MANAGEMENT'S REPORT

This Management's Report provides an analysis of Boyuan Construction Group, Inc. formerly SND Energy Ltd's ("SND"or the "Company") operating results and cash flows for the three and twelve month periods ended November 30, 2008, in comparison with the results posted for the corresponding period ended November 30, 2007. It also presents a comparison with the balance sheet as at November 30, 2007. The financial information included in this report has been prepared in accordance with the Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements and the management's report have been reviewed by the Audit Committee and approved by the Company's Board of Directors. All amounts are expressed in Canadian dollars unless otherwise indicated.

Business Overview

Historically, the Company specialized in the research and development of new technology destined for the medical sector. Since December 2005, The Company's activities have been limited in order to preserve its cash flows. On June 13, 2007 the shareholders ratified the arrangement plan seeking to redistribute the near totality of the Company's assets to the shareholders and redeploy the Company toward the energy sector. Effective June 29, 2007 the arrangement agreement previously approved by shareholders closed. As part of the arrangement, Sonomed Inc's ("Sonomed") shareholders received one share of SND Energy Ltd. for each share of Sonomed and cash distributions, in accordance with the terms of the arrangement agreement, totaling $2,997,433 ($0.105776/share). As a result of the closing of the arrangement, request for voluntary delisting of Sonomed's common shares on the NEX was filed with the TSX Venture Exchange. SND Energy Ltd. does not currently intend to make an application to list the SND Energy Ltd. shares on the NEX board of the TSXV. As discussed in the subsequent event section of this report, the Company has acquired, through a reverse take over, a construction business in China.

Significant Accounting Policies and Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates are based on the knowledge that management has of current events and of the measures the Company could take in the future. Significant management estimates and assumptions include, among others, allowances for accounts receivable. Actual results could differ from such estimates. The accounting policies are presented in note 2 of the notes to the Company's audited financial statements as at November 30, 2008 and in the accompanying notes to the Company's consolidated financial report.

Change in Accounting Policies

Effective December 1, 2007, the Company adopted the CICA Handbook Section 1506, "Accounting Changes", to make accounting policy changes only in the event that a change is made within a primary source of generally accepted accounting principles, or where a change is warranted to provide more relevant and reliable information. All accounting policy changes are to be applied retroactively, unless there is no specific transition provision or it is impracticable to do so. Any prior period errors identified also require retroactive application. The adoption of the section did not have any significant impact on the Company's financial statements.

Effective December 1, 2007, the Company adopted the CICA Handbook Section 3862 ("CICA 3862"), "Financial Instruments – Disclosure", and Section 3863 ("CICA 3863"), "Financial Instruments – Presentation. CICA 3862 and CICA 3863 increase the emphasis on recognition and management of the risks associated with recognized and unrecognized financial instruments. These sections relate to disclosure and presentation only and did not have any impact on the Company's financial results or position.

Effective December 1, 2007, the Company adopted the CICA Handbook Section 1535, "Capital Disclosures", to disclose its objectives, policies and processes for managing capital, and compliance with externally imposed capital requirements, if any. The adoption of this standard did not have any significant impact on the Company's financial statements.

Recent Accounting Pronouncements

In June 2007, the Accounting Standards Board issued CICA Handbook Section 1400, “General Standards of Financial Statement Presentation”, which provides revised guidance on management’s responsibility to assess and disclose the Company’s ability to continue as a going concern. This standard is effective for the Company’s interim and annual financial statements for fiscal years beginning on or after November 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its 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 Corporation is currently evaluating the impact of this standard on the consolidated 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 Corporation is currently evaluating the impact of this standard on the consolidated financial statements.

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, “Goodwill and Intangible Assets”, which replaces CICA 3062, “Goodwill and Intangible Assets”, and CICA 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 financial statements commencing November 1, 2008. 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 2006, 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"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian generally accepted accounting principles and IFRS.

Selected Annual Information

	2008 $	2007 $	2006 $
Revenues	–	–	9,978
Expenses	102,394	560,252	1,128,475
Net (Loss) Income	(102,354)	(294,464)	1,945,178
Net (Loss) Income Per Share	(0.00)	(0.01)	0.07
Total Assets	65,833	78,545	2,793,058
Long-term financial liabilities	365,933	360,126	–
Cash dividends declared	–	–	–

Operating Results for the Quarter Ended November 30, 2008

Operating results for each of the last eight quarters are presented in the table below. Management is of the opinion that the information related to these quarters has been prepared in accordance with the same principles as the audited consolidated financial statements for the fiscal year ended November 30, 2008.

