Management's Discussion and Analysis

March 1, 2010

Management's Discussion and Analysis (MD&A) relates to the financial condition and results of Boyuan Construction Group Inc's operations for the three months ended December 31, 2009. 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 three months period ended December 31, 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 125 projects in the past four 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 number of 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, the City of Sanya in Hainan Island, and the Shandong province.

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. 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 achieved growth rate of 8.7% 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 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 hold-back. Many of our contracts contain hold-back provisions. Hold-back 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 hold-back 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 and depreciation, 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 CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information has been derived from our unaudited consolidated financial statements for the three months ended December 31, 2009 and December 31, 2008 and our financial positions as at December 31, 2009 and June 30, 2009.

(in thousands, except earnings per share)

	For the three months		**For the six months**	
	ended December 31		**ended December 31**	
	2009 ($)	**2008 ($)**	**2009 ($)**	**2008 ($)**
Operating Results				
Contract revenue earned	37,611	23,388	72,615	44,659
Cost of contract revenue	30,901	20,203	60,225	38,445
Gross profit	6,710	3,185	12,390	6,214
Net income	3,512	2,375	3,306	4,418
Adjusted net income	3,512	2,375	6,549	4,418
Earnings per share				
Basic	0.25	0.76	0.25	1.42
Diluted	0.14	0.10	0.14	0.18
Adjusted Earnings per share				
Basic	0.25	0.76	0.50	1.42
Diluted	0.14	0.10	0.26	0.18

(In thousands, except for common shares outstanding)

	At December 31, 2009 ($)	**As at June 30, 2009 ($)**
Financial Position		
Current assets	69,186	51,288
Total assets	76,556	57,516
Current liabilities	33,890	28,885
Long term debt	6,442	2,453
Total shareholders' equity	36,222	26,177
Cash dividends declared	Nil	Nil
Common shares outstanding	13,749,178	3,659,741

RESULTS OF OPERATIONS

Total contract revenue earned was $72M for the six months period ended December 31, 2009 which was substantially higher than the contract revenue earned of $44M for the same period last year. Gross profit was $12M for the six months ended December 31, 2009 representing a margin of 17% on revenue. Gross profit for the same period last year was $6M representing a margin of 13.91% on revenue.

Total contract revenue earned for the three months ended December 31, 2009 was $37M compared to $23M for the same period last year. Gross profit was $6.71M for the three months ended December 31, 2009 representing a margin of 17.8% on revenue. Gross profit for the same period last year was $3M representing a margin of 13.61% on revenue.

The increase in our contract revenue earned in the three months period ended December 31, 2009 as compared to the same period last year was due to the increase in the number of sizable construction projects in progress. The increase in gross margin was due to the recognition of revenue of a number of projects with higher margins in this quarter.

Included in the general and administrative expense for the three months period ended

December 31, 2008 was a bad debt reversal of $0.25M which led a negative G&A expense of 0.08M. Excluding this item, the G&A expense in this quarter last year was $0.17M which was still substantially lower than this quarter's expense of $0.9M. The major increase in this quarter came from the increase in staffing cost as a result of the growth of our company, hiring of additional professional staff for our management team, and from our investors relation programs expense relating to our listing on the TSX Venture Exchange.

Interest expense for this quarter was $0.57M which was much higher than the same period in 2008. The higher expense amount was due to the increase in our bank loans in support of the increase in our project backlog and the interest expense on the debenture.

Income tax expense for this period was $1.49M compared to $0.75M for the same period last year. The increase was due to the higher income earned during the period.

The net income for this period was $3.5M which was $1.2M (48%) higher than the same period last year. The substantial growth in net income was underpinned by the continued increase in our projects backlog and the increase in our gross margin.

For the six months period ended December 31, 2009, there was a non- cash make good charge of $3.24M in relation to the financing completed on July 7, 2009 (see additional information under Liquidity and Capital Resources). We have achieved a net income of $9.6M for the fiscal 2009 before this charge which was in excess of our make good target of $8.5 million for that year. 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.

