

Boyuan Reports Q1'17 Financial Results

- Revenue decrease result of strategic decision to slow pace of growth and focus on working capital management -

Toronto, Ontario – November 14, 2016 – [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 September 30, 2016. All figures are in U.S. dollars unless otherwise stated.

Selected Quarterly Financial Highlights

<i>In thousands except share and % data</i>	Q1'17	Q1'16	Change
Revenue	\$29,714	\$60,869	(51.2%)
Gross profit	\$2,488	\$5,555	(55.2%)
Gross profit margin	8.4%	9.1%	
EBITDA ¹	\$3,130	\$6,498	(51.8%)
Net income	\$0.5	\$2.2	(77.2%)
Earnings per share - diluted	\$0.02	\$0.08	
	September 30, 2016	June 30, 2016	
Total Assets	\$240,262	\$245,333	(2.1%)
Cash, cash equivalents and restricted cash	\$17.2	\$16.0	7.5%

"This quarter's financial results reflect our strategic decision over the past year to focus on strengthening our working capital position and liquidity through managing our accounts receivable and unbilled revenue, rather than initiating a large number of capital intensive new projects over the period," said Mr. Cai Liang Shou, Chairman of Boyuan Construction Group. "We believe that this prudent approach best enabled the Company to navigate the recent near-term challenges of the real estate market in China and position ourselves for an uptick in the market in the future."

Q1'17 Financial Results

- Revenue of \$29.7 million, down 51.2% from \$60.7 million for Q1'16
- EBITDA of \$3.1 million, down 51.8% from \$6.5 million in Q1'16
- Net income of \$0.5 million, or \$0.02 per diluted share, down from \$2.2 million, or \$0.08 per diluted share, for Q1'16

Q1'17 Operational Highlights

- The Company initiated two new residential construction projects and one new commercial construction project, with combined contract values of \$50.2 million.

Highlights Subsequent to Quarter's End

- The Company initiated one new residential construction project and one new commercial construction project, with combined contract values of \$39.2 million.
- The Company successfully completed the retraction of \$1.5 million of its 11.5% unsecured convertible debentures due October 31, 2018.

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 first quarter ended September, 2016 was \$29.7 million, a decrease of \$31.0 million or 51.2% from the corresponding period last year. Revenue is recognized on the percentage-of-completion method. This decrease in revenue is primarily attributable to the completion or substantial completion (greater than 95%) of three projects that recorded combined revenue of \$25.4 million in Q1'16.

Cost of construction for Q1'17 was \$27.2 million, down 50.8% from \$55.3 million for Q1'16. 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 \$18.8 million and labor costs were \$7.5 million in this quarter. In comparison, direct material costs and labor costs were \$38.1 million and \$15.1 million respectively in the same quarter last year.

Gross profit for Q1'17 was \$2.5 million, representing a margin of 8.4% on revenue. Gross profit for Q1'16 was \$5.6 million, representing a margin of 9.1% on revenue. Gross profit margins were under slight pressure due to the current real estate market environment in China, with longer development cycles eroding some of the Company's normal margins.

G&A expenses were \$1.50 million in Q1'17 compared to \$1.32 million in Q1'16. The small increase in Q1'17 is due to normal fluctuations in expenditures.

Other income was \$1.49 million in Q1'17, compared to \$1.29 million in Q1'16. The major component of other income is the accretion income from the discount on non-current accounts receivable and unbilled revenue.

Interest expense was \$1.65 million in Q1'17, compared to \$1.81 million in the same period last year. The interest saved from the redemption of the convertible debentures in October 2015 was the main cause of the decrease in interest expense.

After-tax net income for Q1'17 was \$0.5 million, or \$0.02 per fully diluted share, compared to \$2.2 million, or \$0.08 per fully diluted share for Q1'16. The lower net income for this period was mainly a result of decreased revenue as a result of the decreased volume of new projects taken up in the last year.

The Company had working capital of \$33.6 million, including cash, cash equivalents and restricted cash of \$17.2 million for the period ended September 30, 2016. This compares to \$37.5 million and \$16.0 million, respectively, at June 30, 2016.

Outlook

"While near-term challenges in the Chinese real estate market have muted Boyuan's historical pace of growth, a longer view provides several reasons for optimism. According to economists at HSBC, China's monetary conditions are the loosest since 2011, and loose monetary policy strongly correlates to robustness in the physical property market.² Boyuan's reputation for excellence in our core markets has won us a robust list of projects from which we are carefully selecting to initiate new projects to grow the Company moving forward," added Mr. Shou.

Boyuan's consolidated statements for the three-month period ended September 30, 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.

² Kwok, Michelle, and Albert Tam. China Real Estate. HSBC Global Research, November 2, 2016.

Conference Call Notice

The Company will hold a conference call to discuss its third quarter 2016 financial results on Tuesday, November 15, 2016 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 Tuesday, November 22, 2016 at midnight. To access the archived conference call, please dial 1-855-859-2056 or 416-849-0833 and enter the reservation number 14693561.

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.boyuanguroup.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, 2015 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