

Boyuan Reports Q3'16 Financial Results

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

Toronto, Ontario – May 16, 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 and nine-month periods ended March 31, 2016. All figures are in U.S. dollars unless otherwise stated.

Selected Quarterly Financial Highlights

<i>In thousands except share and % data</i>	Q3'16	Q3'15	Change
Revenue	\$44,714	\$90,014	(50.3%)
Gross profit	\$3,900	\$11,729	(66.7%)
Gross profit margin	8.7%	13.0%	
EBITDA ¹	\$5,795	\$11,993	(51.7%)
Net income	\$2,332	\$7,525	(69%)
Earnings per share - diluted	\$0.09	\$0.25	(64.0%)
	March 31, 2016	June 30, 2015	
Total Assets	\$245,976	\$257,469	(4.5%)
Cash, cash equivalents and restricted cash	\$16,448	\$20,170	(18.5%)

"This quarter's financial results reflect our strategic decision to focus on strengthening our working capital position and liquidity through managing our accounts receivable and unbilled revenue, rather than initiating capital intensive new projects over the past year," said Mr. Cai Liang Shou, Chairman of Boyuan Construction Group. "Management and the Board feel that this prudent approach best positions the Company for success in weathering the current uncertainty in the real estate market in China."

Q3'16 Financial Highlights

- Revenue of \$44.7 million, down 50.3% from \$90.0 million for Q3'15
- EBITDA of \$5.8 million, down 51.7% from \$12.0 million in Q3'15
- Net income of \$2.3 million, or \$0.09 per diluted share, down from \$7.5 million, or \$0.25 per diluted share, for Q3'15

Review of Financial Results

Revenue for the third quarter ended March 31, 2016 was \$44.7 million, a decrease of \$45.3 million or 50.3% 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 of construction on two residential projects in Sanya Hainan, which recorded combined revenues of \$25.2 million in Q3'15. A third residential project in Sanya Hainan recorded \$6.4 million less revenue in Q3'16 than in Q3'15, as the project was near completion in this period.

Cost of construction for Q3'16 was \$40.8 million, down 47.9% from \$78.3 million for Q3'15. 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

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

material costs were \$27.1 million and labor costs were \$10.4 million in this quarter. In comparison, direct material costs and labor costs were \$52.6 million and \$23.1 million respectively in the same quarter last year.

Gross profit for Q3'16 was \$3.9 million, representing a margin of 8.7% on revenue. Gross profit for Q3'15 was \$11.7 million, representing a margin of 13.0% on revenue. Gross profit margins remained under pressure due to the current real estate market environment in China. The lower gross margin for this period was due to the larger discount amount applied to the non-current unbilled revenue and accounts receivable compared to the same period last year as well as tighter margins for construction companies in China in recent years.

G&A expenses were \$1.64 million in Q3'16 compared to \$1.54 million in Q3'15. The small increase in this quarter is due to normal fluctuations in expenditures.

Other income was \$1.23 million in Q3'16, compared to \$0.92 million in Q3'15. The major component of other income is the accretion income from the discount on non-current accounts receivable and unbilled revenue.

Interest expense was \$1.33 million in Q3'16, compared to \$1.46 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 Q3'16 was \$2.33 million, or \$0.09 per fully diluted share, compared to \$7.52 million, or \$0.25 per fully diluted share for Q3'15. The lower net income for this period was mainly a result of lower revenue and lower gross profit, for the reasons stated above.

The Company had working capital of \$51.8 million, including cash and cash equivalents of \$1.8 million for the period ended March 31, 2016. This compares to \$42.2 million and \$9.8 million, respectively, at June 30, 2015.

Outlook

"As China transitions to a more sustainable growth path, we are positioning the Company to successfully navigate the near-term challenges through expense control and working capital management. Boyuan's reputation for excellence in our core markets has won us a robust backlog of projects from which we will carefully select amongst the highest-quality to grow the Company moving forward," added Mr. Shou.

Boyuan's consolidated statements for the three-month and nine-month periods ended March 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 third quarter 2016 financial results on Monday, May 16, 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 Monday, May 23, 2016 at midnight. To access the archived conference call, please dial 1-855-859-2056 or 416-849-0833 and enter the reservation number 6466408#.

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, 2015, Boyuan completed 45 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 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, 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