Management's Discussion and Analysis

October 26, 2009

Management's Discussion and Analysis (MD&A) relates to the financial condition and results of Boyuan Construction Group, Inc's operations for the year ended June 30, 2009. It should be read in conjunction with the audited consolidated financial statements and notes thereto. All financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP). The United States dollars is our reporting currency and all figures herein are in United States dollars unless otherwise indicated. Additional information about Boyuan is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A 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 MD&A includes, but is not limited to, the Company's expectations regarding its net income in 2010, the project use of proceeds of private placement, and the Company's ability to sustain revenue generating momentum. 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 MD&A. 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 MD&A include, but are not limited to: 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 licenses, 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 MD&A for the fiscal year ended June 30, 2009 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 MD&A 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.

OVERVIEW OF BUSINESS

About Boyuan

Based in Jiaxing City, China, Boyuan Construction Group, Inc. is in the business of residential and commercial building construction, municipal infrastructure and engineering projects. The Company operates as a general contractor across China. Having a national class I construction qualification, the Company is qualified to participate in construction projects up to 40 storeys with a gross construction area of 200,000 square meters.

The Company has completed more than 120 projects in the past three years with clients including Cargill and Dalian Shide Group, a billion dollar conglomerate whose partners include Dupont, Mitsubishi, and GE. From its operating bases in the Zhejiang Province and on Hainan Island, Boyuan focuses on construction projects in China's fast-growing regions of the Yangtze River Delta and the City of Sanya.

Currently the Company has a significant project backlog including residential, commercial, industrial, and hotels. The duration of these projects ranges from one to three years. The majority of these projects are located in the Yangtze River Delta and the City of Sanya. The Company has also recently expanded its business activities into the Province of Shandong.

The Company was listed on the TSX Venture Exchange in March, 2009 by completing the acquisition of SND Energy Ltd. through a reverse-takeover (RTO) transaction.

Key Factors Affecting Our Business

The Company's operations are conducted primarily in the PRC and are exposed to various levels of political, economic, legal, regulatory and other risks and uncertainties associated with doing business in China. The Chinese economy differs from the economies of most developed countries in a number of respects, including its structure, the level of government involvement, the level of development, the control of foreign exchange and the allocation of resources.

In accordance with the Implementation Rules on the Enterprise Income Tax Law of the PRC, foreign investors may remit out of China in foreign exchange, subject to payment of applicable taxes, profits or dividends earned from a source within China.
Any change in the applicable regulations and laws may affect foreign investors' ability to remit profits or dividends earned out of China.

Most of our projects are on a cost plus basis. We are therefore protected to a large extent from any significant increase in our raw material and labour costs. However, any significant increase in our raw material and labour costs will have an adverse impact on our non-cost plus projects and therefore our overall profitability.

The success of the Company depends on our ability to secure profitable construction contracts. The following three factors are instrumental in determining our ability in this regard:

1. The general economic conditions in China will dictate to a large extent the level of new construction activities. The construction industry is closely related to macroeconomic development. The total demand of construction projects is affected by the total investments in fixed assets, the development of the real estate industry and urbanization progress. If the construction scale of the main market is restrained by economic cycle, the Company business performance will be affected to some degree as a result. China is not completely immune to the global economic conditions and therefore the global recession in the past year has affected China as well, though to a much smaller extent than the more developed regions such as North America and Europe. Rather than having a double-digit GDP growth, China is targeting a GDP growth rate of 8% for 2009. With this lower yet still relatively healthy growth rate, and China being a developing country, we continue to see an

abundance of construction activities in the market.

2. The construction industry in China is highly fragmented with a number of very large State-Owned construction companies and a large number of regional and local construction companies. We have been very successful in competing with these other companies in the past on the strength of our superior market reputation and our strong relationships with the developers. We have an extremely good track record in our ability to complete projects on time and on budget. However, should there be a significant increase in competition and our marketing efforts are not sufficient in response, this will lead to decrease success rates of our contracts bidding which would lead to a reduction in business performance.

3. We must have sufficient working capital in order to secure construction contracts. Working capital is required for upfront construction preparation expenses as well as to cover project retainage. Many of our contracts contain retainage provisions. Retainage refers to that portion of billings made by us but held for payment by the customer pending satisfactory completion of the project. The working capital and the retainage required is normally 25% to 35% of total contract revenue for most of our projects. If the Company is unable to generate sufficient operating cash flow or is unable to secure adequate debt or equity financing to cover its operating requirements, the Company's financial position may deteriorate. In addition, the Company may seek to obtain additional funds through a variety of sources including public or private equity or debt financing. There is no assurance that additional funding will be available if required, or that the Company will be able to establish any necessary banking arrangements or credit facilities, on acceptable terms or at all.

The Company's operating subsidiaries hold various permits, business licenses and approvals authorizing their operations and activities which are subject to periodic review and re-assessment by the Chinese authorities. The Company is particularly relying on its national general class I construction qualification for its business. If renewals, or new permits, business licenses or approvals required in connection with existing or new facilities or activities, are not granted or are delayed, or if existing permits, business licenses or approvals are revoked or substantially modified, the Company may suffer a material adverse effect.

We are heavily dependent on the expertise of our senior management in the construction industry and their business relationships with our customers. Any significant turnover of our senior management may have a material adverse impact on the Company.

Our business has a high demand for capital as the construction period is relatively long. The lag between the time we incurred the construction costs and the time we actually received payments from our customers also contributes to the high demand for capital. As a result, we have a substantial amount of unbilled revenue and accounts receivable. Any significant change in the financial status or credit worthiness of our customers may result in a material bad debt charge.

Significant Accounting Policies

Variable Interest Entity Agreements

The Company through its subsidiary entity effectively takes on all the rights and privileges of beneficial ownership of Zhejiang Boyuan Construction Co., Ltd via four agreements entered into between the subsidiary entity and Zhejiang Boyuan Construction Co., Ltd. Under the generally accepted accounting principles in Canada this relationship is accounted for as a variable interest entity by the Company. The financial positions and the related results of operations, changes in equity and cash flow are therefore consolidated under the Company.

Recognition of revenue

Revenues are recognized on the percentage-of-completion method, measured by the ratio of costs incurred up to a given date to estimated total costs for each contract.

Contract costs include all direct material, labor, subcontract and other costs and those indirect costs related to contract performance, such as indirect salaries and wages, equipment repairs, insurance and payroll taxes. Administrative and general expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those changes arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. An amount attributable to contract claims is included in revenues when realization is probable and the amount can be reliably estimated. The Company generally provides a two to three year warranty for workmanship under its contracts. Warranty claims historically have been inconsequential.

The asset, “Unbilled revenue” represents revenues recognized in excess of amounts billed on these contracts.

SELECTED ANNUAL FINANCIAL INFORMATION

The following selected consolidated financial information has been derived from our audited consolidated financial statements for the three years ended June 30, 2009, 2008 and 2007:

US$’000 (except earnings per share amounts)

	2009	**2008**	**2007**
Operating Results			
Construction revenue	101,664	56,175	48,659
Cost of construction	85,683	46,320	40,501
Gross profit	15,981	9,855	8,158
Net income	7,893	6,180	4,332
Adjusted net income	9,645	6,180	4,332
Earnings per share			
Basic	2.40	1.99	1.40
Diluted	0.32	0.25	0.18
Adjusted earnings per share			
Basic	2.93	1.99	1.40
Diluted	0.39	0.25	0.18
Financial Position			
Current assets	51,289	29,819	16,881
Non-current assets	6,227	6,096	4,435
Total assets	57,516	35,915	21,316
Current liabilities	28,886	19,366	11,910
Long term debt	2,453	632	9
Shareholders’ equity	26,177	15,917	9,397
Cash dividend per share	Nil	Nil	1.14
Common shares			

outstanding	3,659,741	3,104,741	3,104,741

We have grown significantly over the past three years. We have expanded our business activities from our home base in the Yangtze River Delta to the city of Sanya in Hainan Island. We have also been taking on increasing larger size projects since obtaining the National Class I General Contracting Qualification in 2007. A Class I qualification allows the Company to construct buildings up to 40 storeys high with a maximum gross construction area of 200,000 square meters. Our construction revenue has increased from $49 million in 2007 to $101 million in 2009, an increase of 106 %.