(in thousands of dollars, except per-share amounts)

Fiscal Year	2007				2008			
	Q1	Q1	Q1	Q1	Q1	Q2	Q3	Q4
	$	$	$	$	$	$	$	$
Net sales	---	---	---	---	---	---	---	---
Gross profit (loss)	---	---	---	---	---	---	---	---
Net earnings (loss)	(90)	(90)	(90)	(90)	(18)	(40)	(26)	(18)
Loss per share (basic)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.00	(0.01)	(0.00)
Weighted average number of outstanding common shares	28,337,380	28,337,380	28,337,380	28,337,380	53,466,453	53,466,453	53,466,453	53,466,453

Revenues

Given the sale of its commercial assets on December 21, 2005, the Company posted no revenue for the fourth quarter ended November 30, 2008 as well as for the corresponding quarter in 2007. No revenue was posted for the 12-month period ended November 30, 2008, compared with $0 for the corresponding period in 2007. The Company is currently limiting its activities and expenses.

Operating Expenses

During the fourth quarter and for the 12-months ended November 30, 2008, the Company incurred accretion expense of $4,633 and $33,649, respectively, and interest expense of $7,705 and $ $30,989, respectively, related to the convertible debenture, compared with accretion expense of $8,772 and $14,945, respectively, and interest expense of $7,705 and $13,378, respectively, for the corresponding quarter and 12-month period of the year prior.

As at the fourth quarter of 2008 and 2007, no research and development expenses were incurred. For the twelve-month period ended November 30, 2008, research and development expenses net of related tax credits totaled $0, compared with ($31,795), net of related tax credits, in 2007. The R&D cumulative expenditures for 2007 mainly reflect tax credits of prior expenditures.

General and administrative expenses totalled $5,373 in the fourth quarter of 2008, compared with $16,567 for the corresponding quarter of the year prior. These expenditures are chiefly related to current administrative expenses. For the twelve-month period ended November 30, 2008, the expenses reached $37,756 in comparison with $563,724 in 2007. These expenses are attributed to ongoing public company expenditures, costs associated with winding down operations and costs related to the arrangement agreement.

The Company did not post any selling and marketing expenses for the fourth quarter in 2008 and 2007. For the twelve-month period ended November 30, 2008, no expenses were incurred in comparison with $0 in 2007.

Net Gain on Disposal of Assets

During the second quarter of fiscal 2007, the Company signed an agreement to prematurely receive the final balance on the sale of assets in 2006 and received the final amount of $190,000, which net fees for an amount of $2,872 resulted in the net gain of $187,128.

On March 20, 2007, the Company entered into an agreement with respect to the final settlement regarding the balance of the sale price of its Androfact™ system for an amount of $17,404.

Net Income

The Company posted a net loss of $17,711 ($0.00 per share) in the fourth quarter of 2008, in comparison with net loss of $31,971 ($0.00 per share) in 2007. For the twelve-month period ended November 30, 2008, net loss amounted to $102,354 ($0.00 per share) in comparison with a net loss of $294,464 ($0.01 per share) for the same period in 2007.

Cash Flows

Net cash, cash equivalents and tax credits receivable totaled $61,545 as at November 30, 2008, compared with $64,690 at the end of the previous quarter. The decrease in cash is primarily due to funds disbursed for normal operating expenditures. Prepaid expenses were $4,288 at November 30, 2008 as compared to $nil as at the end of the previous quarter.

Operating Activities

During the fourth quarter, operating activities required cash flows of $13,078, excluding working capital in comparison with $23,200 for the corresponding period in 2007. For the twelve-month period ended November 30, 2008, operating activities, excluding working, required cash flows of $68,705. For the twelve-month period ended November 30, 2007, operating activities, excluding working capital as well as the gain of $204,532 with respect to the sale of the assets, required cash flows of $484,051.

Investing Activities

The Company did not invest in any temporary investments during the three- and twelve-month periods ended November 30, 2008 nor for 2007. The Company has a policy of investing in blue-chip equity securities with short-term maturities selected according to planned expenditures for continuing operations.

