ZHEJIANG BOYUAN CONSTRUCTION CO., LTD.

Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2008 and 2007

ZHEJIANG BOYUAN CONSTRUCTION CO., LTD.

Contents **Pages**

Consolidated Balance Sheets	2 – 3
Consolidated Statements of Income	4
Consolidated Statements of Changes in Stockholders’ Equity	5
Consolidated Statements of Cash Flows	6
Reconciliation of Net Income to Cash Provided/(Used) in Operating Activities	7
Notes to Financial Statements	8 - 21

THIS PAGE LEFT BLANK INTENTIONALLY

Zhejiang Boyuan Construction Co., Ltd.
Consolidated Balance Sheets
As of December 31, 2008 and June 30, 2008
(Stated in US Dollars)

	Note	As of December 31, 2008	As of June 30, 2008
ASSETS		**(Unaudited)**	**(Audited)**
Current Assets			
Cash	2*(D)*	$ 1,568,993	$ 6,489,500
Restricted cash	3	2,542,499	397,352
Notes receivable		59,817	-
Contracts receivable, *net*	2*(E),* 4	2,655,619	5,836,492
Cost and earnings in excess of billings		34,240,762	9,146,579
Other receivable		4,776,598	3,982,572
Related party receivable	5	364,000	476,996
Inventory	2*(G),*	138,200	79,982
Advances to suppliers	2*(H),*	7,321,225	6,262,545
Prepaid expenses		6,663	-
Prepaid taxes		1,371	1,204
Total Current Assets		53,675,747	32,673,222
Non-Current Assets			
Property, plant & equipment, *net*	2*(I),* 6	6,110,872	5,303,496
Construction in progress	2*(J),* 7	108,169	198,191
Intangible assets, *net*	2*(K),* 8	121,647	118,717
Total Assets		**$ 60,016,435**	**$ 38,293,626**
LIABILITIES			
Current Liabilities			
Bank loans	9	$ 6,492,370	$ 3,128,729
Long term debt – current portion		4,147	8,150
Notes payable	10	3,702,547	662,253
Accounts payable		14,740,248	3,724,852
Taxes payable	11	4,086,125	4,454,734
Other payable		2,896,723	7,474,716
Related party payable	12	44,469	1,372,119
Accrued liabilities		-	728
Customer deposits	2*(M)*	6,119,772	87,561
Total Current Liabilities		$ 38,086,400	$ 20,913,842

See Accompanying Notes to Financial Statements

Zhejiang Boyuan Construction Co., Ltd.
Consolidated Balance Sheets
As of December 31, 2008 and June 30, 2008
(Stated in US Dollars)

		As of December 31, 2008	As of June 30, 2008
		(Unaudited)	**(Audited)**
Long Term Liabilities			
Long term debt		89,371	1,407
Total Liabilities		$ 38,175,770	$ 20,915,249
STOCKHOLDERS' EQUITY			
Registered capital	13	$ 5,537,053	$ 5,537,053
Additional paid in capital		120,036	120,036
Statutory reserve	2*(N)*,14	1,927,039	507,381
Retained earnings		12,345,431	9,346,717
Accumulated other comprehensive income	2*(O)*	1,911,106	1,867,190
Total Stockholders' Equity		21,840,665	17,378,377
Total Liabilities & Stockholders' Equity		**$ 60,016,435**	**$ 38,293,626**

See Accompanying Notes to Financial Statements

Zhejiang Boyuan Construction Co., Ltd.
Consolidated Statements of Income and Comprehensive Income
For the three and six months ended December 30, 2008 and 2007
(Stated in US Dollars)