Our gross profit also increased significantly over the same period, from $8 million in 2007 to $16 million in 2009. The gross profit margin was 16.7% in 2007, 17.5% in 2008, and 15.7% this year.

The general and administrative expenses have increased from $0.8 million in 2007 to $0.9 million in 2008 and $1.7 million in 2009. The increase is in line with the expansion of business activities in the same period.

Interest expense in 2009 was $0.43 million, compared to $0.26 million in 2008 and $0.15 million in 2007. The increase was mainly due to the increase in our banking facilities.

Income tax expense was $3.3 million this year representing a tax rate of 29%. In 2008, income tax expense was $2 million with an associated tax rate of 25% whilst the expense was $2.8 million with a tax rate of 40% in 2007.

There was a non- cash charge of $1.7 million in 2009 relating to the make good clause. We have achieved an adjusted net income of $9.6 million this year before this charge which was in excess of our make good target of $8.5 million. In accordance with the make good clause, the common shares deposited into the escrow account by a certain member of our management will be transferred back to that member. The transfer was accounted for as a make good provision (stock-based compensation) under Canadian GAAP.

Net Income was $7.9 million, an increase of $1.7 million (27%) over last year’s net income of $6.2 million and $3.6 million (84%) over 2007 net income of $4.3 million. Excluding the make good charge, our adjusted net income was $9.6 million, an increase of $3.4 million (55%) over 2008 and $5.3 million (123%) over 2007.

Adjusted net income defined as net income excluding the make good charge, was $9.6 million for the year. We believe the adjusted net income is more representative of our profitability for the year as the make good charge is non-cash accounting charge which is not related to our business activities.

The total current assets have increased from $17 million in 2007 to $51 million in 2009. The increase was primarily due to the increase in our unbilled revenue. Revenues from contracts are recognized on the percentage-of-completion method based on costs incurred to the total estimated costs for each contract. Costs incurred and estimated profits on contracts in progress in excess of amounts billed are reflected as unbilled revenue.

The increase in current liabilities from $12 million in 2007 to $29 million this year was a result of the expansion of our bank credit in the period. We have increased our bank borrowing in order to support the rapid expansion of our business activities.

Results of Operations – Q4 2009 vs Q4 2008

The following table sets forth the selected financial information in the three months ended June 30, 2009 and 2008:

US$'000 Three months ended June 30
(except earnings per share amounts)

Operating Results		2009	2008
Revenue		41,066	17,524
Cost of construction		33,618	13,811
Gross profit		7,448	3,713
Net income		2,315	1,845
Adjusted net income		4,068	1,845
Earnings per share			
Basic		0.63	0.60
Diluted		0.09	0.08
Adjusted earnings per share			
Basic		1.23	0.60
Diluted		0.16	0.08

Total construction revenue earned for the three months ended June 30, 2009 was $41 million compared to $17.5 million for the same period last year. Gross profit was $7.4 million for the three months ended June 30, 2009 representing a margin of 18% on revenue. Gross profit for the same period last year was $3.7 million representing a margin of 21% on revenue.

The increase in our construction revenue earned and gross profit in the three months period ended June 30, 2009 as compared to the same period last year was partly due to our continuous expansion of our business activities and also partly due to an unusually slow quarterly in 2008.

The general and administrative expense for the three months period ended June 30, 2009 was $1.0 million representing an increase of 450% over the same period last year's expense of $0.2 million. The major increase came from the net consulting fees of $0.6 million incurred for review and enhancement of the Company's management and processing system.

There was a non- cash charge of $1.7 million this period relating to the make good clause. We have achieved a net income of $9.6 million this year before this charge which was in excess of our make good target of $8.5 million. In accordance with the make good clause, the common shares deposited into the escrow account by certain member of our management will be transferred back to that member. The transfer was accounted for as a make good provision (stock-based compensation) under Canadian GAAP and the amount charged is recorded in this quarter.

Interest expense for this quarter was $0.2 million which was $0.1 million higher than 2008. The higher expense amount was due to the increase in our bank loans and convertible debentures issued in support of the increase in our project backlog.

Income tax expense for this period was $1.4 million compared to $1.1 million last year. The increase was due to the higher income earned during the period.

As a result of the foregoing, net income for the period was $2.3 million compared to a net income of $1.8 million in the same period in 2008.

We are likely to see a continuation of our backlog growth in the foreseeable future. We do not expect any significant change to our operating margins based on contracts currently under negotiation.

TRANSACTIONS WITH RELATED PARTIES

Related parties transactions are summarized as follows:

	2009	2008
Due from the Chairman & CEO	$113,010	$476,996
Due to shareholders	-	195,000
Due to affiliated companies	22,839	1,177,119

The advances to the Chairman and CEO were used for travel and general business expenses incurred in the normal course of business. The advances did not bear interest and were uncollateralized.

Due to affiliated companies balance of $22,839 was a result of payments made to suppliers on our behalf by our affiliated companies.

SUMMARY OF QUARTERLY RESULTS

The following table is a summary of our selected quarterly financial information for each of the eight quarters ended June 30, 2009:

US$'000	Revenue	Net Income(Loss)	Basic EPS	Diluted EPS
Q4, 2009	41,066	2,314	0.63	0.09
Q3, 2009	15,939	1,160	0.36	0.05
Q2, 2009	23,388	2,375	0.76	0.10
Q1, 2009	21,271	2,043	0.66	0.08
Q4, 2008	17,589	1,844	0.60	0.08
Q3, 2008	28,792	4,356	1.40	0.18
Q2, 2008	5,006	20	0.01	0.00

Q1, 2008	4,788	(40)	(0.01)	(0.00)

LIQUIDITY AND CAPITAL RESOURCES

US$'000

		Q4, 2009	Q4, 2008	2009	2008
Operating activities		(1,951)	261	(11,781)	4,935
Investing activities		(264)	(123)	(1,151)	(1,147)
Financing activities		5,581	1,269	11,491	(262)
Effect of currency translation		5	375	26	525
Net Increase in cash and cash equivalents		3,371	1,782	(1,415)	4,050

Net cash used in operating activities was $11.8 million for the year compared to net cash provided of $4.9 million last year. Net cash used for this quarter was $1.9 million compared to net cash provided of 0.2 million in the last quarter in 2008. The change was primarily caused by the increase in our unbilled revenue.

Net cash used in investing activities was $1.1 million in 2009 and $0.2 million for this quarter. For the year 2008 and the last quarter of 2008, net cash used were $1.1 million and $0.1 million respectively. All cash used in investment activities were related to acquisition of equipment and intangible assets.

Net cash provided from financing activities was $11.5 million this year.. The increase in bank financing and the convertible debentures/common shares issued were the main funding sources in 2009. Net cash used from financing activities was $0.2 million last year resulting from dividend paid offset by an increase in bank loans.

Net cash provided from financing activities was $5.6 million in this quarter and $1.3 million in the corresponding quarter last year. The primary financing source for both quarters was from bank financing.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders through expansion and acquisition correspondingly to the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company is subject to externally imposed capital requirements through its restricted cash and bank loan requirements. In addition the PRC law requires the Company to set aside a statutory reserve. Statutory reserve refers to the amount appropriated from the retained earnings in accordance with laws or regulations, which can be used to recover losses and increase capital, as approved, and, are to be used to expand production or operations. PRC laws prescribe that an enterprise operating at a profit must appropriate, on an annual basis, from its earnings an amount to the statutory reserve to be used for future company development. Such an appropriation is made until the reserve reaches a maximum equalling 50% of the enterprise's capital.

Our primary sources of funding have been short term loans from banks, convertible debenture, equity offerings, and cash provided by operating activities. Our primary uses of funding have been to provide working capital to our construction projects.

The Company has cash and cash equivalents balance of $2.4 million at the end of June 30, 2009 as compared to a cash and cash equivalents balance of $6.5 million same period last year. This reduction was due to the significant increase in new construction projects in the past year, thus requiring additional working capital. We have $51.3 million in current assets and $29.8 million in current liabilities.

In connection with the RTO transaction described in the overview of our business, the Company completed a concurrent financing of $3.2 million (CDN$4.1 million). The Company issued 4,100 subscription receipts at a price of $787 (CDN$1,000). Each subscription receipt is comprised, at no additional cost, one unit (the “Units”). Each Unit will consist of one convertible debenture in the principal amount of $590 (CDN$750) (the “Convertible Debentures”), 125 common shares, 250 non-transferable warrants, 250 transferable rights and 250 non-transferable additional rights.