Adjusted net income defined as net income excluding the make good charge was $6.5M for the six months period ended December 31, 2009 as compared to $4.4M in the same period last year representing a growth of 48% in the period. We believe the adjusted net income is more representative of our profitability for the period as the make good charge is a non-cash accounting charge which is not related to our business activities.

TRANSACTIONS WITH RELATED PARTIES

Related parties transactions are summarized as follows:

	December31, 2009 $	June30, 2009 $
Due from related parties		
Due from the Chairman and CEO	-	113,010
Due to related parties		
Due to a company controlled by the Chairman and CEO	389,787	22,839

Due to the company controlled by the Chairman of $389,787 was a result of payments made to suppliers on our behalf by this company.

SUMMARY OF QUARTERLY RESULTS

The following table is a summary of our selected quarterly financial information for each of the eight quarters ended December 31, 2009:

US$'000

	Revenue	**Net Income**	**Basic EPS**	**Diluted EPS**
Q2, 2010	37,611	3,512	0.25	0.14
Q1, 2010	35,003	(206)	(0.04)	(0.04)
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

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended December 31	
	2009	**2008**
US$'000		
Cash Flow Data		
Operating activities	(2,540)	(3,125)
Investing activities	(154)	(404)
Financing activities	581	6,005
Effect of currency translation	(20)	2
Net Increase (decrease) in cash and cash equivalents and restricted cash	(2,133)	2,478

Net cash used in operating activities was $2.5M for this quarter compared to $3.1M same quarter last year. The decrease was due primarily to a smaller increase in unbilled revenue and receivable in this quarter as well as an increase in payable offset partially by the increase in advance to suppliers.

Net cash used in investing activities was $0.15M for this quarter compared to $0.4M same quarter in 2008 as a result of less equipment acquired in this quarter.

For the second quarter this year, net cash provided by financing activities was $0.58M driven mainly by the increase in the registered capital of one of our subsidiary companies. For the same quarter last year, net cash provided was $6M due to the significant increase in our bank loans in that period.

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 $2.33M at the end of December 31, 2009 as compared to a cash and cash equivalents balance of $2.36M as at June 30, 2009.

On July 7, 2009, the Company closed a non-brokered private placement of 6,474 units at a price of $860 (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 $645 (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.

As of March 1, 2010 the Company has 13,765,428 common shares and 11,990,072 preferred shares outstanding.

FINANCIAL INSTRUMENTS

Interest Rate and Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and accounts receivable. The Company has significant cash balances but no interest-bearing debt. 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 period ended December 31, 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 of 10% in RMB exchange rate could have insignificant impact on the Company’s net income but could increase (decrease) the comprehensive income by approximately $1,430,000 ($1,430,000).

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 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.

Boyuan Construction Group, Inc.

(formerly "SND Energy Ltd.")

Consolidated Financial Statements

For The Six Months Ended

December 31, 2009 and 2008

(Unaudited)

Notice of No Auditor Review of Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Boyuan Construction Group, Inc.
(formerly "SND Energy Ltd.")
Consolidated Balance Sheets
(Expressed in US Dollars)

	(Unaudited) December 31, 2009 $	(Audited) June 30, 2009 $
Current Assets		
Cash and cash equivalents	2,337,013	2,365,738
Restricted cash (Note 6)	2,553,677	3,101,189
Accounts receivable	172,890	4,447,059
Unbilled revenue	45,881,930	35,528,915
Other receivables	7,063,564	2,216,873
Inventory	7,876	658,150
Advances to suppliers and prepaid expenses	11,169,059	2,971,020
	69,186,009	51,288,944
Deferred transaction costs	238,654	55,222
Due from related parties (Note 7)	-	113,010
Property and equipment (Note 8)	7,019,893	5,946,748
Land use rights (Note 9)	111,203	112,243
	76,555,759	57,516,167
Current Liabilities		
Bank loans (Note 10)	13,622,535	12,926,776
Accounts payable and accrued liabilities	15,040,384	12,842,823
Income taxes payable	4,014,417	1,318,874
Deferred revenue	487,507	1,454,145
Automobile loans	112,990	118,292
Due to related parties (Note 7)	389,787	22,839
Future income tax	223,091	202,000
	33,890,711	28,885,749
Future income tax	571,281	573,000
Convertible debentures (Note 11)	5,871,599	1,880,200
	40,333,591	31,338,949
Shareholders' Equity		
Share capital (Note 12)	7,279,993	6,139,860
Contributed surplus (Note 13)	7,257,165	1,890,711
Reserve (Note 14)	2,760,648	1,928,732
Equity component of convertible debentures (Note 11)	372,783	137,295
	17,670,589	10,096,598
Retained earnings	16,801,911	14,326,995
Accumulated other comprehensive income	1,749,668	1,753,625
	18,551,579	16,080,620
	36,222,168	26,177,218
	76,555,759	57,516,167

