

Boyuan Reports Q3'17 Financial Results

- Commencement of construction on two residential developments leads to strengthened revenue -

Toronto, Ontario – May 15, 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 nine-month periods ended March 31, 2017. All figures are in U.S. dollars unless otherwise stated.

Selected Quarterly Financial Highlights

<i>In thousands except share and % data</i>	Q3'17	Q3'16	Change
Revenue	\$62,085	\$44,714	38.9%
Gross profit	\$7,441	\$3,900	89.7%
Gross profit margin	12.0%	8.7%	
EBITDA ¹	\$4,771	\$5,795	(17.7%)
Net income	\$2,406	\$2,332	3.2%
Earnings per share - diluted	\$0.08	\$0.09	(11.1%)
	March 31, 2017	June 30, 2016	
Total Assets	\$221,992	\$245,334	(9.5)%
Cash, cash equivalents and restricted cash	\$10,179	\$16,042	(36.5)%

"Consistent with our strategy, the Company has been very selective in taking on new construction projects since the start of Fiscal 2015," stated Mr. Cai Liang Shou, Chairman of Boyuan Construction Group. "With the real estate market in Jiaxing, Zhejiang province becoming more robust in the past year, we have been able to identify a number of high quality projects. Over the past nine months, we have begun construction on nine material new projects with an aggregate contract value of \$241 million. Seven of these nine projects, in fact, are in the Jiaxing area, which is home to Boyuan headquarters and a strategic focus of our growth."

Q3'17 Financial and Operational Highlights

- Revenue of \$62.1 million, up 38.9% from \$44.7 million for Q3'16
- Gross profit of \$7.4 million, representing a gross margin of 11.9%, up from \$3.9 million and 8.7% respectively
- EBITDA of \$4.8 million, down 18% from \$5.8 million in Q3'16
- Net income of \$2.4 million up from \$2.3 million for Q3'16
- Began work on two residential development projects in Jiaxing, Zhejiang province valued at \$67.5 million

Highlights Subsequent to Quarter End

- Initiated the building of a new residential project in Haining City, Zhejiang Province valued at \$19.2 million

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

Review of Financial Results

Revenue for the third quarter ended March 31, 2017 was \$62.1 million, an increase of \$17.4 million or 38.9% from the corresponding period last year. Revenue is recognized on the percentage-of-completion method. The increase in revenue this period was primarily due to two residential development projects in Jiaxing, Zhejiang with projects hitting their peak construction period in Q3 2017.

Cost of construction for Q3 2017 was \$54.6 million, up 33.8% from \$40.8 million for Q3 2016. 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 material costs were \$39.6 million and labor costs were \$13.9 million in this quarter. In comparison, direct material costs and labor costs were \$27.1 million and \$10.4 million respectively in the same quarter last year.

Gross profit for Q3 2017 was \$7.4 million, representing a margin of 11.9% on revenue. Gross profit for Q3 2016 was \$3.9 million, representing a margin of 8.7% on revenue. The higher gross margin for this period was due to the smaller discount amount applied to the non-current unbilled revenue and accounts receivable compared to the same period last year.

Other income was \$1.5 million in Q3 2017, compared to \$1.23 million in Q3 2016. The major component of other income is the accretion income from the discount on non-current accounts receivable and unbilled revenue.

G&A expenses were \$1.6 million in Q3 2017 flat when compared to \$1.6 million in Q3 2016.

The Company received some payments this quarter from impairment loss on unbilled revenue recognized in prior years, thus making a net impairment loss reversal of \$0.4 million. The Company also made additional \$2.6 million net impairment loss on accounts receivable for long outstanding debts.

Interest expense was \$1.4 million in Q3 2017, compared to \$1.3 million in the same period last year.

After-tax net income for Q3 2017 was \$2.4 million, or \$0.08 per fully diluted share, compared to \$2.3 million, or \$0.09 per fully diluted share, for Q3 2016.

The Company had working capital of \$53.7 million, including cash and cash equivalents of \$2.5 million for the period ended March 31, 2017. This compares to \$37.5 million and \$1.6 million, respectively, at June 30, 2016.

Outlook

“Continued growth of China's middle class and the ongoing development of tier two cities as a result of ongoing urbanization suggest that higher demand for the Company's construction services will remain strong over the long term,” stated Mr. Shou. “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 longer term however, we believe that growth will be driven by expanding our reach in tier-two cities and increasing focus on speciality construction projects, which we believe will deliver higher profit margins.”

Boyuan's consolidated statements for the three-month and nine-month periods ended March 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 third quarter 2017 financial results on Monday, May 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 Monday, May 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 18714861#.

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, 2016, 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 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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