Each Convertible Debenture will bear an interest rate of 11.75% per annum, paid quarterly in arrears and will be, at the election of the holder, convertible into 375 common shares at the conversion price of CDN$2.00 per share plus accrued interest paid in cash. The conversion right may be exercised at the option of the holder commencing one day after closing and until the close of business on the sixth date prior to the maturity date. The Convertible Debentures will mature in three cycles with 1/3 of the principal maturing 2 years and 1 day after the closing date, 1/3 of the principal maturing 3 years and 1 day after the closing date, and 1/3 of the principal maturing 4 years and 1 day after the closing date. Each warrant will entitle the holder, upon exercise, to receive a common share at a price of CDN$2.00 for a period of four years following closing date. Each right and additional right will entitle the holder, upon exercise, to receive one common share of the Company. Each right will be exercisable during the rights exercise period and each additional right will be exercisable during the additional rights exercise period. The rights exercise period shall commence on the date that the Company files on SEDAR its audited annual financial statements for the year ending June 30, 2009 and ending 30 days thereafter. The additional rights exercise period shall commence on the date that the Company files on SEDAR its audited annual financial statements for the year ended June 30, 2010 and ending 30 days thereafter. Any unexercised rights or additional rights will expire on November 30, 2010.

Management of the Company deposited 2,050,000 common shares of the Company with an escrow agent upon closing. In the event that the U.S. GAAP consolidated financial statements of the Company reflect less than $8,500,000 of after tax net income ("ATNI") prior to the deduction of any make good charge for the fiscal year ending June 30, 2009, the escrow agent, upon exercise, or deemed exercise, of the rights during the rights exercise period, will transfer to holders of the rights for no additional consideration one escrowed share for each right exercised by such holder. In the event the U.S. GAAP consolidated financial statements of the Company reflect less than $11,500,000 of ATNI prior to the deduction of any make good charge for the fiscal year ending, June 30, 2010, the escrow agent, upon exercise, or deemed exercise, of the additional rights during the additional rights exercise period, will transfer to the holders of the additional rights for no additional consideration one escrowed share for each additional right exercised by such holder. Following the expiry of the additional rights exercise period, all shares remaining in escrow will be transferred back to management of the Company.

Investors will be entitled to a minimum total return of 25% on their units, per annum. The calculation will be based upon the twenty day volume weighted average price of the Company's common shares, less interest paid or payable on the Convertible Debentures, calculated on the first, second and third anniversary of the closing date and payable on the third anniversary of the closing date

As of the date of this MD&A, the Company has 13,749,178 common shares and 11,990,072 preferred shares outstanding. We also have convertible debentures outstanding of $6.8 million (C$7.9 million) that can be converted into 3,965,250 common shares and 2,848,500 warrants outstanding exercisable into 2,848,500 common shares.

FINANCIAL INSTRUMENTS

Interest Rate and Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and restricted cash and accounts receivable. The Company has significant cash and restricted cash balances that are interest-bearing. To minimize the credit risk the Company places these instruments with high credit quality financial institutions located in China.

The Company's accounts receivable are all from well-known customers located in China. Credit risk from accounts receivable encompasses the default risk of our customers. The Company extends credits to its customer. The credit is secured by virtue of law. Under PRC regulations, a general contractor is entitled to first claim of assets against its customers. This entitlement gives the class I general contractor "mechanic lien" which is senior than all other secured debt including but limited to bank loans, notes, and any payables. If a customer defaults payment on the contract with the Company, the customer can be liable to surrender the real property and the land use rights associated with that real property that is under construction.

Management, on an ongoing basis, monitor the level of accounts receivable attributable to each customer and the length of time taken for amounts to be settled and where necessary, takes appropriate action to follow up on those balances considered overdue.

Management does not believe that there is significant credit risk arising from any of the Company's customers; however, should one of the Company's main customers be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from accounts receivable is equal to their total carrying amounts.

Currency Risk

The Company generates revenues and incurs expenses and expenditures primarily in Canada and China and is exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and liabilities in foreign currencies that expose the Company to foreign exchange risks. A significant change in the currency exchange rates between the US or Canadian dollar relative to the RMB could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

Sensitivity analysis

The Company has completed a sensitivity analysis to estimate the impact on net income for the period which a change in foreign exchange rate during the year ended ended June30, 2009 would have had.

The sensitivity analysis includes the assumption of changes in individual foreign exchange rates do not cause foreign exchange rates in other countries to alter.

The result of sensitivity analysis shows a change in +/- 10% in RMB exchange rate could have no impact of the Company’s net income but could have impact on the comprehensive income by +/- approximately $929,000.

The above result arises primarily as a result of the Company having RMB denominated trade accounts receivable balances, trade accounts payable and accrued liabilities balances and bank account balances. The financial position of the Company may vary at the time that a change of the foreign exchange rate occurs, causing the impact on the Company's results to differ from that shown above.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash on hand.

Economic, political, & legal risk

The Company's operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The Company's results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation, among other things.

RECENT ACCOUNTING PRONOUNCEMENTS

In 2008, the Accounting Standards Board issued Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing July 1, 2009. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier adoption permitted. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

In February 2008, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

SUBSEQUENT EVENTS

(1) On July 6, 2009, the Company closed a non-brokered private placement of 6,474 units at a price of $861 (CDN$1,000) per unit for gross proceeds of $5.6 million (CDN$6.5 million). Each subscription receipt is comprised, at no additional cost, of one unit (the “Units”). Each Unit will consist of one convertible debenture in the principal amount of $646 (CDN$750) (the “Convertible Debentures”), 125 common shares, 250 non-transferable warrants, 250 transferable rights and 250 non-transferable additional rights.

Each Convertible Debenture will bear an interest rate of 11.75% per annum, paid quarterly in arrears and will be, at the election of the holder, convertible into 375 common shares at the conversion price of CDN$2.00 per share plus accrued interest paid in cash. The conversion right may be exercised at the option of the holder commencing one day after closing and until the close of business on the sixth date prior to the maturity date. The Convertible Debentures will mature in three cycles similar to that of the RTO financing. Each warrant will entitle the holder, upon exercise, to receive a common share at a price of CDN$2.00 for a period of four years following closing date. Each right and additional right will entitle the holder, upon exercise, to receive one common share of the Company. Each right will be exercisable during the rights exercise period and each additional right will be exercisable during the additional rights exercise period. The rights exercise period shall commence on the date that the Company files on SEDAR its audited annual financial statements for the year ending June 30, 2009 and ending 30 days thereafter. The additional rights exercise period shall commence on the date that the Company files on SEDAR its audited annual financial statements for the year ended June 30, 2010 and ending 30 days thereafter. Any unexercised rights or additional rights will expire on November 30, 2010.

Management of the Company has agreed to deposit 3,237,000 common shares of the Company with an escrow agent upon the conversion of Class A Series 1 preferred shares currently held by a certain member of the management. In the event that the GAAP consolidated financial statements of the Company reflect less than $8,500,000 of after tax net income (“ATNI”) prior to the deduction of any make good charge for the fiscal year ending June 30, 2009, the escrow agent, upon exercise, or deemed exercise, of the rights during the rights exercise period, will transfer to holders of the rights for no additional consideration one escrowed share for each right exercised by such holder. In the event the GAAP consolidated financial statements of the Company reflect less than $12,400,000 of ATNI prior to the deduction of any make good charge for the fiscal year ending, June 30, 2010, the escrow agent, upon exercise, or deemed exercise, of the additional rights during the additional rights exercise period, will transfer to the holders of the additional rights for no additional consideration one escrowed share for each additional right exercised by such holder. Following the expiry of the additional rights exercise period, all shares remaining in escrow will be transferred back to management of the Company.

(2) Subsequent to June30, 2009, a total of 9,280,187 common shares were issued on conversion of 9,280,187 preferred shares.

Boyuan Construction Group, Inc.

(formerly "SND Energy Ltd.")

Consolidated Financial Statements

For the Years ended

June 30, 2009 and 2008

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7
Phone: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

AUDITORS' REPORT

To the Shareholders of
Boyuan Construction Group, Inc.
(formerly "SND Energy Ltd.")