	Note	(Unaudited) For the three months ended December 31, 2008	(Unaudited) For the three months ended December 31, 2007	(Unaudited) For the six months ended December 31, 2008	(Unaudited) For the six months ended December 31, 2007
Contract revenues earned	2*(P)*	$23,388,354	$5,006,453	$44,659,513	$9,858,371
Cost of contract revenue		20,203,218	4,648,241	38,445,560	9,297,048
Gross profit		3,185,136	358,212	6,213,953	561,323
General & administrative expenses		(29,821)	(290,770)	(242,707)	(501,376)
Operating income		3,155,315	67,442	5,971,246	59,947
Other income		-	423	-	4,004
Interest income		8,548	-	11,569	-
Other expense		(27,709)	(4,192)	(27,709)	(8,562)
Interest expense		(7,871)	(42,095)	(78,398)	(74,837)
Total other income (expense)		(27,032)	(45,863)	(94,538)	(79,395)
Earnings before tax		3,128,283	21,578	5,876,708	(19,448)
Income taxes	2*(R)*,15	(753,015)	(1,745)	(1,458,337)	(1,745)
Net income		**$2,375,268**	**$ 19,834**	**$4,418,371**	**$ (21,193)**

Comprehensive Income:	Note 2*(O)*	(Unaudited) For the three months ended December 31, 2008	(Unaudited) For the three months ended December 31, 2007	(Unaudited) For the six months ended December 31, 2008	(Unaudited) For the six months ended December 31, 2007
Net income		$2,375,268	$19,834	$4,418,371	$(21,193)
Foreign currency translation adjustment	2*(S)*	2,234	29,307	43,916	72,412
		$2,377,502	$49,141	$4,462,287	$51,219

See Accompanying Notes to Financial Statements

Zhejiang Boyuan Construction Co., Ltd.
Consolidated Statements of Changes in Stockholders' Equity
For the year and six months ended June 30, 2008 and December 31, 2008, respectively
(Stated in US Dollars)

	Shares Outstanding	Amount	Additional Paid in Capital	Statutory Reserve	Retained Earnings	Accumulated Comprehensive Other Income	Total
Balance at July 1, 2007 (Audited)	-	$ 5,537,053	$ 120,036	$ 507,381	$ 3,154,164	$ 422,359	$ 9,740,993
Net income					6,192,553		6,192,553
Appropriations of retained earnings							-
Foreign currency translation adjustment						1,444,831	1,444,832
Balance at June 30, 2008 (Audited)	-	$ 5,537,053	$ 120,036	$ 507,381	$ 9,346,717	$ 1,867,190	$ 17,378,377
Balance at July 1, 2008 (Audited)	-	$ 5,537,053	$ 120,036	$ 507,381	$ 9,346,717	$ 1,867,190	$ 17,378,377
Net income					4,418,371		4,418,372
Appropriations of retained earnings				1,419,658	(1,419,658)		-
Foreign currency translation adjustment					-	43,916	43,916
Balance at December 31, 2008 (Unaudited)	-	$ 5,537,053	$ 120,036	$ 1,927,039	$12,345,431	$ 1,911,106	$ 21,840,665

See Accompanying Notes to Financial Statements

Zhejiang Boyuan Construction Co., Ltd.
Consolidated Statements of Cash Flows
For the three and six months ended December 31, 2008 and 2007
(Stated in US Dollars)

	For the three months ended December 31, 2008	For the three months ended December 31, 2007	For the six months ended December 31, 2008	For the six months ended December 31, 2007
Cash Flow from Operating Activities	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Cash received from customers	$18,804,311	$6,439,655	$25,940,135	$12,624,110
Cash paid to suppliers & employees	(20,272,472)	(6,177,344)	(29,507,639)	(11,796,472)
Interest received	8,548	-	11,569	-
Interest paid (net of amount capitalized)	(7,871)	(30,698)	(78,398)	(66,368)
Taxes paid	-	(1,771)	(2,575,480)	(1,771)
Cash sourced in operating activities	(1,467,484)	229,842	(6,209,813)	759,499
Cash Flows from Investing Activities				
Payments for purchases of equipment	(474,380)	(464,733)	(833,700)	(820,540)
Payments for purchases of intangible assets	(1,444)	(757)	(3,159)	(757)
Cash (used) in investing activities	(475,824)	(465,490)	(836,859)	(821,297)
Cash Flows from Financing Activities				
Proceeds from borrowings from bank	3,449,464	165,106	3,449,464	26,774
(Repayment of bank loans)	-	(33,807)	(9,368)	(8,553)
Dividends paid	-	-	-	(1,723,147)
(Repayment of loan from shareholders)	(918,379)	-	(1,321,387)	-
Cash sourced/(used) in financing activities	2,531,085	131,299	2,108,709	(1,704,926)
Net Increase/(Decrease) in Cash & Cash Equivalents for the Year	587,777	(104,349)	(4,937,963)	(1,766,724)
Effect of Currency Translation	49,891	(244,594)	17,456	73,854
Cash & Cash Equivalents at Beginning of Year	931,325	1,487,525	6,489,500	2,831,452
Cash & Cash Equivalents at End of Year	$1,568,993	$1,138,582	$1,568,993	$1,138,582