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)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2009 $	December 31, 2008 $	December 31, 2009 $	December 31, 2008 $
Construction revenue	37,611,808	23,388,354	72,615,615	44,659,513
Cost of construction	30,901,132	20,203,218	60,225,015	38,445,560
Gross profit	6,710,676	3,185,136	12,390,600	6,213,953
Expenses				
Amortization of property and equipment	147,189	141,193	289,230	203,598
General and administrative expenses	961,516	(83,663)	1,775,658	66,818
	1,108,705	57,530	2,064,888	270,416
Income from operations	5,601,971	3,127,606	10,325,712	5,943,537
Other Income (expense)				
Interest and other income	47,843	8,548	186,778	11,569
Foreign exchange loss	(67,498)	-	(67,498)	-
Interest expense	(572,480)	(7,871)	(1,137,261)	(78,398)
Make good provision (Note 11(b))	-	-	(3,243,192)	-
	(592,135)	677	(4,261,173)	(66,829)
Net income before income taxes	5,009,836	3,128,283	6,064,539	5,876,708
Income taxes (Note 15)	(1,497,097)	(753,015)	(2,757,707)	(1,458,337)
Net income for the period	3,512,739	2,375,268	3,306,832	4,418,371
Other Comprehensive Income (Loss)				
Unrealized gain (loss) on foreign exchange translation	51,393	2,234	(3,957)	43,916
Comprehensive income for the period	3,564,132	2,377,502	3,302,875	4,462,287

See accompanying notes to consolidated financial statements.

Boyuan Construction Group, Inc.

(formerly "SND Energy Ltd.")
Consolidated Statements of Retained Earnings
(Expressed in US Dollars)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2009 ($)	December 31, 2008 ($)	December 31, 2009 ($)	December 31, 2008 ($)
Retained earnings, beginning of period	14,121,088	10,106,158	14,326,995	8,063,055
Net income for the period	3,512,739	2,375,268	3,306,832	4,418,371
Transfer to reserve	(831,916)	(135,995)	(831,916)	(135,995)
Retained earnings, end of period	16,801,911	12,345,431	16,801,911	12,345,431

Consolidated Statements of Accumulated Other Comprehensive Income
(Expressed in US Dollars)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2009 $	December 31, 2008 $	December 31, 2009 $	December 31, 2008 $
Accumulated other comprehensive income, beginning of period	1,698,275	1,908,872	1,753,625	1,867,190
Foreign exchange translation adjustment	51,393	2,234	(3,957)	43,916
Accumulated other comprehensive income, end of period	1,749,668	1,911,106	1,749,668	1,911,106