Financing Activities

During the three and twelve months ended November 30, 2008, the Company had no investing activities. During the three months ended November 30, 2007, the Company returned $90,160 to shareholders. During the twelve months ended November 30, 2007, financing activities included the issuance of convertible debenture in the amount of $618,181, issuance of share capital in the amount of $66,819 and payments to shareholders of Sonomed Inc., pursuant to the arrangement agreement in the amount of $2,997,433.

Financial Position

Current assets totalled $65,833 as at November 30 2008, down from $78,545 at the close of the 2007 fiscal year.

Current liabilities amounted to $84,622 at the close of the fourth quarter of 2008, compared with $28,629 at the close of the previous fiscal year. Finally, shareholders' deficiency totalled $384,722 down from shareholders' deficiency of $310,210 as at November 30, 2007.

Convertible Debenture

During the third quarter in 2007, the Company issued a convertible debenture in the amount of $618,181. The convertible debenture bears interest at 5% per annum during the first two years and 3% thereafter, and matures on June 26, 2012.

Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements during the quarter ended November 30, 2007.

Related-Party Transactions

The Company did not enter into any transactions with related parties during the quarter ended November 30, 2008. Following closing of the arrangement agreement in fiscal 2007, the President of the Company is related to StoneBridge, which pursuant to the arrangement subscribed for 25,129,073 common shares of the Company for proceeds of $66,819 and the convertible debenture in the amount of $618,181.

Risks and Uncertainties

The Company's activities are subject to various risks and uncertainties. The Company's operating results and financial position could be adversely affected by each of the factors described below. Those are not the only ones faced by the Company. Additional risks and uncertainties currently unknown to management or deemed immaterial could potentially have an impact on its business.

Outlook

On December 22, 2005, Andromed announced the sale of its principal assets to an arm's length purchaser. Since this date, the Company has limited its activities in order to preserve its cash, and has sought opportunities to enhance the value of its shares. This past June 13, the shareholders ratified an arrangement plan geared to redistributing the near totality of The Company's assets to the shareholders and redeploy the Company toward the energy sector. The arrangement plan was approved by the Quebec Superior Court on July 14, 2007. The Company has initiated identifying business acquisition opportunities. There is no assurance that SND will be successful in its search for new business opportunities.

Subsequent Events

Subsequent to the year end, the Company and Hong Kong Wealthy Holdings Limited ("HKCo") entered into an agreement whereby SND will acquire all of HKCo's issued and outstanding shares in consideration for the issuance of post-consolidation common shares of SND (the "Acquisition"). HKCo principal asset is 100% interest in Zhejiang Boyuan Trading Co., Limited ("China Privco"), a private PRC company. China Privco consolidates the accounts of Boyuan as it has a variable interest entity relationship and is the primary beneficiary of Boyuan.

The Acquisition will constitute a reverse takeover ("RTO") under the policies of the TSX Venture Exchange. The Acquisition is a capital transaction in substance rather than a business combination; that is, the transaction is equivalent to the issuance of shares by Boyuan for the net liabilities of SND, accompanied by a recapitalization of Boyuan. Pursuant to the terms of the agreement, SND will effect a share consolidation on the basis of 1 post-consolidation share for every 1,258.0342 pre-consolidation shares and one post-consolidation share of SND will be issued for each issued and
outstanding share of Boyuan and a total of 3,054,741 SND common shares and 21,320,259 preferred shares will be issued to the shareholders of Boyuan for the acquisition.

In connection with the RTO, the Company completed a concurrent financing of 4,100 subscription receipts at price of $1,000 per subscription receipt for gross proceeds of $4,100,000. Each subscription receipt is comprised, at no additional cost, of one unit (the "Unit"). Each Unit consist of one convertible debenture in the principal amount of $750, 125 common shares, 250 non-transferable warrants, 250 transferable rights and 250 non-transferable additional rights.

In connection with the RTO, the Company's convertible debenture issued to StoneBridge and net assets were assigned or transferred to a newly incorporated subsidiary of the Company, 4499034 Canada Inc. ("449") following which the Company sold its remaining interest in 449 to StoneBridge for nominal consideration.

