exchange on which such common shares are then trading (collectively the "Exchange")) for the 30 trading days immediately prior to June 28, 2019 subject to Exchange and other applicable regulatory approvals. For greater certainty, the Corporation shall not have the right to request such investment if the Lender has otherwise invested Chinese RMB 36.0 million in common shares or other securities of the Company prior to June 28, 2019 through a private placement or public offering of common shares by the Company.

Amounts due from (to) related parties

Name of related parties	Relationship	Terms	June 30, 2017 RMB'000	December 31 2016 RMB'000
Shin-Ko Energy	Associate	Non-trade, unsecured, non-interest bearing and repayable on demand	(4,249)	(4,249)

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 the rest of 2017 will continue to increase especially from its operations in the Sanya Region with the new CNG/LNG retailing station. While gross margin from gas distribution utility in Sanya Region may expect for dropping due to the relatively higher gas purchase price in 2017.

In the rest of 2017, Changfeng will continue to implement its long-term growth strategy through its proposed 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.