Boyuan Construction Group, Inc.
(formerly "SND Energy Ltd.")
Consolidated Statements of Cash Flows
(Expressed in US Dollars)
(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2009 $	December 31, 2008 $	December 31, 2009 $	December 31, 2008 $
OPERATING ACTIVITIES				
Net income for the period	3,512,739	2,375,268	3,306,832	4,418,371
Items not involving cash:				
Amortization of property and equipment	147,189	141,193	289,230	203,598
Interest accretion	368,777		716,356	
Make good provision	-	-	3,243,192	-
Unrealized foreign exchange loss	190,010	-	263,505	-
	4,218,715	2,516,461	7,819,115	4,621,969
Changes in other assets and liabilities:				
Accounts receivables	4,010,369	1,774,158	4,278,255	3,180,873
Unbilled revenue	(6,309,397)	(12,295,760)	(10,311,457)	(25,094,183)
Other receivable	1,892,170	2,155,739	(4,446,723)	(794,026)
Inventories	8,170	47,863	650,874	(58,218)
Advance to suppliers and prepaid expenses	(5,864,393)	3,019,091	(8,015,096)	(1,065,510)
Accounts payable and accrued liabilities	2,512,202	(5,937,261)	2,566,920	6,436,675
Deferred revenue	(2,459,836)	5,637,782	(968,059)	5,828,614
Income taxes payable	(204,042)	926,026	2,712,043	(368,609)
Due from / to related parties	(344,610)	(969,255)	(253,594)	(1,214,654)
Cash used in operating activities	(2,540,652)	(3,125,156)	(5,967,722)	(8,527,069)
INVESTING ACTIVITIES				
Acquisition of equipment	(159,640)	(403,043)	(1,362,493)	(717,354)
Acquisition of intangible assets	5,472	(1,103)	1,158	(2,930)
Cash used in investing activities	(154,168)	(404,146)	(1,361,335)	(720,284)
FINANCING ACTIVITIES				
Bank loans	(642,475)	5,915,659	681,253	6,340,113
Automobile loans	(15,984)	89,371	(5,432)	87,964
Convertible debentures, net	(400,104)	-	3,222,676	-
Deferred financing costs	(210,619)	-	(210,619)	-
Proceeds from issuance of common stock, net	-	-	1,208,270	-
Contribution from shareholders (Note 13)	1,850,714	-	1,850,714	-
Cash provided by financing activities	581,532	6,005,030	6,746,862	6,428,077
Effect of changes in exchange rates on cash	(20,477)	2,227	5,958	48,871
Increase (decrease) in cash	(2,133,765)	2,477,955	(576,237)	(2,770,405)
Cash and cash equivalents and restricted cash, beginning	7,024,455	1,633,537	5,466,927	6,881,897
Cash and cash equivalents and restricted cash, ending	4,890,690	4,111,492	4,890,690	4,111,492
Supplemental disclosure of cash flow information:				
Cash paid for interest	572,480	7,871	1,137,261	78,398
Cash paid for income taxes	47,087	-	47,087	2,282,025

Significant non-cash transactions (Note 16)

See accompanying notes to consolidated financial statements.

(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. The $323,671 excess of transaction costs over net asses acquired was charged to retained earnings for the year ended June 30, 2009.

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, 2009 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 unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and, accordingly, do not include all information and note disclosures required for an annual set of financial statements under Canadian generally accepted accounting principles. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented, have been made. Results for the interim periods presented are not necessarily indicative of the results that may be expected for the year or for any other period. These unaudited interim consolidated financial statements have been prepared using the same accounting policies used in the preparation of the Company's audited consolidated financial statements for the year ended June 30, 2009, and should be read in conjunction with those financial statements and notes thereto.

These consolidated financial statements are expressed in US Dollars and are prepared in accordance with Canadian generally accepted accounting principles.

(Expressed in US Dollars)

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 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.

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

	December 31, 2009 $	June 30, 2009 $
Due from related parties		
Due from the Chairman and Chief Executive Officer (“CEO”)	-	113,010
Due to related parties		
Due to a company controlled by the Chairman and CEO	389,787	22,839

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

(Expressed in US Dollars)

8. PROPERTY AND EQUIPMENT

	At December 31, 2009 Cost $	Accumulated Amortization $	Net Book Value $	At June 30, 2009 Net Book Value $
Construction in progress	200,514	-	200,514	186,442
Buildings	2,475,581	544,832	1,930,749	1,972,365
Machinery and equipment	5,884,368	1,631,623	4,252,745	3,108,651
Office equipment	321,369	131,539	189,830	245,024
Vehicles	641,358	278,132	363,226	330,729
Leasehold improvements	207,075	124,246	82,829	103,537
	9,730,265	2,710,372	7,019,893	5,946,748

9. LAND USE RIGHTS

	December 31, 2009 $	June 30, 2009 $
Balance, at cost	116,484	116,398
Accumulated amortization	(5,281)	(4,155)
Net book value	111,203	112,243