We have audited the consolidated balance sheets of Boyuan Construction Group, Inc. (formerly "SND Energy Ltd.") (the "Company") as at June 30, 2009 and 2008, and the consolidated statements of income and comprehensive income, retained earnings, accumulated other comprehensive income and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

October 26, 2009

Boyuan Construction Group, Inc.
(formerly "SND Energy Ltd.")
Consolidated Balance Sheets
As at June 30, 2009 and 2008
(Expressed in US Dollars)

	2009 $	2008 $
Current Assets		
Cash and cash equivalents	2,365,738	6,484,545
Restricted cash (Note 6)	3,101,189	397,352
Accounts receivable	4,447,059	3,722,980
Unbilled revenue	35,528,915	13,468,198
Other receivables	2,216,873	873,012
Inventory	658,150	100,771
Advances to suppliers and prepaid expenses	2,971,020	4,772,201
	51,288,944	29,819,059
Deferred transaction costs	55,222	-
Due from related parties (Note 7)	113,010	476,996
Property and equipment (Note 8)	5,946,748	5,504,431
Land use rights (Note 9)	112,243	114,121
	57,516,167	35,914,607
Current Liabilities		
Bank loans (Note 10)	12,926,776	3,790,982
Accounts payable and accrued liabilities	12,842,823	10,442,761
Income taxes payable	1,318,874	3,077,977
Deferred revenue	1,454,145	560,778
Automobile loans	118,292	6,057
Due to related parties (Note 7)	22,839	1,372,119
Future income tax (Note 15)	202,000	115,000
	28,885,749	19,365,674
Future income tax (Note 15)	573,000	632,000
Convertible debentures (Note 11)	1,880,200	-
	31,338,949	19,997,674
Shareholders' Equity		
Share capital (Note 12)	6,139,860	5,540,636
Contributed surplus (Note 13)	1,890,711	-
Reserve (Note 14)	1,928,732	623,834
Equity component of convertible debentures (Note 11)	137,295	-
	10,096,598	6,164,470
Retained earnings	14,326,995	8,063,055
Accumulated other comprehensive income	1,753,625	1,689,408
	16,080,620	9,752,463
	26,177,218	15,916,933
	57,516,167	35,914,607

SUBSEQUENT EVENTS (Note 21)

Approved on behalf of the Board:

"Cailiang Shou" — Cailiang Shou, Director

"David Horsley" — David Horsley, Director

See accompanying notes to consolidated financial statements.

Boyuan Construction Group, Inc.

(formerly "SND Energy Ltd.")
Consolidated Statements of Income and Comprehensive Income
(Expressed in US Dollars)
For the Years Ended June 30, 2009 and 2008

	2009 $	2008 $
Construction revenue	101,664,080	56,175,070
Cost of construction	85,682,653	46,319,651
Gross profit	15,981,427	9,855,419
Expenses		
Amortization of property and equipment	733,559	490,131
General and administrative expenses	1,752,521	904,507
	2,486,080	1,394,638
Income from operations	13,495,347	8,460,781
Other Income (expense)		
Interest and other income	20,573	38,816
Foreign exchange loss	(138,135)	-
Interest expense	(430,139)	(259,304)
Make good provision (Note 11)	(1,718,357)	-
	(2,266,058)	(220,488)
Net income before income taxes	11,229,289	8,240,293
Income taxes	3,336,779	2,060,074
Net income for the year	7,892,510	6,180,219
Other Comprehensive Income		
Unrealized gain on foreign exchange translation	64,217	1,267,049
Comprehensive income for the year	7,956,727	7,447,268

See accompanying notes to consolidated financial statements.

Boyuan Construction Group, Inc.

(formerly "SND Energy Ltd.")
Consolidated Statements of Retained Earnings
For the Years Ended June 30, 2009 and 2008
(Expressed in US Dollars)

	2009 $	2008 $
Retained earnings, beginning of year	8,063,055	1,882,836
Net income for the year	7,892,510	6,180,219
Transfer to reserve	(1,304,898)	-
Excess of transaction costs over net assets acquired (Note 2)	(323,672)	-
Retained earnings, end of year	14,326,995	8,063,055

Consolidated Statements of Accumulated Other Comprehensive Income
For the Years Ended June 30, 2009 and 2008
(Expressed in US Dollars)

	2009 $	2008 $
Accumulated other comprehensive income, beginning of year	1,689,408	422,359
Foreign exchange translation adjustment	64,217	1,267,049
Accumulated other comprehensive income, end of year	1,753,625	1,689,408

Boyuan Construction Group, Inc.
(formerly "SND Energy Ltd.")
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2009 and 2008
(Expressed in US Dollars)

	2009 $	2008 $
OPERATING ACTIVITIES		
Net income for the year	7,892,510	6,180,219
Items not involving cash:		
Amortization of property and equipment	733,559	490,131
Interest accretion	139,137	-
Make good provision	1,718,357	-
Unrealized foreign exchange loss	73,495	-
	10,557,058	6,670,350
Changes in other assets and liabilities:		
Accounts receivables	2,136,861	(1,194,415)
Unbilled revenue	(24,842,565)	(8,340,469)
Other receivable	(1,384,354)	3,722,015
Inventories	(556,705)	222,710
Advance to suppliers and prepaid expenses	1,819,102	(1,409,939)
Accounts payable and accrued liabilities	2,350,473	2,443,021
Deferred revenue	890,713	169,095
Income taxes payable	(1,745,327)	2,292,644
Due from / to related parties	(1,005,999)	359,530
Cash provided by (used in) operating activities	(11,780,743)	4,934,542
INVESTING ACTIVITIES		
Acquisition of equipment	(1,151,626)	(1,038,623)
Acquisition of intangible assets	-	(109,280)
Cash used in investing activities	(1,151,626)	(1,147,903)
FINANCING ACTIVITIES		
Bank loans	9,116,312	1,515,770
Automobile loans	112,155	(3,299)
Dividend paid	-	(1,774,129)
Cash used in RTO (Note 2)	(344,754)	-
Convertible debentures, net	1,976,908	-
Deferred financing costs incurred	53,810	-
Proceeds from issuance of common stock, net	684,153	-
Cash provided by financing activities	11,490,964	(261,658)
Effect of changes in exchange rates on cash	26,435	525,144
Increase (decrease) in cash	(1,414,970)	4,050,125
Cash and cash equivalents and restricted cash, beginning	6,881,897	2,831,772
Cash and cash equivalents and restricted cash, ending	5,466,927	6,881,897
Supplemental disclosure of cash flow information:		
Cash paid for interest	366,146	259,304
Cash paid for income taxes	5,082,103	-

Significant non-cash transactions (Note 16)

(Expressed in US Dollars)

1. NATURE OF OPERATIONS

Boyuan Construction Group, Inc. (the "Company"), formerly SND Energy Ltd. ("SND"), was incorporated under the Canada Business Corporations Act on May 4, 2007.

On February 27, 2009, SND and Hong Kong Wealthy Holdings Limited ("HKCo"), a company incorporated on July 4, 2008 under the Companies Ordinance of Hong Kong, entered into an agreement whereby SND acquired HKCo and its wholly-owned subsidiary Zhejiang Boyuan Trading Co., Limited ("China Privco"). China Privco is a wholly foreign owned enterprise and was incorporated on November 25, 2008 under the business laws of the Peoples Republic of China ("PRC" or "China"). China Privco consolidates the accounts of Zhejiang Boyuan Construction Co., Ltd. ("Zhejiang") through its variable interest entity relationship as it is the primary beneficiary of Zhejiang. The acquisition was accomplished through an exchange of shares which resulted in the former shareholders of HKCo obtaining control of SND. Accordingly, this transaction was recorded as a reverse takeover ("RTO") for accounting purposes as HKCo was deemed to be the acquirer and these consolidated financial statements are deemed to be a continuation of the financial statements of HKCo and its predecessors, China Privco and Zhejiang, while the capital structure is that of SND. These consolidated financial statements are presented on a continuity of interest basis and reflect the financial position, results of operations and cash flows as if the Company had always carried on the business formerly carried on by HKCo, China Privco and Zhejiang and accordingly, the carrying amounts of assets and liabilities included in these consolidated financial statements and the 2008 comparative figures are comprised of the assets and liabilities and operations of HKCo, China Privco and Zhejiang.

