

Boyuan Reports Q2'17 Financial Results

- Revenue trending up towards historical levels as the Company initiates new, carefully selected projects from its construction pipeline -

Toronto, Ontario – February 14, 2017 – [Boyuan Construction Group, Inc. \(TSX: BOY, BOY.DB.A\)](#) ("**Boyuan**" or the "**Company**"), a growing construction company in China of commercial, residential and municipal infrastructure projects, today reported its financial results for the three-month period ended December 31, 2016. All figures are in U.S. dollars unless otherwise stated.

Selected Quarterly Financial Highlights

<i>In thousands except share and % data</i>	Q2'17	Q2'16	Change
Revenue	\$60,757	\$63,158	(3.8%)
Gross profit	\$4,465	\$7,762	(42.5%)
Gross profit margin	7.3%	12.3%	
EBITDA ¹	\$4,606	\$8,330	(44.7%)
Net income	\$1,426	\$3,998	(64.3%)
Earnings per share - diluted	\$0.06	\$0.16	(62.5%)
	December 31, 2016	June 30, 2016	
Total Assets	\$227,835	\$245,333	(7.1%)
Cash, cash equivalents and restricted cash	\$13,772	\$16,042	(14.2%)

"While this quarter's revenue and gross profit were marginally compressed over Q2'16, a more meaningful comparison is to Q1'17, over which revenues grew 104% and gross profit grew 79% " said Mr. Cai Liang Shou, Chairman of Boyuan Construction Group. "While the overall property market in China continues to show some signs of softness, our core markets are seeing better than average conditions for new construction. Over the first two quarters of 2017 we initiated projects with combined contract values of \$173.5 million, compared to \$86.0 million in new projects for full-year 2016."

Q2'17 Financial Results

- Revenue of \$60.8 million, down 3.8% from \$63.2 million for Q2'16, and up 104% from \$29.7 million in Q1'17
- EBITDA of \$4.6 million, down 44.7% from \$8.3 million in Q2'16, and up 48.4% from \$3.1 million in Q1'17
- Net income of \$1.4 million, or \$0.06 per diluted share, down from \$4.0 million, or \$0.16 per diluted share, for Q2'16, and up from \$0.5 million, or \$0.02 per diluted share, for Q1'17

Q2'17 Operational Highlights

- The Company initiated three new residential construction projects and one new commercial construction project, with combined contract values of \$123.3 million.

¹ EBITDA is defined as earnings before interest, income taxes, depreciation and amortization. EBITDA is not a defined performance measure under IFRS.

Review of Financial Results

Revenue for the second quarter ended December, 2016 was \$60.8 million, a decrease of \$2.4 million or 3.8% from the corresponding period last year. Revenue is recognized on the percentage-of-completion method. This slight decrease in revenue is the result of the Company being prudent in taking on new construction projects since the early part of 2015. Most of the Company's projects have a duration of between 1 to 3 years.

Cost of construction for Q2'17 was \$56.3 million, up 1.6% from \$55.4 million for Q2'16. Cost of construction includes all direct material, labor, subcontract and other related costs, such as equipment repairs. The two major components of the cost of construction are direct material and labour costs. Direct material costs were \$38.7 million and labor costs were \$14.9 million in this quarter. In comparison, direct material costs and labor costs were \$38.5 million and \$15.6 million respectively in the same quarter last year.

Gross profit for Q2'17 was \$4.5 million, representing a margin of 7.3% on revenue. Gross profit for Q2'16 was \$7.8 million, representing a margin of 12.3% on revenue. Gross profit margins were slightly muted due to the current real estate market environment in China, with longer development cycles eroding some of the Company's normal margins. The lower gross margin for this period was also due to the larger discount amount applied to the non-current unbilled revenue and accounts receivable compared to the same period last year.

G&A expenses were just over \$1.4 million in Q2'17 compared to just under \$1.4 million in Q2'16. The small increase in Q2'17 is due to normal fluctuations in expenditures.

Other income was \$1.5 million in Q2'17, compared to \$1.2 million in Q2'16. The major component of other income is the accretion income from the discount on non-current accounts receivable and unbilled revenue.

Interest expense was \$1.6 million in Q2'17, compared to \$2.3 million in the same period last year. The interest saved from the retraction in the convertible debentures during the period was the main cause of the decrease in interest expense.

After-tax net income for Q2'17 was \$1.4 million, or \$0.06 per diluted share, compared to \$4.0 million, or \$0.16 per diluted share for Q2'16.

The Company had working capital of \$38.7 million, including cash and cash equivalents, of \$4.9 million for the period ended December 31, 2016. This compares to \$37.5 million and \$1.6 million, respectively, at June 30, 2016.

Outlook

"Although central monetary policy conditions have dampened the growth of the Chinese property market, significant regional variations are masked by these overarching conditions. Our core markets show more robust growth, and we have initiated projects year-to-date with nearly double the contract values of all 2016 projects. We continue to focus on the highest credit-worthy customers, and with the new projects underway in the first half of 2017, with the potential for more as the year concludes, we expect to trend up towards historical revenue levels," added Mr. Shou.

Boyuan's consolidated statements for the three-month period ended December 31, 2016 and related management's discussion and analysis (MD&A) will be filed with securities regulatory authorities within applicable timelines and will be available via SEDAR at www.sedar.com.

Conference Call Notice

The Company will hold a conference call to discuss its second quarter 2017 financial results on Wednesday, February 15, 2017 at 9:30 A.M. (ET). Mr. Paul Law, Boyuan's Chief Financial Officer, will host the call.

All interested parties can join the call by dialing 647-427-7450 or 1-888-231-8191. Please dial in 15 minutes prior to the call to secure a line.

The conference call will be archived for replay until Wednesday, February 22, 2017 at midnight. To access the archived conference call, please dial 1-855-859-2056 or 416-849-0833 and enter the reservation number 60682392.

About Boyuan Construction Group, Inc.

Based in Jiaxing City, China, Boyuan Construction Group, Inc. is in the business of commercial building and residential construction, municipal infrastructure and engineering projects. In its last three fiscal years ending June 30, 2016, Boyuan completed 41 projects for a number of private and public sector clients. Boyuan's current project backlog includes residential, commercial, industrial and mixed-use developments. From its operating bases in Zhejiang Province and in Hainan Province, Boyuan focuses on construction projects in China's fast-growing regions of the Yangtze River Delta and the Hainan Province. For more information visit www.boyuangroup.com.

Caution Regarding Forward-Looking Information:

Certain information contained in this press release constitutes forward-looking information, which is information relating to future events or the Company's future performance and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this press release includes, but is not limited to, management's expectation to comply with the Alternative Information Guidelines. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this press release. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this press release include, but are not limited to: risk of a general cease trade order being issued, risk of macro-economy cycle, risk from competition, risk from insufficient marketing to secure new projects, risk in obtaining additional financing, risk involving permits and licences, reliance on key management member, risk from supply of raw materials, risk of financial leverage, risk of bad debts in accounts receivables, risk involved in real estate development, foreign exchange fluctuations, political and economic conditions in China and other risks included in the Company's AIF for the fiscal year ended June 30, 2016 and in the Company's public disclosure documents filed with certain Canadian securities regulatory authorities and available at www.sedar.com. The forward-looking information contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law.

Contacts

Boyuan Construction Group, Inc.
Mr. Paul Law, CFO
+(852) 9329 5088
paullaw@zjboyuan.com.cn

NATIONAL Equicom
Mr. Keith Richards
(416) 848-1599
krichards@national.ca