

Boyuan Reports First Quarter 2018 Financial Results

– Continued optimization of cash flows –

Toronto, Ontario – November 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 September 30, 2017. All figures are in U.S. dollars unless otherwise stated.

Selected Quarterly Highlights

<i>In thousands except share and % data</i>	Q1'18	Q1'17	Change
Revenue	\$61,909	\$29,714	108.3%
Gross profit	\$5,739	\$2,488	130.7%
Gross profit margin	9.3%	8.4%	10.7%
EBITDA ¹	\$5,100	\$3,130	62.9%
Net income	\$2,347	\$470	399.4%
Earnings per share - diluted	\$0.08	\$0.02	300.0%
	September 30, 2017	June 30, 2017	
Total Assets	\$233,205	\$216,651	7.6%
Cash, cash equivalents and restricted cash	\$12,626	\$10,821	16.7%

"We continue to be very selective in taking on new construction projects," stated Mr. Cai Liang Shou, Chairman of Boyuan Construction Group. "In the first quarter of fiscal 2018 we have started construction of 6 projects with an aggregate contract value of \$139.4 million. Five of these six projects are in the Jiaxing area, which is home to Boyuan headquarters and a strategic focus of our growth."

Q1 FY2018 Financial and Operational Highlights

- Revenue of \$61.9 million, up 108.3% from \$29.7 million for Q1'17
- Gross profit of \$5.7 million, representing a gross margin of 9.3%, up from \$2.5 million and 8.4% respectively
- EBITDA was \$5.1 million, compared with 3.1 million in Q1'17
- Net income of \$2.3 million up from \$0.5 million for Q1'17
- Initiated construction on three residential development projects, an industrial development project and a museum in Jiaxing, Zhejiang province with a total value of \$90.3 million
- Initiated construction on a mixed-use project in Wanning City, Hainan province valued at \$49.1 million

Review of Financial Results

Revenue for the first quarter ended September 30, 2017 was \$61.9 million, an increase of 108.4% from \$29.7 million for corresponding period last year. The substantial increase in revenue in the first quarter of FY2018 was primarily a result of the abnormally low revenue in the first quarter of FY2017 due to a combination of smaller number of new projects taken up in 2016 and the timing of construction activities in that period. Revenue is recognized on the percentage-of-completion method.

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

Cost of construction for Q1 FY2018 was \$56.2 million, up 106.6% from \$27.2 million for Q1 FY2017. The increase was primarily a result of higher expenses associated with larger project volume. Cost of construction includes all direct material, labour, 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 \$37.3 million and labour costs were \$15.9 million in this quarter. In comparison, direct material costs and labour costs were \$18.8 million and \$7.5 million in the same quarter last year.

Gross profit for Q1 FY2018 was \$5.7 million, representing a margin of 9.3% on revenue. Gross profit for Q1 FY2017 was \$2.5 million, representing a margin of 8.4% on revenue.

Other income was \$1.2 million in Q1 FY2018, compared to \$1.5 million in Q1 FY2017. The major component of other income is the accretion income from the discount on non-current accounts receivable and unbilled revenue. Accretion income from the discount on non-current accounts receivable and unbilled revenue for the periods ended September 30, 2017 and 2016 was \$1.16 million and \$1.46 million respectively.

G&A expenses were \$1.0 million in Q1 FY2018 compared to \$1.5 million in Q1 FY2017. The decrease was primarily due to the recovery of deposits relating to construction projects that were written off in the past.

In Q1 FY2018 the Company has provided for impairment loss on long outstanding and overdue accounts receivable amounting to \$1.1 million, compared to \$0.02 million for Q1 FY2017.

Interest expense was \$1.8 million in Q1 FY2018, compared to \$1.7 million in the same period last year. The increase was mainly due to the additional interest paid on the larger amount of bank notes payable in the period.

After-tax net income for Q1 FY2018 was \$2.3 million, or \$0.08 per fully diluted share, compared to \$0.5 million, or \$0.02 per fully diluted share, for Q1 FY2017.

The Company had working capital of \$50.0 million, including cash, cash equivalents, and restricted cash totalling \$12.6 million for the period ended September 30, 2017. This compares to \$49.5 million and \$10.8 million, respectively, at June 30, 2017.

Boyuan's consolidated statements for the three-month period ended September 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 first quarter 2018 financial results on Wednesday, November 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, November 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 5399755#.

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 42 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 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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