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

	December 31, 2009 $	June 30, 2009 $
Bank loans, due within one year, interest to be paid monthly or quarterly at 5.31% to 6.90% (June 30, 2009 – 5.35% to 9.36%), weighted average at 5.62% (June 30, 2009 – 5.82%) per annum, secured by the Company's real property and land lease	9,653,074	8,692,730
Bank notes, due within six months, non-interest bearing, secured by compensating deposits held at the banks (see Note 6)	3,969,461	4,234,046
	13,622,535	12,926,776

(Expressed in US Dollars)

11 CONVERTIBLE DEBENTURES

	December 31, 2009 $	June 30, 2009 $
Balance, beginning of period	1,880,200	-
Gross proceeds from issue	4,174,620	2,419,926
Share issue costs (Note 12)	(756,251)	(622,254)
Amount allocated to the equity component	(235,488)	(137,295)
Interest accretion	736,493	142,788
Interest paid	(475,471)	(77,505)
Foreign exchange loss on translation	547,496	154,540
Balance, end of period	5,871,599	1,880,200

(a) Convertible Debentures – Principle Amount of $2,419,926

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.

Management of the Company agreed to deposit 2,050,000 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. generally accepted accounting principles (“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. 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.

11 CONVERTIBLE DEBENTURES (continued)

(a) Convertible Debentures – Principle Amount of $2,419,926 (continued)

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 of $1,660,377 was computed as the present value of future principal and interest payments discounted at a rate of 15% per annum.

(b) Convertible Debentures – Principle Amount of $4,174,620

Pursuant to a private placement, the Company completed a financing of $5,566,159 (CDN$6,474,000) on July 7, 2009. The Company issued 6,474 subscription receipts at a price of $860 (CDN$1,000). Each subscription receipt comprised of one unit (the "Units"). Each Unit consisted of one convertible debenture in the principal amount of $645 (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 July 7, 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 July 7, 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.

Management of the Company has agreed to deposit 3,237,000 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 Canadian GAAP reflects less than $8,500,000 of after tax net income ("ATNI"), prior to the deduction of any make good provision, 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, complied in accordance with Canadian GAAP, reflects less than $12,400,000 of ATNI, prior to the deduction of any make good provision, 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 September 30, 2009, 1,618,500 (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 at June 30, 2009 exceeded $8,500,000. Make good provision of $3,243,192 (December 31, 2008 - $Nil) for the fair value these shares was charged to operations and included in contributed surplus (Note 13).

(Expressed in US Dollars)

11 CONVERTIBLE DEBENTURES (continued)

(b) Convertible Debentures – Principle Amount of $4,174,620 (continued)

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 $235,488 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 of $3,182,881 was computed as the present value of future principal and interest payments discounted at a rate of 15% per annum.

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 hares Number	$	Common Shares Number	$
Balance, June 30, 2009	21,270,259	-	3,659,741	6,139,860
Shares issued at $1.72 (CAD$2.00) per share	-	-	809,250	1,391,540
Share issue costs	-	-	-	(251,407)
Conversion of preferred shares into common	(9,280,187)	-	9,280,187	-
Balance, December 31, 2009	11,990,072	-	13,749,178	7,279,993

On July 7, 2009, the Company completed a private placement issuing 6,474 subscription receipt at $860 (CAD$1,000) per receipt (see Note 11(b)). Pursuant to the offering, 809,250 common shares, 1,618,500 non-transferable warrants, 1,618,500 transferable rights and 1,618,500 non-transferable additional rights were issued. The common shares were issue at $1.72 (CAD$2.00) per share for gross proceeds of $1,391,540 (CAD$1,618,500). Each warrant entitles the holder to purchase one additional common share at an exercise price of CAD$2.00 per share, expiring July 7, 2013. The Company paid finder' fee of $556,615 and legal fees and other issue costs of $178,495. The Company also granted finders' compensation warrants to acquire 294,500 common shares at an exercise of CAD$2.00 per share expiring July 7, 2013. The fair value of the finders' warrants is $272,548. Share issue costs of $756,251 were allocated to convertible debentures issued.

Securities held in escrow

At December 31, 2009, 5,136,886 (June 30, 2009 - 2,347,197) of the common shares and 11,990,072 (June 30, 2009 - 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.