Outstanding Shares

As at November 30, 2008, the Company had 53,466,453 issued and outstanding common shares, whereas the number of outstanding options granted under the stock option plan totalled nil. On December 15, 2008 the shareholders approved a share consolidation of approximately 1 for each 1,258 common shares resulting in 42,500 post consolidation shares. On February 27, 2009 the company concluded the RTO transaction and the financing. There were 3,597,241 issued and outstanding common shares as at March 30, 2009.

Forward-Looking Statements

This management's report contains "forward-looking" statements within the meaning of securities legislation, which are based on certain estimates and expectations. Statements that are not historical facts, including statements about management's assumptions and expectations, are forward-looking statements. Such statements are subject to potential risks and uncertainties, and actual results could therefore differ materially. The Company's management undertakes no obligation to publicly update any forward-looking statements to account for any new information, future events or other factors.

Additional Information and Continuous Disclosure

This Management's Report was prepared as of **March 30, 2009**. Additional information, including the Annual Report and Annual Information Form, is available on SEDAR's website at www.sedar.com.

BOYUAN CONSTRUCTION GROUP, INC.

(formerly SND Energy Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2008 AND 2007

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7
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AUDITORS' REPORT

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

We have audited the consolidated balance sheet of Boyuan Construction Group, Inc. (formerly SND Energy Ltd.). as at November 30, 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance as to 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 November 30, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at November 30, 2007 and for the year then ended were reported on by other auditors who expressed an opinion without reservation on those consolidated financial statements in their report dated February 28, 2008.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

March 27, 2009

BOYUAN CONSTRUCTION GROUP, INC.
(formerly SND Energy Ltd.)
CONSOLIDATED BALANCE SHEETS
AS AT NOVEMBER 30, 2008 AND 2007

	2008 $	**2007** $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	60,486	51,766
Amounts receivable and other	1,059	26,779
Prepaid expenses	4,288	–
	65,833	78,545
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	28,755	3,751
Due to StoneBridge Merchant Capital Corp. (Note 1)	11,500	11,500
Accrued interest on convertible debenture (Note 4)	44,367	13,378
	84,622	28,629
Convertible debenture (Note 4)	365,933	360,126
	450,555	388,755
SHARESHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 5)	19,992,213	19,992,213
Contributed surplus (Note 6)	452,901	452,901
Equity component of convertible debenture (Note 4)	300,842	273,000
Deficit	(21,130,678)	(21,028,324)
	(384,722)	(310,210)
	65,833	78,545

NATURE OF BUSINESS AND CONTINUED OPERATIONS (Note 1)
SUBSEQUENT EVENTS (Note 12)

On behalf of the Board:

"Shou Cai Liang"
Shou Cai Liang, Director

"Ren Shu"
Ren Shu, Director

The accompanying notes are an integral part of the consolidated financial statements.

BOYUAN CONSTRUCTION GROUP, INC.
(formerly SND Energy Ltd.)
STATEMENTS OF CONSOLIDATED OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

	2008 $	**2007** $
EXPENSES		
Accretion expense	33,649	14,945
Debenture interest expense	30,989	13,378
Net research and development expenses	–	(31,795)
Sales and marketing expenses	–	–
General and administrative expenses	37,756	563,724
	102,394	560,252
OPERATING LOSS	(102,394)	(560,252)
Net gain on disposal of assets (Note 7)	–	204,532
Net interest income	40	61,256
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(102,354)	(294,464)
DEFICIT, BEGINNING OF YEAR	(21,028,324)	(20,733,860)
DEFICIT, END OF YEAR	(21,130,678)	(21,028,324)
NET LOSS PER SHARE - BASIC AND DILUTED	(0.00)	(0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	53,466,453	38,939,783

The accompanying notes are an integral part of the consolidated financial statements.

BOYUAN CONSTRUCTION GROUP, INC.
(formerly SND Energy Ltd.)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

	2008	2007
	$	$
Operating activities		
Net loss	(102,354)	(294,464)
Non-cash items		
Accretion expense	33,649	14,945
Gain on disposal of assets	–	(204,532)
	(68,705)	(484,051)
Change in working capital items		
Amounts receivable and other	25,720	(11,450)
Tax credits receivable		12,704
Prepaid expenses	(4,288)	10,747
Accounts payable	25,004	(147,439)
Accrued interest on convertible debenture	30,989	13,378
Cash flows from operating activities	8,720	(606,111)
Investing activities		
Cash resulting from reverse takeover (Note 1)	–	629,681
Disposal of assets	–	204,532
Cash flows from investing activities	–	834,213
Financing activities		
Share issue	–	66,819
Amounts returned to shareholders	–	(2,997,433)
Cash flows from financing activities	–	(2,930,614)
Net change in cash and cash equivalents	8,720	(2,702,512)
Cash and cash equivalents, beginning of year	51,766	2,754,278
Cash and cash equivalents, end of year	60,486	51,766

SUPPLEMENTAL INFORMATION:

	2008	2007
Interest paid	$ –	$ –
Income taxes paid	$ –	$ –

The accompanying notes are an integral part of the consolidated financial statements.