See Accompanying Notes to Financial Statements

Zhejiang Boyuan Construction Co., Ltd.
Consolidated Reconciliation of Net Income to Cash Sourced/(Used) in Operating Activities
For the three and six months ended December 31, 2008 and 2007
(Stated in US Dollars)

	For the three months ended December 31, 2008	**For the three months ended December 31, 2007**	**For the six months ended December 31, 2008**	**For the six months ended December 31, 2007**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income	$2,375,268	$19,834	$4,418,371	$(21,193)
Adjustments to reconcile net income to net cash sourced by operating activities:				
amortization	357	-	534	-
depreciation	72,043	35,877	130,360	76,832
decrease/(increase) in restricted cash	(1,890,498)	12,913	(2,141,471)	9,260
decrease/(increase) in notes receivable	(59,827)	-	(59,827)	-
decrease/(increase) in contracts receivable	1,774,987	1,562,512	3,196,373	1,982,446
decrease/(increase) in costs and earnings in excess of billings	(12,294,516)	-	(25,074,720)	-
decrease/(increase) in other receivable	2,157,073	86,512	(783,926)	1,192,121
decrease/(increase) in related party receivable	(51,111)	-	114,239	-
decrease/(increase) in inventory	47,898	(1,286,390)	(58,022)	(317,575)
decrease/(increase) in advance to suppliers	3,023,897	(933,155)	(1,042,767)	(1,284,857)
decrease/(increase) in prepaid expenses	380	-	(164)	-
decrease/(increase) in prepaid taxes	(3,236)	2,898	(6,664)	2,605
increase/(decrease) in notes payable	2,615,793	-	3,039,081	-
increase/(decrease) in accounts payable	(1,053,879)	685,753	11,007,598	25,689
increase/(decrease) in taxes payable	925,793	7,986	(380,109)	19,783
increase/(decrease) in other payable	(4,887,536)	(36,537)	(4,597,924)	(361,769)
increase/(decrease) in accrued liabilities	(219)	(545)	(730)	(5,302)
increase/(decrease) in customer deposits	5,779,848	72,184	6,032,954	(558,541)
Total of all adjustments	(3,842,752)	210,008	(10,628,184)	780,692
Net Cash Provided by/(Used in) Operating Activities	**$(1,467,484)**	**$229,842**	**$(6,209,813)**	**$759,499**

See Accompanying Notes to Financial Statements

Zhejiang Boyuan Construction Co., Ltd.
Notes to the Consolidated Financial Statements
As of December 31, 2008 (unaudited) and June 30, 2008 (audited)
and for the six months ended December 31, 2008 and 2007 (unaudited)

1. The Company and Principal Business Activities

Zhejiang Boyuan Construction Co., Ltd. (the "Company") was first incorporated under the laws of the People's Republic of China ("PRC") on January 17, 2000 under the name of Jiaxing City Qian Long Gong Mao. The Company had changed names several times since inception. The Company's current name, Zhejiang Boyuan Construction Co., Ltd., was registered on August 30, 2006. The Company is located in the City of Jiaxing, in the Zhejiang Province, of the PRC.

The Company is a general contractor in the construction industry. The Company engages in business activities under its own name or through its wholly owned subsidiary, Ziyuan Construction Co., Ltd.

2. Summary of Significant Accounting Policies

(A) Basis of presentation

These accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP").

(B) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes these estimates using the best information available at the time the estimates are made; however, actual results could differ materially from these estimates.