(Expressed in US Dollars)

12. SHARE CAPITAL (continued)

Warrants

	Underlying Shares	Exercised Price
		$
Warrants outstanding, June 30, 2009	1,230,000	-
Issued – unit warrants	1,618,500	$ 1.87 (CAD$2.00)
Issued – finders' warrants	323,700	$ 1.87 (CAD$2.00)
Warrants outstanding, December 31, 2009	3,172,200	

The fair value of the 323,700 finders' warrants issued during the period was $272,548 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 (%)	2.27%
Expected dividend yield (%)	-
Expected option life (years)	4
Expected stock price volatility (%)	70%
Weighted average grant date fair value	$0.92

Warrants outstanding at December 31, 2009 are as follows:

Exercise Price	Underlying Shares	Expiry
$1.87 (CAD$2.00)	1,230,000	February 28, 2013
$1.87 (CAD$2.00)	1,942,200	July 7, 2013
	3,172,200	

Rights and Additional Rights

	Rights		Additional Rights	
	Underlying Shares	Expiry	Underlying Shares	Expiry
Outstanding, June 30, 2009	1,025,000	November 30, 2009	1,025,000	November 20, 2010
Issued	1,618,500	November 30, 2009	1,618,500	November 30, 2010
Cancelled	(2,643,500)		-	
Outstanding, December 31, 2009	-		2,643,500	

13. CONTRIBUTED SURPLUS

	$
Balance, June 30, 2009	1,890,711
Finders' warrants	272,548
Make good provision (Note 11(b))	3,243,192
Cash contribution from Zhejiang Boyuan's shareholders	1,850,714
Balance, December 31, 2009	7,257,165

(Expressed in US Dollars)

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:

	$
Balance, June 30, 2009	1,928,732
Transfer for the period	831,916
Balance, December 31, 2009	2,760,648

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:

	Six Months Ended	
	December 31, 2009 $	December 31, 2008 $
Current	2,737,870	1,458,337
Future	19,837	-
Total income tax expenses	2,757,707	1,458,337

16. SIGNIFICANT NON-CASH TRANSACTIONS

The Company has the following significant non-cash transactions:

	Six Months Ended	
	December 31, 2009 $	December 31, 2008 $
Agent's warrants issued pursuant to a public offering	272,548	-
Make good provision	3,243,192	-

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.

17. FINANCIAL INSTRUMENTS (continued)

For the period ended December 31, 2009, revenue from the 5 largest customers accounted for 68% (December 31, 2008 – 3 largest customers accounted for 84%) of total revenue. At December 31, 2009, amounts outstanding from the 5 largest customers accounted for 57% (December 31, 2008 – 82%) 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.

At December 31, 2009, through its subsidiaries, the Company had cash and cash equivalents and restricted cash of $4,885,764 accounts and other receivables of $6,300,106, bank loans of $13,622,535, accounts payable of $13,192,579 and automobile loan of $112,990 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 period ended December 31, 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 insignificant impact on the Company’s net income but could have increased (decreased) the comprehensive income by approximately $1,430,000 ($1,430,000).

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.

(Expressed in US Dollars)

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.

20. EARNINGS PER SHARE

Earnings per share amounts have been calculated as follows:

For the period ended December 31, 2009	Net income $	Weighted Average No. of Shares outstanding	Earnings per Share $
Net income for the period ended December 31, 2009	3,306,832	–	
Weighted average number of shares outstanding	–	12,981,503	
Basic earnings per Share	3,306,832	12,981,503	0.25
Effects of preferred shares and convertible securities			
Preferred shares	–	11,990,072	
Convertible debentures	736,493	3,965,250	
Diluted earnings per Share	4,043,325	28,936,825	0.14

For the period ended December 31, 2008	Net income $	Weighted Average No. of Shares outstanding	Earnings per Share $
Net income for the period ended December 31, 2009	4,418,371	–	–
Weighted average number of shares outstanding	–	3,104,741	-
Basic Earnings per Share	4,418,371	3,104,741	1.42
Effect of preferred shares:			
• Preferred shares	–	21,270,259	
Diluted Earnings per Share	4,418,371	24,375,000	0.18