1. NATURE OF BUSINESS AND CONTINUED OPERATIONS

The consolidated financial statements reflect the financial position and results of operations of Boyuan Construction Group, Inc., formerly SND Energy Ltd. (the “Company” or “Boyuan or SND”)) and its 100% subsidiary Sonomed Inc. SND Energy Ltd. was incorporated under the Canada Business Corporations Act on May 4, 2007. Since December 22, 2005, Sonomed has limited its operations and expenditures in order to preserve its cash to maximize shareholder value. Effective June 29, 2007 the arrangement agreement previously approved by shareholders (the "Arrangement Agreement") closed. As part of the arrangement, Sonomed's shareholders received one share of SND Energy Ltd. for each share of Sonomed and received an initial cash distribution, in accordance with the terms of the Arrangement Agreement, of $2,907,273 ($0.102595/share). The second and final payment of $90,160 was paid during November 2007. As a result of the closing of the arrangement, request for voluntary delisting of Sonomed's common shares on the NEX was filed with the TSX Venture Exchange. SND Energy Ltd. does not currently intend to make an application to list SND Energy Ltd.'s shares on the NEX board of the TSXV.

The transaction has been treated as a reverse takeover, for accounting purposes and Sonomed Inc. has been treated as the purchaser of SND Energy Ltd. Accounting for the business combination as a reverse takeover results in the following:

(i) The consolidated financial statements of the combined entities are issued under the legal name of the legal parent (SND Energy Ltd.) but are considered a continuation of the financial statements of the legal subsidiary, Sonomed Inc.

(ii) As Sonomed Inc. is deemed to be the acquiror for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying value.

(iii) The number and class of outstanding shares reported are those of SND Energy Ltd., adjusted for the acquisition, while the dollar amounts related to share capital, contributed surplus and deficit are those of Sonomed Inc.

(iv) The fair value of the net assets acquired was as follows:

Cash	$	629,681
Due to StoneBridge Merchant Capital Corp.		(11,500)
Convertible debenture		(618,181)
Fair value of net assets acquired	$	–

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At November 30, 2008, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These financial statements include the accounts of the Company and its 100% subsidiary Sonomed Inc. As the business combination has been treated as a reverse takeover, for accounting purposes, Sonomed Inc. has been treated as the purchaser of SND Energy Ltd. These consolidated financial statements reflect the results of operations of Sonomed Inc., the legal subsidiary, prior to the reverse takeover and the consolidated assets, liabilities and results of operations of Sonomed Inc. and SND Energy Ltd. subsequent to the reverse takeover.

(b) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make assumptions that effect the amounts reported in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Significant estimates and assumptions made by management include among other things determination of future income tax assets and liabilities and assumptions used in valuing convertible debenture, tax credits receivable and accounts payable and accrued liabilities. Actual results may differ from these estimates.

(c) Financial assets and liabilities

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Transaction costs from held-for-trading financial assets and liabilities are recognized in earnings and presented under general and administrative expenses.

Subsequently, financial assets and liabilities are measured and recognized as follows:

Held-for-trading financial assets

Held-for-trading financial assets are measured at their fair value and changes in fair value are recognized in earnings.

Receivables and other financial liabilities

Receivables and other financial liabilities are measured at amortized cost using the effective interest method (including any impairment in the case of financial assets). Interest calculated using the effective interest method is presented in earnings.

(d) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with initial maturities of less than three months that can be converted into a known cash amount.