(C) Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary, Ziyuan Construction Co., Ltd. Inter-company transactions, such as sales, cost of sales, due to/due from balances, investment in subsidiaries, and subsidiaries' capitalization have been eliminated.

(D) Cash and cash equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

(E) Contracts receivable

The Company extends unsecured, non-interest bearing credit to its customers; accordingly, the Company carries an allowance for doubtful accounts, which is an estimate, made by management. Management makes its estimate based on prior experience rates and assessment of specific outstanding customer balances. Management must approve credit extended to new customers who have met the criteria of the Company's credit policy.

(F) *Retainage*

Many of the contracts under which the Company performs work contain retainage provisions. Retainage refers to that portion of billings made by the Company but held for payment by the customer pending satisfactory completion of the project. Unless reserved, the Company assumes that all amounts retained by customers under such provisions are fully collectible. Retainage on active contracts is classified as a current asset regardless of the term of the contract and is generally collected within one year of the completion of a contract.

(G) *Inventory*

The Company's inventories are stated at the lower of cost or market as determined by the first in first out method. Inventories at December 31, 2008, and June 30, 2008 consisted primarily of raw materials, such as concrete and millings, which are expected to be utilized on construction projects in the future. The cost of inventory includes labor, trucking and other equipment costs.

(H) *Advances to suppliers*

Advances to suppliers represent the cash paid in advance for purchasing raw materials. The advances to suppliers are interest free and unsecured.

(I) *Property, plant, and equipment*

Property, plant, and equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized.

Property and equipment are depreciated using the straight-line method over their estimated useful life assuming a 5% salvage value. Their useful lives are as follows: -

Fixed Asset Classification	Useful Life
Buildings	30 years
Manufacturing Equipment	10 years
Office Equipment	5 years
Vehicles	5 years

(J) *Construction in progress*

Construction in progress represents the direct costs of design, acquisition, and construction of buildings, building improvements and land improvements. Capitalization of these costs ceases when substantially all activities necessary to prepare the assets for their intended use are completed. At such point, construction in progress is transferred to its respective asset classification. No depreciation is provided until it is completed and ready for intended use.

(K) *Intangible Assets*

The Company acquires long dated land use rights from the PRC Government. Land Use Rights are stated at cost less accumulated amortization. Amortization is provided over its useful life, using the straight-line method. The useful life of the land use right were between 30 and 50 years.

(L) *Accounting for Impairment of Long-Lived Assets*

The Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

(M) *Customer deposits*

Customer Deposits represents money the Company has received in advance for its contracted construction projects. The Company considers customer deposits as a liability until services have been rendered at which point the balances will be transferred to contract revenue.

(N) *Statutory reserve*

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

(O) *Comprehensive income*

In accordance with SFAS No. 130, *"Reporting Comprehensive Income",* comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other financial statements. The Company's current component of other comprehensive income is the foreign currency translation adjustment.

(P) *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, "Costs and estimated earnings in excess of billings on uncompleted contracts" represents revenues recognized in excess of amounts billed on these contracts. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of revenues recognized on these contracts.

(Q) *Retirement benefits*

Full-time employees of the Company are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. The Company is required to accrue for these benefits based on certain percentages of the employees' salaries. Costs related to the retirement benefits are charged to the Company' statements of income as incurred.

(R) *Income taxes*

In accordance with SFAS No. 109 *"Accounting for Income Taxes",* the Company accounts for income tax using an asset and liability approach and allows for recognition of deferred tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not that such items will either expire before the Company is able to realize their benefits, or that future realization is uncertain.

(S) *Foreign currency translation*

The Company maintains its financial statements in the functional currency. The functional currency of the Company is the Renminbi (RMB). Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchanges rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

For financial reporting purposes, the financial statements of the Company, which are prepared using the functional currency, have been translated into United States dollars. Assets and liabilities are translated at the exchange rates at the balance sheet dates; and revenue and expenses are translated at the average exchange rates; and stockholders' equity is translated at historical exchange rates. Any translation adjustments resulting are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders' equity.

