

Boyuan Reports Second Quarter 2018 Financial Results

Toronto, Ontario – February 14, 2018 – [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, 2017. All figures are in U.S. dollars unless otherwise stated.

Selected Quarterly Highlights

<i>In thousands except share and % data</i>	Q2'18	Q2'17	Change
Revenue	\$66,538	\$60,757	9.5%
Gross profit	\$3,478	\$4,465	(22.1%)
Gross profit margin	5.2%	7.3%	(28.9%)
EBITDA ¹	\$3,015	\$4,606	(34.5%)
Net income	\$256	\$1,426	(82.0%)
Earnings per share - diluted	\$0.01	\$0.06	(83.3%)
	December 31, 2017	June 30, 2017	
Total Assets	\$242,885	\$216,651	12.1%
Cash, cash equivalents and restricted cash	\$12,737	\$10,821	17.7%

"Boyuan remains focused on disciplined execution in our core markets and being selective in taking on new construction projects," stated Mr. Cai Liang Shou, Chairman of Boyuan Construction Group. "In the second quarter of fiscal 2018 we have initiated construction of two projects in the city of Jiaxing with an aggregate contract value of \$26.1 million."

Q2 FY2018 Financial and Operational Highlights

- Revenue of \$66.5 million, up 9.5% from \$60.8 million for Q2'17
- Gross profit of \$3.5 million, representing a gross margin of 5.2%, down from \$4.5 million and 7.3% respectively
- EBITDA of \$3.0 million, compared with \$4.6 million in Q2'17
- Net income of \$0.3 million, compared with \$1.4 million for Q2'17
- Initiated construction on two new projects in Jiaxing, Zhejiang Province, with a total value of \$26.1 million

Review of Financial Results

Revenue for the second quarter ended December 31, 2017 was \$66.5 million, an increase of \$5.7 million or 9.5% from the corresponding period last year. Revenue is recognized on the percentage-of-completion method.

Cost of construction for Q2 FY2018 was \$63.1 million, up 12.0% from \$56.3 million for Q2 FY2017. 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 \$43.0 million and labour costs were \$16.6 million in this quarter. In comparison, direct material costs and labour costs were \$39.6 million and \$13.9 million respectively in the same quarter last year.

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

Gross profit for Q2 FY2018 was \$3.5 million, representing a margin of 5.2% on revenue. Gross profit for Q2 FY2017 was \$4.5 million, representing a margin of 7.3% on revenue. The lower gross margin for this period was due to the relatively depressed state of the real estate markets in recent years, as well as due to the larger discount amount applied to the non-current unbilled revenue and accounts receivable compared to the same period last year.

Other income was \$1.2 million in Q2 FY2018, compared to \$1.5 million in Q2 FY2017. The major component of other income is the accretion income from the discount on non-current accounts receivable and unbilled revenue. Accretion income was \$1.2 million in Q2 FY2018 and \$1.5 million in Q2 FY2017.

G&A expenses were \$1.4 million in Q2 FY2018, compared with \$1.4 million in Q2 FY2017.

The Company recognized impairment losses on a few long outstanding accounts receivable in this period. The impairment losses recognized were partially offset by the recovery of several unbilled revenue accounts. Net impairment loss for Q2 FY2018 was \$0.6 million, compared with \$0.7 million for Q2 FY2017.

Interest expense was \$1.8 million in Q2 FY2018, up from the interest expense of \$1.6 million in the same period last year. The increase was mainly due to the increase in the bank notes payable amount.

After-tax net income for Q2 FY2018 was \$0.3 million, or \$0.01 per diluted share, compared to \$1.4 million, or \$0.06 per diluted share, for Q2 FY2017.

The Company had working capital of \$40.2 million, including cash, cash equivalents, and restricted cash totalling \$12.7 million for the period ended December 31, 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 December 31, 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 second quarter 2018 financial results on Wednesday, February 14, 2018 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 21, 2018 at midnight. To access the archived conference call, please dial 1-855-859-2056 or 416-849-0833 and enter the reservation number 8898457#.

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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