(e) Research and development expenses and tax credits

Research and development expenses are charged as they are incurred. However, the development cost are deferred and amortized when they respect the generally accepted criteria to the extent that their recovery can reasonably be regarded as assured. Tax credits are accounted for as a reduction of the research and development expenses during the year in which the expenses are incurred, provided that the Company is reasonably certain that the credits will be received. The tax credits must be examined and approved by the tax authorities and it is possible that the amounts granted will differ from the amount recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income taxes

The Company uses the tax liability method to account for the income taxes. Under this method, future tax assets and liabilities are determined according to the differences between the carrying amounts and tax bases of the assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse.

(g) Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets are translated at the exchange rate in effect at the transaction date. Revenues and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of revenues and expenses relating to non-monetary assets and liabilities, which are translated at the historical rate. Gains and losses are included in the earnings for the year.

(h) Earnings (loss) per share

Earnings (loss) per share are calculated using the weighted average number of common shares outstanding during each year. The weighted average number of common shares from the beginning of the period to date of the reverse takeover is deemed to be the number of shares issued by SND Energy Ltd. to shareholders of Sonomed Inc. and for the period subsequent to the reverse takeover, the weighted average number of shares outstanding in SND Energy Ltd. The treasury stock method is used to calculate the dilutive effect of the options. The dilutive effect of convertible debenture is determined using the "if converted" method.

3. CHANGE IN ACCOUNTING POLICIES AND RECENT PRONOUNCEMENTS

Change in Accounting Policies

Effective December 1, 2007, the Company adopted the CICA Handbook Section 1506, "Accounting Changes", to make accounting policy changes only in the event that a change is made within a primary source of generally accepted accounting principles, or where a change is warranted to provide more relevant and reliable information. All accounting policy changes are to be applied retroactively, unless there is no specific transition provision or it is impracticable to do so. Any prior period errors identified also require retroactive application. The adoption of the section did not have any significant impact on the Company's financial statements.

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Effective December 1, 2007, the Company adopted the CICA Handbook Section 1535, "Capital Disclosures", to disclose its objectives, policies and processes for managing capital, and compliance with externally imposed capital requirements, if any. The adoption of this standard did not have any significant impact on the Company's financial statements.

3. CHANGE IN ACCOUNTING POLICIES AND RECENT PRONOUNCEMENTS (continued)

Recent Accounting Pronouncements

In June 2007, the Accounting Standards Board issued CICA Handbook Section 1400, “General Standards of Financial Statement Presentation”, which provides revised guidance on management’s responsibility to assess and disclose the Company’s ability to continue as a going concern. This standard is effective for the Company’s interim and annual financial statements for fiscal years beginning on or after November 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its 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 Corporation is currently evaluating the impact of this standard on the consolidated 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 Corporation is currently evaluating the impact of this standard on the consolidated financial statements.

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, “Goodwill and Intangible Assets”, which replaces CICA 3062, “Goodwill and Intangible Assets”, and CICA 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 financial statements commencing November 1, 2008. 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 2006, 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"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian generally accepted accounting principles and IFRS.

4. CONVERTIBLE DEBENTURE

Effective with the closing of the Arrangement Agreement, SND Energy Ltd. issued, to StoneBridge Merchant Capital Corp. (“StoneBridge”), a convertible debenture in the amount of $618,181, with interest payable semi-annually in arrears on June 15 and December 15 at 5% per annum during the first two years and 3% thereafter, maturing on June 26, 2012 and secured by a General Security Agreement. The debenture is convertible at the option of the holder at any time into non-voting common shares at $0.002659031 per non-voting share.

According to the features of this debt, an amount of $300,842, representing the estimated value of the right of conversion, was included in the shareholders' equity as equity component of convertible debenture. As of November 30, 2008, accretion expense of 20.2% and totalling $33,649 (2007: $14,945) was accounted for and added to the liability component. The fair value of the convertible debenture approximates its carrying value.

4. CONVERTIBLE DEBENTURE (continued)

At November 30, 2007 the FV calculation for the equity and debt component for the convertible debenture was calculated using an interest rate of 5% for the full 5 year term. Per the agreement the interest rate for the convertible debt is 5% during the first two years and 3% thereafter. A recalculation of the FV of the equity and debt component was made during the 2008 fiscal year and an adjustment has been made to the equity and liability component at November 30, 2008.

5. SHARE CAPITAL

The Company's capital stock consists of the following:

Authorized:

Unlimited number of Shares, without par value

Common shares, voting and participating

Common shares, non-voting and participating, redeemable by the Company at the redemption price defined as the value of the consideration offered under an offer, which, in the case of non-cash consideration shall be determined solely by the Board of Directors of the Company per common non-voting share or at the option the holder during the redemption period, if an offer to purchase common shares is made, subject to certain conditions.