Concurrent with this transaction, the Company changed its name from SND Energy Ltd. to Boyuan Construction Group, Inc. The Company's primary business, through its interest in Zhejiang, is in the construction of residential and business buildings, municipal infrastructure and engineering projects in PRC.

2. ACQUISITION

Acquisition of HKCo

On February 27, 2009, SND entered into an agreement to acquire all of the issued and outstanding shares in HKCo. Pursuant to the terms of the agreement, the Company consolidated its share capital on the basis of 1 post-consolidation share for every 1,258.0342 pre-consolidation shares. The Company issued 3,104,741 of its post-consolidated common shares and 21,270,259 of its preferred shares to complete the acquisition. As the transaction resulted in the shareholders of HKCo owning 98.6% of the issued shares of the Company, the acquisition has been accounted for as a capital transaction resulting from a reverse takeover as described above. The Company paid a sponsorship fee of $323,673 in connection with the acquisition.

As the shares of the Company were thinly traded and were not considered to represent the best estimate of the fair value of the net assets acquired, and accordingly, the acquisition fair value of net assets acquired was recorded based on carrying amounts as follows:

Net assets acquired	$	-
Transaction costs		(323,672)
Excess of transaction costs over net assets acquired	$	(323,672)

2. ACQUISITION (continued)

Consolidation of Variable Interest Entity (Zhejiang)

Pursuant to four agreements dated January 10, 2009 among China Privo, Zhejiang and the shareholders of Zhejiang, Zhejiang entrusted China Privco to manage and operate the business of Zhejiang. These agreements include:

(i) an exclusive option agreement which ensures that China Privco can buy the equity interest in and all or part of the assets and business of Zhejiang at any time if legally permitted;

(ii) management agreement whereby Zhejiang entrusted China Privco to manage and operate the business of Zhejiang, China Privco will be remunerated with the net earnings before tax of Zhejiang and will assume all operation risks and bear all losses of Zhejiang;

(iii) a share pledge agreement whereby the shareholders of Zhejiang agreed to pledge all of the shares of Zhejiang they own to China Privco; and

(iv) a shareholders voting proxy agreement whereby the shareholders of Zhejiang granted the right to exercise all of the voting rights to China Privco.

China Privco effectively is in control of and is the primary beneficiary of Zhejiang's operations. Accordingly, management determined that China Privco has a variable interest in Zhejiang and China Privco consolidates the accounts of Zhejiang. Zhejiang was incorporated on January 17, 2000 under the business laws of PRC and was a company owned by the common shareholders of HKCo on January 10, 2009. As the agreements are only a rearrangement of the legal interest of the controlling shareholders, the Company applied the "continuity-of-interest" accounting whereby the consolidated financial statements reflect the Company's financial position, statements of income and comprehensive income and cash flows as if Zhejiang had always been the combined entity. The reported income of the combined entity includes income of the combined companies for the entire fiscal period in which the combination took place, and the consolidated financial statements of the combined entity presented for prior periods are restated to reflect the financial position and results of operations as if the companies had been combined since their inception. Assets and liabilities of the combined entity are reflected at their net book value as reported in the financial statements of the combined companies.

3. BASIS OF CONSOLIDATION AND PRESENTATION

These consolidated financial statements include the assets and operations of the Company, HKCo, China Privco and Zhejiang. The Company does not own any shares of Zhejiang. However, the Company has contractual agreements with Zhejiang whereby the Company has control in and is the primary beneficiary of Zhejiang's operations effective January 10, 2009.

The comparative figures as at June 30, 2008 include the assets and liabilities and operations of Zhejiang.

All significant inter-company balances and transactions have been eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are expressed in US Dollars and are prepared in accordance with Canadian generally accepted accounting principles including the following significant accounting policies:

(a) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant areas requiring the use of management estimates include the recognition of revenue, allowance for doubtful receivables, obsolescence of inventories, useful lives of property and equipment, determination of accrued liabilities and stock based compensation. Actual results could differ from the estimates made.

(b) Cash equivalents

Cash equivalents consist of highly liquid investments that are readily convertible to cash with maturities of three months or less when purchased, or which are redeemable at the option of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Inventory

The Company's inventory comprises raw materials of mainly concrete, which are stated at the lower of cost and net realizable value. Cost is determined on a first-in first-out basis. The cost of raw materials includes delivery costs. An allowance for obsolete, slow-moving or defective inventories is made where necessary.

(d) Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

(e) Property and equipment

Property and equipment are stated at cost which includes the acquisition price and any direct costs to bring the asset into productive use at its intended location.

Amortization of property and equipment is calculated using the straight-line method to write off the cost, net of any estimated residual value, over their estimated useful lives as follows:

Buildings	30 years
Machinery and equipment	10 years
Office equipment	10 years
Vehicles	4 to 5 years
Leasehold improvements	3 years

(f) Construction-in-progress

Construction-in-progress is stated at cost, which comprises direct costs of design, acquisition, and construction of buildings, building improvements and land improvements. Upon completion, construction-in-progress is transferred to its respective asset classification and is amortized upon being put into intended use.

(g) Land use rights

The Company acquired its land use rights from the PRC Government. Land use rights are stated at cost less accumulated amortization. Amortization is provided over the life of the rights which is 50 years, using the straight-line method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of Long-Lived Assets

Property and equipment and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable from the future undiscounted net cash flows expected to be generated by the asset. If the asset is not fully recoverable, an impairment loss is recognized for the difference between the carrying value of the asset and its estimated fair value based on discounted net future cash flows expected from the asset or quoted market prices. The Company has not recognized any impairment losses to date.

(i) Statutory reserve

Statutory reserve refers to the amount appropriated from the net income in accordance with laws or regulations, which can be used to recover losses and increase capital, as approved, and, are to be used to expand production or operations. PRC laws prescribe that an enterprise operating at a profit must appropriate, on an annual basis, from its earnings an amount to the statutory reserve to be used for future company development. Such an appropriation is made until the reserve reaches a maximum equalling 50% of the enterprise's capital.

(j) Comprehensive income

Comprehensive income reflects net income and other comprehensive income (loss) for the period. Other comprehensive income (loss) includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

(k) Revenue recognition

Revenues from contracts are recognized based on the percentage-of-completion method primarily based on costs incurred to date, excluding costs that are not representative of progress to completion, compared to the total estimated costs for each contract. Costs incurred and estimated profits on contracts in progress in excess of amounts billed are reflected as unbilled revenues. Cash received in advance of revenue being recognized on contracts is classified as unearned revenue. A provision is made for losses on contracts in progress when such losses first become known. Revisions in cost and profit estimates, which can be significant, are reflected in the accounting period in which the relevant facts become known.

Contract costs include all raw materials, direct labour, subcontract and other costs and indirect costs related to contract performance, such as indirect salaries and wages and equipment repairs.

The Company generally provides a two to three year warranty for workmanship under its contracts. Warranty cost provisions are based on management's best estimates of such costs and are charged to project costs as they are incurred, taking into account the specific arrangements of the contracts and past history. Warranty claims historically have been nominal.

(l) Retirement benefits

Full-time employees of the Company are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. The Company is required to contribute a specific percentage of the employees' salaries to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit scheme is to make the specified contributions and are charged to operations as incurred.

(m) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences which arise between the accounting basis and the tax basis of various assets and liabilities, and are measured using substantively enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is provided for any future income tax assets if it is more likely than not that the asset will not be realized.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Foreign currency translation

The reporting currency of the Company is the US dollar.

The functional currency of the Company is the Canadian dollar (“CAD”). The functional currency of HKCo is Hong Kong dollar (“HKD”). Monetary assets and liabilities denominated in CAD and HKD are translated into US dollars, the reporting currency, at rates of exchange prevailing at the balance sheet dates. Revenues and expenses and other assets and liabilities are translated into US dollars at rates of exchange in effect at the related transaction dates. Any exchange gains and losses are recognized in operations under the temporal method.