Exchange Rates	12/31/2008	6/30/2008	12/31/2007
Period end RMB:US$ exchange rate	6.8542	6.8718	7.3141
Average RMB:US$ exchange rate	6.8531	7.29063	7.6172

RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into US$ at the rates used in translation.

(T) *Recent accounting pronouncements*

In December 2007, the FASB issued SFAS 141 (revised 2007), *Business Combinations*, (''SFAS 141(R)''). SFAS 141(R) retains the fundamental requirements of the original pronouncement requiring that the purchase method be used for all business combinations, but also provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired and liabilities assumed arising from contingencies, the capitalization of in-process research and development at fair value, and the expensing of acquisition-related costs as incurred. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. In the event that the Company completes acquisitions subsequent to its adoption of SFAS 141 (R), the application of its provisions will likely have a material impact on the Company's results of operations, although the Company is not currently able to estimate that impact.

In September 2006, the FASB issued SFAS 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, where fair value is the relevant measurement attribute. The standard does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal year beginning after November 15, 2007, and interim periods within those fiscal years.

In February 2007, the Financial Accounting Standards Board issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of SFAS 115 (SFAS No. 159), which allows for the option to measure financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The objective of SFAS 159 is to provide opportunities to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply hedge accounting provisions. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007.

The Company has adopted SFAS 157 and SFAS No. 159 effective January 1, 2008. The Company does not believe that the adoptions of these standards will material impact its current consolidated financial statements.

In December 2007, the FASB issued SFAS 160, *Non-controlling Interests in Consolidated Financial Statements − an amendment of ARB No. 51*. SFAS 160 requires that ownership interests in subsidiaries held by parties other than the parent (previously referred to as minority interests), and the amount of consolidated net income, be clearly identified, labeled and presented in the consolidated financial statements. It also requires once a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary be initially measured at fair value. Sufficient disclosures are required to clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners as components of equity. It is effective for fiscal years beginning after December 15, 2008, and requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements are applied prospectively.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 applies to all derivative instruments and related hedged items accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 161 requires entities to provide greater transparency about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (the GAAP hierarchy). Statement 162 will become effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles."

The Company is currently evaluating the impact of the expected adoption of SFAS No. 160, SFAS No. 161, and SFAS No. 162.

In September 2008, FASB issued FSP No. 133-1 and FIN 45-4, “Disclosures about Credit Derivatives and Certain Guarantees”, an amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161. This FSP is intended to improve disclosures about credit derivatives by requiring more information about the potential adverse effects of changes in credit risk on the financial position, financial performance, and cash flows of the sellers of credit derivatives. The provisions of the FSP that amend Statement 133 and FIN 45 are effective for reporting periods (annual or interim) ending after November 15, 2008. As at December31, 2008, the Company has adopted FSP No. 133-1 and FIN 45-4, and believes adoption of these principles do not have material impact on its financial statements.

3. 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. 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.

4. Contracts Receivable

Contracts receivable consisted of the following at: -

	At December 31, 2008	At June 30, 2008
Contracts receivable – construction	$ 2,795,388	$ 6,220,673
Less: Allowance for doubtful accounts	139,769	384,181
Net construction receivable	$ 2,655,619	$ 5,836,492
Allowance for doubtful accounts		
Beginning balance	$ 384,181	$ 153,581
Allowance provided	-	230,600
Reversal	(244,412)	-
Ending balance	$ 139,769	$ 384,181

5. Related Party Receivable

	At December 31, 2008	At June 30, 2008
Due from the Chairman & CEO	$ 306,565	$ 476,996
Due from an affiliated company for a property construction project in San Ya City*	57,435	-
	$ 364,000	**$ 476,996**

The related party receivables are advances made to shareholders who are also employees of the company. The advances are used for travel and general business expenses that are incurred in the normal course of business. The advances do not bear interest and are uncollateralized.

*The affiliated company in Sanya shares common ownership with the Company.

