

Boyuan Reports Q4'17 Financial Results

- Stable revenue and optimized cash flows –

Toronto, Ontario, September 28, 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 and twelve-month periods ended June 30, 2017. All figures are in U.S. dollars unless otherwise stated.

Selected Fiscal Year Financial Results

<i>In thousands except share and % data</i>	FY17	FY16	Change
Revenue	\$199,514	\$200,954	(0.7%)
Gross profit	\$17,024	\$18,317	(7.1%)
Gross profit margin	8.5%	9.1%	(6.6%)
EBITDA ¹	\$15,667	\$19,940	(21.4%)
Net income	\$4,628	\$5,238	(11.6%)
Earnings per share - diluted	\$0.17	\$0.20	(15.0%)
	June 30, 2017	June 30, 2016	
Total Assets	\$216,650	\$245,334	(11.7%)
Cash, cash equivalents and restricted cash	\$10,821	\$16,042	(32.5%)

"We continue to execute on our strategy and remain cautious when taking on new construction projects," said Mr. Cai Liang Shou, Chairman of Boyuan Construction Group. "Since the beginning of fiscal 2017, we have begun construction of 16 new projects with an aggregate contract value of \$399.7 million. Our strategic focus continues to be in Jiaxing, a city with a strong economy and fast growing middle class."

FY2017 Financial and Operational Highlights

- Revenue of \$199.5 million, down 0.7% from \$201.0 million for FY2016
- Gross profit of \$17.0 million, representing a gross margin of 8.5%, down from \$18.3 million and 9.1% respectively for FY2016
- EBITDA of \$15.7 million, compared with \$19.9 million in FY2016
- Net income of \$4.6 million, down from \$5.2 million in FY2016
- Began work on four residential and two commercial development projects in Jiaxing, Zhejiang Province with a combined value of \$178.0 million
- Began work on two residential projects in Haining City, Zhejiang Province valued at \$45.0 million
- Began construction of a residential project in Lingshui, Hainan Province valued at \$23.9 million

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

- Began construction of a residential project in Sanya, Hainan Province valued at \$13.4 million

Highlights Subsequent to Year End

- Initiated construction of five new projects in Jiaxing City, Zhejiang: three residential projects, one industrial project and one museum. The combined contract value of the projects is \$90.3 million.
- Initiated construction of a new mixed use project in Wanning City, Hainan, valued at \$49.1 million.

Review of FY2017 Financial Results

Revenue for FY2017 was \$199.5 million, a decrease of 0.7% from FY2016. Revenue is recognized on the percentage-of-completion method. The decrease in revenue was primarily due to the measures introduced by the Chinese government to cool down the real estate market in recent years and the Company's strategy to become more selective in taking on new projects in order to preserve cash flows. This resulted in slower growth and a reduced gross margin in the past three years. Under the uncertain economic environment, the Company has been selective in taking up new construction projects. New projects taken up in FY2017, FY2016 and FY2015 amounted to \$260 million, \$86 million, and \$273 million, respectively. Most of the Company's projects have duration between 1 to 3 years.

Costs of construction for FY2017 were \$182.5 million, compared with \$182.6 million for FY2016. Costs of construction include all direct material, labour, subcontract and other related costs, such as equipment repairs. The two major components of the costs of construction are direct material and labour costs. Direct material costs were \$130.1 million and labour costs were \$47.9 million in FY2017. In comparison, direct material costs and labour costs were \$128.0 million and \$48.8 million respectively in FY2016.

Gross profit for FY2017 was \$17.0 million, representing a margin of 8.5% on revenue. Gross profit for FY2016 was \$18.3 million, representing a margin of 9.1% on revenue.

Other income was \$6.0 million in FY2017, compared to \$5.1 million in FY2016. Imputed interest on accounts receivable and unbilled revenue of \$5.8 million and \$4.8 million was recorded to other income for the years ended June 30, 2017 and 2016, respectively.

G&A expenses were \$7.1 million in FY2017 compared to \$6.1 million in FY2016. The increase was consistent with the increase in business activities as evidenced by the number of new projects taken up in the past year. Another reason for the increase was the additional rental expense from the new head office in Jiaxing.

The net impairment loss on accounts receivable and unbilled revenue was \$1.9 million for FY2017 (\$3.3 million for FY2016). In FY2017, the Company has provided for impairment loss on long outstanding and overdue accounts receivable amounting to \$3.0 million (Impairment loss reversed of \$0.3 million for FY2016). On the other hand, the Company has received net \$1.1 million in FY2017 (Impairment loss of \$3.6 million for FY2016) from several accounts that already recorded an impairment loss on unbilled revenue in previous years.

Interest expense was \$6.1 million in FY2017, a decrease of \$1.5 million over FY2016, primarily due to the two retractions on the outstanding convertible debentures in October 2016 and October 2015.

After-tax net income for FY2017 was \$4.6 million or \$0.17 diluted earnings per share compared with \$5.2 million or \$0.20 diluted earnings per share for FY2016.

The Company had working capital of \$49.5 million, including cash, cash equivalents, and restricted cash totalling \$10.8 million as at June 30, 2017. This compares to \$37.5 million and \$16.0 million, respectively, at June 30, 2016.

Outlook

“Economic growth in China remains strong and we remain cautiously optimistic in the short and mid-term,” added Mr. Shou. “We will continue to focus on growth in Jiaxing and the surrounding area and on collecting payments from our customers. In the near term, measures imposed by the central government on the residential market and the tightening of financing facilities to property developers may dampen the pace of growth for the Company. Over the long term, we expect that growing urbanization and the ongoing development of tier two cities will contribute to higher demand for the Company's construction services. We believe that those trends will create growing demand for specialty construction projects with higher profit margins. It is our intent to capitalize on those trends, upgrading our qualification and engineering standards to ensure that we can tap into the growing market potential.”

Boyuan's consolidated statements for the three-month and twelve-month periods ended June 30, 2017 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 fiscal 2017 fourth quarter and year-end financial results on Friday, September 29, 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 1-888-231-8191 or 647-427-7450. Please dial in 15 minutes prior to the call to secure a line.

The conference call will be archived for replay until Friday, October 6, 2017 at midnight. To access the archived conference call, please dial 1-855-859-2056 or 416-849-0833 and enter the reservation number 90785512#.

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, 2017, 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, 2017 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.

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