The functional currency of the Company’s PRC subsidiaries, which comprise substantially all of the assets and operations, is the Chinese Renminbi (“RMB”). Management considers these entities to be self-sustaining foreign operations and accordingly, their financial statements are translated into US Dollars for consolidation purposes using the current rate method. Under the current rate method, amounts are translated using the current rates of exchange for assets and liabilities and using the average rates of exchange for the year for revenues and expenses. Gains and losses resulting from translation adjustments using the current rate method are recorded as other comprehensive income (loss) and accumulated in a separate component of shareholder’s equity, described as accumulated other comprehensive income (loss). In the event of a reduction of the Company’s net investment in the self-sustaining foreign operation, the related portion of accumulated other comprehensive income related to the reduction is realized and recognized in operations.

(o) Stock-based compensation

The Company follows the recommendation of Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3870, “Stock-based Compensation and Other Stock-based Payments”. Under this method, compensation expense for stock option grants to employees and non-employees is based on the fair value of the stock options issued at the grant date, which is determined using the Black-Scholes Option-Pricing Model. Compensation expense for stock options granted to non-employees is recognized as the options are earned and the services are provided. Compensation expense for stock options granted to employees is amortized over the vesting period. Consideration paid by employees and non-employees together with the related contributed surplus on the exercise of stock options is recorded as share capital.

(p) Variable interest entity

The Company follows the recommendation of CICA Accounting Guidelines (“AcG”) 15, “Consolidation of Variable Interest Entity”, to consolidate the accounts of variable interest entities (“VIE”) where the Company is considered the primary beneficiary of such variable interest, using the continuity-of-interest method (see Note 2).

(q) Earning per share

Basic earning per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted earning per share. Diluted earning per share excludes all dilutive potential common shares if their effect is anti-dilutive.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the CICA Handbook Section 3840 "Related Party Transactions".

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company has classified its cash and cash equivalents and restricted cash as held for trading, its accounts receivable, other receivable, advance to suppliers and due from related parties as loans and receivable, and its bank loans, accounts payable, automobile loans, due to related parties and convertible debentures as other financial liabilities.

5. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The AcSB also issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", which replace Section 1600, "Consolidated Financial Statements". These new sections are based on the International Accounting Standards Board's ("IASB") International Financial Reporting Standard 3, "Business Combinations". These new standards replace the existing guidance on business combinations and consolidated financial statements. These new standards require that most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed. These new standards also require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests. The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards. The Non-Controlling Interests standard should be applied retrospectively except for certain items. The adoption of this standard will affect the presentation and disclosure of the non-controlling interest. The Company does not expect that the adoption of this standard will have a material impact on its consolidated financial statements.

In February 2008, the AcSB issued Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing July 1, 2009. The Company does not expect that the adoption of this standard will have a material impact on its consolidated financial statements.

In February 2008, the AcSB adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2010. In July 2008 AcSB announced that early adoption will be allowed in 2009 subject to seeking exemptive relief. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

(Expressed in US Dollars)

6. RESTRICTED CASH

Restricted cash represents compensating balances held at banks to partially secure banking facilities in the form of loans and notes payable. The imposed restrictions dictate that funds cannot be withdrawn when there are outstanding loans and notes payable, and the funds are only allowed to be used to settle bank indebtedness (see Note 10). The funds deposited as compensating balances are interest bearing. The amount of cash restricted varies based on the Bank's credit policy at the time that the Company requests for increase or extension of credit facilities.

7. DUE FROM (TO) RELATED PARTIES

	2009 $	2008 $
Due from related parties		
Due from the Chairman and Chief Executive Officer ("CEO")	113,010	476,996
Due to related parties		
Due to shareholders	-	195,000
Due to a company controlled by the Chairman and CEO	22,839	1,177,119
	22,839	1,372,119

The amounts due from (to) related parties are non-interest bearing, unsecured and has no fixed terms of repayment.

8. PROPERTY AND EQUIPMENT

	Cost $	Accumulated Amortization $	Net Book Value $
2009			
Construction in progress	186,442	-	186,442
Buildings	2,475,581	503,216	1,972,365
Machinery and equipment	4,613,044	1,504,393	3,108,651
Office equipment	341,021	95,997	245,024
Vehicles	544,727	213,998	330,729
Leasehold improvements	207,075	103,538	103,537
	8,367,890	2,421,142	5,946,748
2008			
Construction in progress	201,682	-	201,682
Buildings	2,465,855	423,154	2,042,701
Machinery and equipment	4,028,842	1,073,393	2,955,449
Office equipment	217,641	43,442	174,199
Vehicles	276,416	146,016	130,400
	7,190,436	1,686,005	5,504,431

(Expressed in US Dollars)

9. LAND USE RIGHTS

	2009 $	2008 $
Balance, beginning of year	116,398	115,940
Accumulated amortization	(4,155)	(1,819)
	112,243	114,121

In June 2006, Zhejiang acquired a 50 year land use right from a company controlled by the Chairman and Chief Executive Officer at a carrying value of $Nil. The right expires on July 19, 2050. in June 2007, Zhejiang acquired another 50 year land use right for RMB769,719 for a piece of land in Jiaxing, Zhejiang, PRC. The right expires on August 23, 2056.

10. BANK LOANS

	2009 $	2008 $
Bank loans, due within one year, interest to be paid monthly or quarterly at 5.35% to 9.36% (2008 – 8.54% to 9.71%), weighted average at 5.82 % (2008 – 9.09%) per annum, secured by the Company's real property and land lease	8,692,730	3,128,729
Bank notes, due within six months, non-interest bearing, secured by compensating deposits held at the banks (see Note 6)	4,234,046	662,253
	12,926,776	3,790,982

11 CONVERTIBLE DEBENTURES

Concurrent with the RTO transaction described in Notes 1 and 2, the Company completed a financing of $3,226,568 (CDN$4,100,000). The Company issued 4,100 subscription receipts at a price of $787 (CDN$1,000). Each subscription receipt comprised of one unit (the "Units"). Each Unit consisted of one convertible debenture in the principal amount of $590 (CDN$750) (the "Convertible Debentures"), 125 common shares, 250 non-transferable warrants, 250 transferable rights and 250 non-transferable additional rights.

Each Convertible Debenture bears interest at a rate of 11.75% per annum, paid quarterly in arrears and will be, at the election of the holder, convertible into 375 common shares at a conversion price of CDN$2.00 per share plus accrued interest paid in cash. The conversion right may be exercised at the option of the holder commencing February 28, 2009 and until the close of business on the sixth day prior to the maturity date. The Convertible Debentures matures in three cycles with 1/3 of the principal maturing on February 28, 2011, 1/3 of the principal maturing February 28, 2012, and 1/3 of the principal maturing February 28, 2013. Each warrant entitles the holder, upon exercise, to receive one additional common share at a price of CDN$2.00 expiring February 27, 2013. Each right and additional right entitles the holder, upon exercise, to receive one common share of the Company at no additional consideration. Each right is exercisable for a period commencing on the date that the Company files its audited annual financial statements for the year ended June 30, 2009 on System for Electronic Document Analysis and Retrieval ("SEDAR") and ending 30 days thereafter. Each additional rights is exercisable for a period commencing on the date that the Company files its audited annual financial statements for the year ended June 30, 2010 on SEDAR and ending 30 days thereafter. Any unexercised rights or additional rights will expire on November 30, 2010. The debentures are secured by all of the Company present and future acquired properties, subordinating to senior indebtedness of the Company, and a pledge of all the common shares of HKCo.

(Expressed in US Dollars)

11 CONVERTIBLE DEBENTURES (continued)

Management of the Company has agreed to deposit a minimum of 2,000,000, and a maximum of 9,200,000, common shares of the Company obtained in connection with the transaction described in Notes 1 and 2 with an escrow agent upon closing. In the event that the consolidated financial statements of the Company, complied in accordance with U.S. GAAP reflects less than $8,500,000 of after tax net income ("ATNI") for the fiscal year ended June 30, 2009, the escrow agent, upon exercise, or deemed exercise, of the rights during the rights exercise period, will transfer to holders of the rights for no additional consideration one escrowed share for each right exercised by such holder (Note 21(a)). In the event the consolidated financial statements of the Company, complied in accordance with U.S. GAAP, reflects less than $11,500,000 of ATNI for the fiscal year ended, June 30, 2010, the escrow agent, upon exercise, or deemed exercise, of the additional rights during the additional rights exercise period, will transfer to the holders of the additional rights for no additional consideration one escrowed share for each additional right exercised by such holder. Following the expiry of the additional rights exercise period, all shares remaining in escrow will be transferred back to management of the Company. At June 30, 2009, 1,025,000 common shares held in escrow were deemed to have been transferred back to the original shareholders as the ATNI exceeded $8,500,000. Make good provision of $1,718,357 for the fair value these shares was charged to operations and included in contributed surplus (Note 13).