6. Property, Plant & Equipment

At December 31, 2008	**Cost**	**Accumulated Depreciation**	**Net**
Buildings	$ 2,685,303	$ 533,402	$ 2,151,901
Construction Equipment	4,552,207	1,167,759	3,384,448
Office Equipment	762,966	188,443	574,523
	$ 8,000,476	**$ 1,889,604**	**$ 6,110,872**

At June 30, 2008	**Cost**	**Accumulated Depreciation**	**Net**
Buildings	$ 2,465,855	$ 423,154	$ 2,042,701
Construction Equipment	4,028,842	1,126,268	2,902,574
Office Equipment	494,805	136,584	358,221
	$ 6,989,502	**$ 1,686,006**	**$ 5,303,496**

Using average exchange rates for the period, the Company recorded depreciation to its statements of income in the amounts of $203,632 and $158,404 for the six months ended December 31, 2008 and 2007, respectively.

7. Construction in Progress

Construction in Progress pertains to remodeling of the Company's self-owned property being the operating facility.

Description	**At December 31, 2008**	**At June 30, 2008**
Construction Materials	$ 108,169	$ 194,891
Labor	-	3,300
	$ 108,169	**$ 198,191**

8. Intangible Assets

The Company had the following intangible assets comprised of land use rights and other miscellaneous items equaling less than 1% of the total value with the following outstanding balances at:-

Cost	**At December 31, 2008**	**At June 30, 2008**
Land use rights	$ 118,249	$ 115,940
Accounting software	7,233	4,978
Other	-	1,092
	125,482	122,010
Accumulated Amortization		
Land use rights	2,011	1,819
Accounting software	1,824	1,346
Other	-	128
	3,835	3,293
Net	**$ 121,647**	**$ 118,717**

9. Bank Loans

Lender	Due Date	Interest Rate Per Annum	Balance at December 31, 2008
Jiaxing Commercial Bank-Pinghu Branch	9/26/2009	9.36%	$ 218,844
Industrial & Commercial Bank of China Pinghu Branch	6/9/2009	9.71%	291,792
Industrial & Commercial Bank of China Pinghu Branch	1/9/2009	8.54%	437,688
Industrial & Commercial Bank of China Pinghu Branch	3/9/2009	8.54%	671,121
Industrial & Commercial Bank of China Pinghu Branch	4/7/2009	8.07%	350,150
Industrial & Commercial Bank of China Pinghu Branch	4/29/2009	7.84%	437,688
Jiaxing Bank of Communication Xiucheng Branch	4/5/2009	8.07%	291,792
Jiaxing Bank of Communication Xiucheng Branch	4/15/2009	7.96%	437,688
Bank of Investment Jiaxing Branch	12/22/2009	5.84%	1,167,168
Xingye Bank Jiaxing Branch	6/23/2009	5.35%	2,188,439
			$ 6,492,370

Lender	Due Date	Interest Rate Per Annum	Balance at June 30, 2008
Jiaxing Commercial Bank-Pinghu Branch	9/30/2008	9.7110%	$ 218,283
Bank of Communication-Xiu City Branch	10/7/2008	8.5410%	291,045
Bank of Communication-Xiu City Branch	10/20/2008	8.5410%	436,567
Industrial & Commercial Bank of China Pinghu Branch	6/9/2009	9.7110%	291,045
Industrial & Commercial Bank of China Pinghu Branch	7/10/2008	8.5410%	436,567
Industrial & Commercial Bank of China Pinghu Branch	10/10/2008	9.4770%	349,253
Industrial & Commercial Bank of China Pinghu Branch	10/31/2008	9.4770%	436,567
Industrial & Commercial Bank of China Pinghu Branch	9/11/2008	9.1260%	669,402
			$ 3,128,729

The Company’s loans with Industrial & Commercial Bank of China are securitized by its real property and land.

10. Notes Payable

The Company issued banks drafts through its primary banking partner, Industrial & Commercial Bank of China-Pinghu Branch to its vendors for the purchases of raw materials in the normal course of business. At December 31, 2008, there were 20 bank drafts outstanding. The drafts were for various amounts ranging from $14,588 (RMB 100,000) to $1,167,168 (RMB 8,000,000). The drafts were issued on various dates, all with 6-month maturities, with the latest maturity date of June 30, 2009. These drafts are negotiable documents that have been partially guaranteed by compensating deposits held at Industrial & Commercial Bank of China-Pinghu Branch. The Company has also classified these compensating deposits as restricted cash (Refer to Note 3).

