

Boyuan Reports Q2'16 Financial Results

- Revenue decrease result of strategic decision to slow pace of growth -

Toronto, Ontario – February 15, 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 six-month periods ended December 31, 2015. All figures are in U.S. dollars unless otherwise stated.

Selected Quarterly Financial Highlights

<i>In thousands except share and % data</i>	Q2'16	Q2'15	Change
Revenue	\$63,158	\$73,265	(13.8%)
Gross profit	\$7,762	\$6,928	12.0%
Gross profit margin	12.3%	9.5%	
EBITDA ¹	\$8,330	\$6,944	20.0%
Net income	\$3,998	\$2,521	58.6%
Earnings per share - diluted	\$0.16	\$0.10	60.0%
	December 31, 2015	June 30, 2015	
Total Assets	\$259,446	\$257,469	0.8%
Cash, cash equivalents and restricted cash	\$17,565	\$20,170	(12.9%)

"This quarter's financial results reflect our strategic decision to be more selective of the projects we accept, given the current uncertain real estate market in China and the tight liquidity developers are experiencing," said Mr. Cai Liang Shou, Chairman of Boyuan Construction Group. "With developers becoming more price sensitive, and with longer development times on projects, management has taken a more conservative approach when deciding on both the number and type of new projects to take on, lessening the demands of capital required when initiating new projects."

Q2'16 Financial Highlights

- Revenue of \$63.2 million, down 13.8% from \$73.3 million for Q2'15
- EBITDA of \$8.3 million, up 20.0% from \$6.9 million in Q2'15
- Net income of \$4.0 million, or \$0.16 per diluted share, up from \$2.5 million, or \$0.10 per diluted share, for Q2'15

Review of Financial Results

Revenue for the second quarter ended December 31, 2015 was \$63.2 million, down 13.8% from \$73.3 million for the same period last year. Revenue is recognized on the percentage-of-completion method. The decrease in revenue is mainly attributable to the ending of the peak construction periods for the Company's residential projects in Wenchang Hainan and Sanya Hainan, and is partially offset by the 30% completed mixed-use project in Sanya Hainan.

Costs of construction for Q2 FY2016 were \$55.4 million, down 16.4% from \$66.3 million for Q2 FY2015. The decrease was primarily a result of lower expenses associated with lower project volume. Costs of construction include all direct material, labour, subcontract and other related costs, such as equipment repairs. The two major components of costs 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 \$38.5 million and labour costs were \$15.6 million in Q2'16. In comparison, direct material costs and labour costs were \$43.3 million and \$19.8 million respectively in Q2'15.

Gross profit for Q2'16 was \$7.8 million, representing a margin of 12.3% on revenue. Gross profit for Q2'15 was \$6.9 million, representing a margin of 9.5% on revenue. Gross profit margins remained under pressure due to the current real estate market environment in China. The higher gross margin for this quarter was due to the smaller discount amount applied to the non-current unbilled revenue and accounts receivable as compared to the same quarter last year.

G&A expenses were \$1.4 million in Q2'16 compared to \$1.6 million in Q2'15. The Company has a focus on expense control, particularly in the context of the present uncertainty in the Chinese real estate market.

Other income was \$1.22 million in Q2'16, compared to \$0.90 million in Q2'15. Accretion income from the discount on non-current accounts receivable and unbilled revenue of \$1.20 million and \$0.87 million was recorded for the quarters ended December 31, 2015 and 2014 respectively.

Interest expense was \$2.3 million in Q2'16, compared to \$1.8 million in the same period last year.

After-tax net income for Q2'16 was \$4.0 million or \$0.16 per fully diluted share, compared to \$2.5 million or \$0.10 for Q2'15. The higher net income this period was a result of higher gross profit and smaller income tax expense.

The Company had working capital of \$45.9 million, including cash and cash equivalents of \$9.7 million for the period ended December 31, 2015. This compares to \$42.2 million and \$9.8 million, respectively, at June 30, 2015.

Outlook

"We continue to execute on our strategy of navigating the near-term challenges of the real estate market in China through a focus on expense control and gaining market share, as our success in completing complex projects to a high standard of quality has won us the attention of potential customers. Opportunities exist particularly in specialty construction projects, and we will be upgrading our qualifications and engineering standards to ensure that we can capitalize on this growing market," added Mr. Shou.

Boyuan's consolidated statements for the three-month and six-month periods ended December 31, 2015 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 2016 financial results on Tuesday, February 16, 2016 at 12:00 p.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, February 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 46832906#.

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, Hainan Province and Shandong 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.

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