Investors will be entitled to a minimum total return of 25% per annum on their units, The calculation will be based upon the twenty day volume weighted average price of the Company's common shares, less interest paid or payable on the Convertible Debentures, calculated on the first, second and third anniversary of February 27, 2009 and payable on February 27, 2012.

The Company uses the residual value method to allocate the principal amount of the Convertible Debentures between the liability and equity components. Under this method, the value of the equity component of $137,295 was determined by deducting the fair value of the liability component from the principal amount of the financing. The fair value of the liability component was computed as the present value of future principal and interest payments discounted at a rate of 15% per annum as follows:

	$
Gross proceeds from issue	2,419,926
Share issue costs (Note 12)	(622,254)
Amount allocated to the equity component	(137,295)
	1,660,377
Interest accretion	142,788
Interest paid	(77,505)
Foreign exchange loss on translation	154,540
Balance, June 30, 2009	1,880,200

(Expressed in US Dollars)

12. SHARE CAPITAL

Authorized:

Unlimited number of common shares without par value
Unlimited number of Class A Series 1 preferred shares without par value, each preferred share is convertible to one common share at no additional consideration

Issued and outstanding:

	Preferred Shares		Common Shares	
	Number	$	Number	$
Balance, June 30, 2007 and 2008	-	-	-	5,540,636
Adjustment of SND's issued shares before RTO			53,466,453	-
Share consolidation at 1,258.0342			(53,423,953)	-
Shares reissued on RTO (Note 2)	21,270,259	-	3,104,741	-
Shares issued at $1.57 (CAD$2.00) per share	-	-	512,500	806,642
Share issue costs	-	-	-	(207,418)
Balance, June 30, 2009	21,270,259	-	3,659,741	6,139,860

On February 27, 2009, SND consolidated its then issued and outstanding 53,466,453 common shares on a 1 post-consolidation share for every 1,258.0342 pre-consolidation shares such that 42,500 shares were outstanding immediately prior to the RTO.

On February 27, 2009, in a reverse takeover acquisition, the outstanding shares of HKCo were exchanged for 21,270,259 preferred shares and 3,104,741 post consolidated common shares of SND (see Note 2). The Company paid sponsor fee of $323,673 which was charged to retained earnings.

Concurrent with the acquisition of SND, the Company completed a public offering issuing 4,100 subscription receipt at $3,227 (CAD$4,100) per receipt (see Note 11). Pursuant to the offering, 512,500 common shares, 1,025,000 non-transferable warrants, 1,025,000 transferable rights and 1,025,000 non-transferable additional rights were issued. The common shares were issue at $1.57 (CAD$2.00) per share for gross proceeds of $806,642 (CAD$1,025,000). Each warrant entitles the holder to purchase one additional common share at an exercise price of CAD$2.00 per share, expiring February 27, 2013. The Company paid agents' commission of $263,531, sponsor fee of $21,792, legal fees and other issue costs of $372,004. The Company also granted agents' compensation warrants to acquire 205,000 common shares at an exercise of CAD$2.00 per share expiring February 27, 2013. The fair value of the agent's warrants is $172,345. Share issue costs of $622,254 were allocated to convertible debentures issued.

Securities held in escrow

At June 30, 2009, 2,347,197 of the common shares and 15,986,760 of the preferred shares issued and outstanding were escrowed subject to release only with regulatory approval pursuant to the release provisions of the escrow agreement as described in Note 11.

Warrants

	Underlying Shares	Exercised Price
		$
Warrants outstanding, June 30, 2007 and 2008	–	-
Issued – unit warrants	1,025,000	$ 1.72 (CAD$2.00)
Issued – agents' warrants	205,000	$ 1.72 (CAD$2.00)
Warrants outstanding, June 30, 2009	1,230,000	

These warrants expire on February 27, 2013.

(Expressed in US Dollars)

12. SHARE CAPITAL

Warrants (continued)

The fair value of the agents' warrants issued during the year was $172,345 and was recognized as share issue costs, using the Black-Scholes model with the following weighted average assumptions and resulting issue date fair value:

Risk-free interest rate (%)	1.83%
Expected dividend yield (%)	-
Expected option life (years)	4
Expected stock price volatility (%)	70%
Weighted average grant date fair value	$0.84

Rights and Additional Rights

	Rights		Additional Rights	
	Underlying Shares	Expiry	Underlying Shares	Expiry
Outstanding, June 30, 2007 and 2008	–		–	
Issued	1,025,000	November 30, 2009	1,025,000	November 30, 2010
Outstanding, June 30, 2009	1,025,000		1,025,000	

13. CONTRIBUTED SURPLUS

	2009 $	2008 $
Balance, beginning	-	-
Contribution of share capital of HKCo	9	-
Agents' warrants	172,345	-
Stock-based compensation (Note 11)	1,718,357	-
Balance, ending	1,890,711	-

14. RESERVES

According to the Company Law of China and Zhejiang's Articles of Association, Zhejiang is required each year to transfer 10% of the profit after tax as reported in its financial statements, prepared in accordance with Chinese generally accepted accounting principles, to the statutory common reserve fund until the fund reaches 50% of the registered capital. This fund can be used to make up for any losses incurred in the future or be converted into paid-in capital, provided that the fund does not fall below 50% of the registered capital. Transfers to the Zhejiang's reserves are as follows:

	2009 $	2008 $
Balance, beginning of year	623,834	623,834
Transfer for the year	1,304,898	-
Balance, end of year	1,928,732	623,834

(Expressed in US Dollars)

15. INCOME TAX

HKCo, China Privco and Zhejiang are subject to taxes under their respective tax jurisdictions, which are the same as their respective place of incorporation.

Income tax expenses are as follows:

	2009 $	2008 $
Current	3,309,495	1,921,630
Future	27,284	138,444
Total income tax expenses	3,336,779	2,060,074

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. The significant differences are as follows:

	2009 $	2008 $
Canadian combined statutory rates	30%	32%
Income taxes at combined statutory rates	3,396,860	2,662,439
Difference in foreign income tax rates	(692,173)	(602,365)
Non-deductible items	812,266	86,172
Unbilled revenue, net of charges	(254,577)	(108,991)
Share issue costs	(296,753)	-
Other	-	22,819
Reduction in income tax rates	62,270	-
Valuation allowance	308,886	-
Total income tax expenses	3,336,779	2,060,074

Future income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of future income tax assets (liabilities) are as follows:

	2009 $	2008 $
Non-capital losses	113,000	-
Share issue costs	196,000	-
Plant and equipment	(573,000)	(632,000)
Unbilled revenue, net of charges	(202,000)	(115,000)
Valuation allowance	(309,000)	-
Total future income tax liabilities	(775,000)	(747,000)

The Company has non-capital losses carried forward of $401,000 which expire in 2029.

The Company, through Zhejiang, conducts a substantial amount of its business in China. China currently has tax laws related to various taxes imposed by both federal and regional governments. Applicable taxes include value added tax, corporate income tax, payroll or social taxes and others. Laws related to these taxes have not been effective for an extended period of time compared to laws of more developed countries. The implementation of regulations is frequently unclear and their application is sometimes inconsistent or non-existent. Conflicting opinions about interpretation and application often exist among and within government ministries and organizations creating uncertainties and conflict.

Tax declarations, together with other legal compliance areas, such as customs and currency controls are subject to review and investigation by various agencies and authorities, who are enabled by law to impose very severe fines, penalties and interest charges. These facts create tax risks in China substantially more significant than typically found in countries with more developed tax systems and structures.

Various tax authorities could take differing positions on interpretive issues and the effect could be significant. The fact that a year has been reviewed does not close that year, or any tax declaration applicable to that year, from future review and assessment by tax authorities.