Issued and fully paid	Number of common shares, voting and participating	$
Balance November 30, 2006	–	22,922,827
Shares issue in connection with the reverse takeover	28,337,380	–
Shares issued to StoneBridge Merchant Capital Corp.	25,129,073	66,819
Amounts returned to shareholders	–	(2,997,433)
Balance November 30, 2007 and 2008	53,466,453	19,992,213

Stock option plan

All the options attributed under the terms of the Sonomed stock option plan can be exercised with a maximum of 10 years after their grant date. The Board of Directors will designate the beneficiaries of the options and determine the number of options, the vesting date, exercise price and expiration date of each option and any other issue, in each case, in accordance with the applicable legislation of the regulatory securities authorities. The option exercise price will not be less than the closing price of the common shares on the exchange on which the shares are traded on the grant date. Currently issued options can be exercised over periods from three to ten years after the grant date.

The maximum number of common shares which can be issued under the terms of this plan is 2,622,173. The maximum number of common shares which can be attributed to one person under the term of the plan is 5% of the outstanding common shares.

In accordance with the Arrangement agreement, all outstanding stock options issued by Sonomed were cancelled.

In 2007, SND Energy Ltd. adopted a stock incentive plan (the "SND plan") and pursuant to which the Company may grant options to eligible employees, directors, officers and consultants of the Company. The SND plan provides that a maximum of 10% of the issued and outstanding common shares on a non-diluted basis are issuable. The maximum number of common shares which can be attributed to one person under the term of the plan is 5% of the outstanding common shares.

5. SHARE CAPITAL (continued)

The Board of Directors will designate the beneficiaries of the options and determine the number of options, the vesting date, exercise price and expiration date of each option and any other issue, in each case, in accordance with the applicable legislation of the regulatory securities authorities. The exercise price shall be as determined by the Board of directors when such option is granted and shall be an amount at least equal to the discounted market price of the common shares.

As at November 30, 2008 and 2007, there were no stock options outstanding under the SND plan.

6. CONTRIBUTED SURPLUS

Contributed surplus is composed of stock-based compensation cost charged during the previous years.

7. GAIN ON DISPOSAL OF ASSETS

On December 22, 2005, the Company has completed the sale of its principal assets including among other things inventories, property, plant and equipment, intangible assets and the intellectual property rights net of the assumption of certain liabilities totalling $443,142 and the lease for a consideration of $4,000,000, of which $3,788,777 has been received, $11,184 in liabilities assumed by the purchaser and $200,039 receivable 18 months after the closing date net of the amounts paid for unassumed obligations by the purchaser. This amount has been treated as contingent consideration and will be accounted for as soon as conditions are met. With the proceeds of sale, the Company reimbursed the unsecured term notes from shareholders for an amount of $250,000 and paid sale expenses of $341,825 and license fees for an amount of $390,000, accounted as research and development expenses. During the second quarter of fiscal 2007, the Company signed an agreement to prematurely receive the final balance on the sale of there assets and received the final amount of $190,000, which net fees for an amount of $2,872 resulted in the net gain of $187,128.

On March 20, 2007, the Company concluded an agreement for the final payment of the sale price balance of certain intangible assets in the amount of $17,404, which was also accounted for as gain on disposal of assets. As at November 30, 2006, a net gain of $17,450 has been recognized in income.

8. INCOME TAXES

The Company's effective income tax rate differs from the combined statutory federal and provincial income tax rate in Canada (29.5% in 2008 and 32.12% in 2007). The difference arises from the following:

	2008	2007
Combined basic tax rate applied to income (loss) before income taxes	$ (30,375)	$ (94,582)
Increase (decrease) in taxes resulting from:		
Change in promulgated rates on future income taxes	572,519	543,965
Non-deductible items	9,926	4,800
Expiration of non-capital losses	372,224	–
Non-taxable items and other	–	(65,696)
Change in the valuation allowance	(924,294)	(388,487)
	$ –	$ –

8. INCOME TAXES (continued)

Future income tax assets are comprised of the following:

	2008	2007
Future income tax assets		
Non-capital losses	$ 4,894,774	$ 5,712,713
Research and development expenses	1,164,464	1,267,885
Share issue expenses	35,104	38,222
Valuation allowance	6,094,342	7,018,820
Net future income tax assets	(6,094,342)	(7,018,820)
	$ –	$ –

Loss carry-forwards, which are available to reduce income taxes in future years, amount to $20,659,000 for federal purposes as detailed below:

2009	$ 3,423,000
2010	4,865,000
2014	3,298,000
2015	1,905,000
2026	2,265,000
2027	768,000
2028	69,000
	16,593,000
Research and development expenses eligible to be carried forward over an undetermined period	3,947,000
Deductible temporary differences	119,000
	$ 20,659,000

In addition, the Company has investment tax credits amounting to approximately $1,191,000 that were not recorded in the financial statements. These credits can be applied as follows:

2010	$ 3,000
2011	251,000
2012	289,000
2013	261,000
2014	206,000
2015	164,000
2016	17,000
	$ 1,191,000

9. RELATED PARTY TRANSACTIONS

StoneBridge Merchant Capital Corp is considered a related party as the companies share a director. As of November 30, 2008 the Company was indebted to StoneBridge for $11,500 (2007 $11,500). The amount is unsecured, non-interest bearing and due on demand.

During fiscal 2007, the Company issued a convertible debenture to StoneBridge as described in Note 4.

10. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to pursue and complete the identification and evaluation of assets, properties or businesses with a view to acquisition or participation in a qualifying transaction, to maintain financial strength and to protect its ability to meet its on-gong liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital is comprised of the Company's shareholders' equity.

As at November 30, 2008, the Company had capital resources consisting of cash. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash.

The Company expects its current capital resources will be sufficient to complete the transactions described in Note 12.

11. FINANCIAL RISK MANAGMEENT OBJECTIVES AND POLICIES, AND FINANCIAL RISK

Financial risk management objectives and policies

The Company is exposed to various financial risks resulting from both its operations and investment activities. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The Company's main financial risk exposure and its financial risk management policies are as follows:

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk as the cash flows generated from its cash and cash equivalents will fluctuate in response to changes in market interest rates. The cash and cash equivalents are comprised of cash and short term deposits with a Canadian Chartered Bank. The Company's convertible debentures are at fixed rates. The Company does not use derivative financial instruments to reduce its interest rate exposure.

Liquidity risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash.

12. SUBSEQUENT EVENTS

Subsequent to the year end, the Company and Hong Kong Wealthy Holdings Limited ("HKCo") entered into an agreement whereby SND will acquire all of HKCo's issued and outstanding shares in consideration for the issuance of post-consolidation common shares of SND (the "Acquisition"). HKCo principal asset is 100% interest in Zhejiang Boyuan Trading Co., Limited ("China Privco"), a private PRC company. China Privco consolidates the accounts of Boyuan as it has a variable interest entity relationship and is the primary beneficiary of Boyuan.

The Acquisition will constitute a reverse takeover ("RTO") under the policies of the TSX Venture Exchange. The Acquisition is a capital transaction in substance rather than a business combination; that is, the transaction is equivalent to the issuance of shares by Boyuan for the net liabilities of SND, accompanied by a recapitalization of Boyuan. Pursuant to the terms of the agreement, SND will effect a share consolidation on the basis of 1 post-consolidation share for every 1,258.0342 pre-consolidation shares and one post-consolidation share of SND will be issued for each issued and outstanding share of Boyuan and a total of 3,054,741 SND common shares and 21,320,259 preferred shares will be issued to the shareholders of Boyuan for the acquisition.

12. SUBSEQUENT EVENTS (continued)

In connection with the RTO, the Company completed a concurrent financing of 4,100 subscription receipts at price of $1,000 per subscription receipt for gross proceeds of $4,100,000. Each subscription receipt is comprised, at no additional cost, of one unit (the “Unit”). Each Unit consist of one convertible debenture in the principal amount of $750, 125 common shares, 250 non-transferable warrants, 250 transferable rights and 250 non-transferable additional rights.

In connection with the RTO, the Company’s convertible debenture issued to StoneBridge and net assets were assigned or transferred to a newly incorporated subsidiary of the Company, 4499034 Canada Inc. (“449”) following which the Company sold its remaining interest in 449 to StoneBridge for nominal consideration.