(Expressed in US Dollars)

15. INCOME TAX (continued)

On March 16, 2007, PRC introduced the new Enterprise Income Tax Law of the People's Republic of China which came into force on January 1, 2008. Among other measures, the new Tax Law introduces a 25% tax rate for Foreign Invested Enterprises, and domestic enterprises, with some reduced rates for qualified small companies. Although certain existing preferential tax policies, including those previously applicable to Foreign Invested Entities will be eliminated going forward, most existing preferential tax incentives previously granted will continue to be grandfathered for up to five years.

The new Tax Law also imposes a new 10% withholding tax on all dividends paid by PRC companies to non-PRC shareholders and contains rules governing such matters as international transfer pricing.

16. SIGNIFICANT NON-CASH TRANSACTIONS

The Company has the following significant non-cash transactions:

	2009 $	2008 $
Agent's warrants issued pursuant to a public offering	172,345	-
Make good provision	1,718,357	-

17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts and other receivables, advances to suppliers, amounts due from/to related parties, bank loans, accounts payable, and automobile loans. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Interest Rate and Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and accounts and other receivables. The Company has significant cash and restricted cash balances. To minimize the interest rate and credit risk the Company places these instruments with high credit quality financial institutions located in Canada and PRC. Credit risk from accounts and other receivables encompasses the default risk of customers. Management, on an ongoing basis, monitor the level of accounts and other receivables attributable to each customer and the length of time taken for amounts to be settled and where necessary, takes appropriate action to follow up on those balances considered overdue.

For the year ended June 30, 2009, revenue from the 2 largest customers accounted for 62% (2008 – 3 largest customers accounted for 64%) of total revenue. At June 30, 2009, amounts outstanding from the 2 largest customers accounted for 32% (2008 – 40%) of total accounts and other receivables. Management does not believe that there is significant credit risk arising from any of the Company's customers. Under PRC regulations, a general contractor is entitled to first claim of assets against its customers, which gives a general contractor a "mechanic lien" senior than all other secured debt including but limited to bank loans, notes and any payables. If a customer defaults payment on the contract with the Company, the customer can be liable to surrender the real property and the land use rights associated with that real property that is under construction. However, should one of the Company's main customers be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from accounts and other receivables is equal to their total carrying amounts.

Currency Risk

The Company generates revenues and incurs expenses and expenditures primarily in Canada and PRC and is exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and liabilities in foreign currencies that expose the Company to foreign exchange risks. A significant change in the currency exchange rates between the Canadian dollar relative to the RMB could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

17. FINANCIAL INSTRUMENTS (continued)

At June 30, 2009, through its subsidiaries, the Company had cash and cash equivalents and restricted cash of $5,465,078, accounts and other receivables of $6,663,932, bank loans of $12,926,776, accounts payable of $9,283,829 and automobile loan of $118,292 which were denominated in RMB.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash on hand through equity financing and bank loans.

Sensitivity analysis

The Company has completed a sensitivity analysis to estimate the impact on net income for the period which a change in foreign exchange rate during the year ended June 30, 2009 would have had.

The sensitivity analysis includes the assumption of changes in individual foreign exchange rates do not cause foreign exchange rates in other countries to alter.

The result of sensitivity analysis shows an increase (decrease) of 10% in RMB exchange rate could have no impact on the Company’s net income but could have increased (decreased) the comprehensive income by approximately $929,000 ($929,000).

The above result arises primarily as a result of the Company having RMB denominated cash and cash equivalents, restricted cash, accounts and other receivable balances, bank loans, accounts payable and automobile loans. The financial position of the Company may vary at the time that a change of the foreign exchange rate occurs, causing the impact on the Company's results to differ from that shown above.

18. GEOGRAPHIC DISCLOSURES

The Company operates in one reporting segment – the construction of residential and business building, municipal infrastructure and engineering projects in PRC. The Zhejiang’s office building is located in Jiaxing, Zhejiang, PRC. All of the Company’s revenue was generated in PRC and substantially all capital assets are located in PRC.

19. CAPITAL DISCLOSURES

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders through expansion correspondingly to the level of risk.

The Company is required to maintain a certain level of deposits with its bankers as compensating balances to bank loans provided by these banks.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets, reduce debt or increase its debt.

(Expressed in US Dollars)

20. EARNINGS PER SHARE

Earnings per share amounts have been calculated as follows:

For the year ended June 30, 2009	Net income $	Weighted Average No. of Shares outstanding	Earnings per Share $
Net income for the year ended June 30, 2009	7,892,510	–	
Weighted average number of shares outstanding	–	3,291,768	
Basic Earnings per Share	7,892,510	3,291,768	2.40
Effect of preferred shares and convertible securities:			
• Preferred shares	–	21,270,259	
• Convertible debentures	139,137	1,537,500	
	8,031,647	26,099,527	
Less anti-dilutive impact of convertible debentures	(139,137)	(1,537,500)	
Diluted Earnings per Share	7,892,510	24,620,027	0.32

For the year ended June 30, 2008	Net income $	Weighted Average No. of Shares outstanding	Earnings per Share $
Net income for the year ended June 30, 2009	6,180,219	–	–
Weighted average number of shares outstanding	–	3,104,741	-
Basic Earnings per Share	6,180,219	3,104,741	1.99
Effect of preferred shares:			
• Preferred shares	–	21,270,259	
Diluted Earnings per Share	6,180,219	24,375,000	0.25

21. SUBSEQUENT EVENTS

a) On July 6, 2009, the Company closed a non-brokered private placement of 6,474 units at a price of $861 (CDN$1,000) for gross proceeds of $5,575,267 (CAD$6,474,000). Each unit consisted of one secured convertible debenture in the principal amount of $646 (CDN$750) (the "Convertible Debentures"), 125 common shares at a deemed value of CAD$2.00 per share, 250 warrants to purchase 250 common shares at an exercise price of CAD$2.00 per share expiring four years from closing date, 250 non-transferable rights and 250 non-transferable additional rights, each entitling the holder to receive one share upon exercise of a "Make Good Provision".

Each Convertible Debenture bears interest at a rate of 11.75% per annum, paid quarterly in arrears, matures on February 28, 2013, and will be, at the election of the holder, convertible into 375 common shares at a conversion price of CDN$2.00 per share plus accrued interest paid in cash. The conversion right may be exercised at the option of the holder commencing one day after closing of the private placement and until the close of business on the sixth day prior to the maturity date as set out in Boyuan's Trust Indenture dated February 27, 2009. Each right and additional right entitles the holder, upon exercise, to receive one Make Good Escrowed Share of the Company at no additional consideration. Each right is exercisable commencing on the date that the Company files on SEDAR its audited annual financial statements for the year ended June 30, 2009 and ending 30 days thereafter, expiring November 30, 2009. Each additional rights is exercisable commencing on the date that the Company files on SEDAR its audited annual financial statements for the year ending June 30, 2010 and ending 30 days thereafter, expiring on November 30, 2010.

21. SUBSEQUENT EVENTS (continued)

Management of the Company has agreed to deposit into escrow 3,237,000 common shares of the Company obtained upon the conversion of Class A Series 1 preferred shares currently held by certain members of the management. In the event that the consolidated financial statements of the Company reflect less than $8,500,000 of after tax net income prior to the deduction of any make good provisions ("ATNI") for the fiscal year ended June 30, 2009, the escrow agent, upon exercise, or deemed exercise, of the rights during the rights exercise period, will transfer to holders of the rights for no additional consideration one escrowed share for each right exercised by such holder. In the event the consolidated financial statements of the Company reflect less than $12,400,000 of ATNI for the fiscal year ending, June 30, 2010, the escrow agent, upon exercise, or deemed exercise, of the additional rights during the additional rights exercise period, will transfer to the holders of the additional rights for no additional consideration one escrowed share for each additional right exercised by such holder. Following the expiry of the additional rights exercise period, all shares remaining in escrow will be transferred back to management of the Company. The Company paid a cash finder's commission of 10% of the gross proceeds raised and such number of non-transferable finder's warrants entitling the holders to purchase up to that number of common shares as is equal to 10% of the aggregate value of gross proceeds raised. Each finder's warrant will entitle the holder to purchase one common share of the Company at an exercise price of CAD$2.00 per common share for a period of 48 months form the closing date.

b) Subsequent to June 30, 2009, a total of 9,280,187 common shares were issued on conversion of 9,280,187 preferred shares.