11. Taxes Payable

Description	At December 31, 2008	At June 30, 2008
Business Tax	$ 1,507,540	$ 861,728
Income Tax	2,342,528	3,450,468
City Construction & Real Estate Tax	87,404	39,107
Personal Income Tax Withheld	148,653	103,431
	$ 4,086,125	**$ 4,454,734**

12. Related Party Payable

The related party payables were comprised of the following accounts:

	At December 31, 2008	At June 30, 2008
Due to a shareholder, Madam Hung, Wing Chun	$ 28,321	$ 167,351
Due to a shareholder, Mr. Hung, Wing Cheung	16,148	27,649
Due to an affiliated company for a property construction project in San Ya City*	-	1,177,119
	$ 44,469	**$ 1,372,119**

*The affiliated company in Sanya shares common ownership with the Company.

13. Capital Structure

The following is a table that summarizes the registered capital of the Company:

Registered Capital Outstanding at:	US GAAP	in RMB	GAAP Adjustment	in RMB	PRC GAAP	in RMB
December 31, 2008	$ 5,537,053	¥43,971,095	$ 1,000,047	¥7,828,905	$ 6,537,099	¥51,800,000
June 30, 2008	$ 5,537,053	¥43,971,095	$ 1,000,047	¥7,828,905	$ 6,537,099	¥51,800,000

The Company declared a dividend to its shareholders during the fiscal year ended June 30, 2007. The shareholders recapitalized the Company so that the unadjusted registered capital exceeded $6,307,171 (RMB 50,000,000). With a registered capital in excess of $6,307,171, the Company qualifies as a tier and construction contractor, and accordingly, is qualified to bid for large scale and government contracts.

14. Statutory Reserve Commitment

	At December 31, 2008	**At June 30, 2008**
PRC Unadjusted Registered Capital	$ 6,537,099	$ 6,537,099
Statutory Reserve Ceiling based on 50% of PRC Registered Capital	3,268,550	3,268,550
Less: Additional Paid in Capital carried in Capital Reserve Account under PRC GAAP that reduces commitment	(120,036)	(120,036)
Less: Retained Earnings appropriated to Statutory Reserve	(1,927,039)	(507,381)
Statutory Reserve Commitment Outstanding	$1,221,475	$2,641,133

15. Income Taxes

During the years 2008 and 2007, the Company's operations were conducted entirely in the PRC. It is the Company's contention that, during these periods, the Company was not incorporated nor conducted any business in the United States and therefore should not be subject to the jurisdiction of United States Internal Revenue Code. Accordingly, no provisions for U.S. income taxes were made.

All of the Company's operations are in the PRC, and are subject to PRC tax laws and regulations. On January 1, 2008, newly enacted tax law was put into effect. In accordance with new tax laws, companies incorporated in the PRC are subject to a 25% corporate income tax rate. Prior to January 1, 2008, the relevant corporate income tax rate was 33%. Since the Company is subject to the PRC tax laws, the Company has received benefit from the newly enacted laws that call for lower tax rates.

	For the six months ended December 31, 2008	**For the six months ended December 31, 2007**
Earnings before tax	5,876,709	(19,448)
PRC income tax rate	25%	33%
Estimated tax expense provided	1,458,337	-

16. Risks

(a) 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.

(b) Credit risks

i. 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 A 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.

ii. Cash deposits with banks are subject to the risk of bankruptcy of the bank. Banks in the PRC do not have the choice to purchase state underwritten depository insurance because there is no such system in place in the PRC.

17. <u>Differences between Canadian and United States Generally Accepted Accounting Principles</u>

The financial statements as at December 31, 2008 and June 30, 2008 and for the six month periods ended December 31, 2008 and 2007 have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") which differ in some respects from accounting principles generally accepted in Canada ("CND GAAP"). There are no material differences between CDN and U.S. GAAP affecting the Company’s financial statements.

a) For CDN GAAP purposes, the Company has adopted the following pronouncements

i) Accounting Changes

In July 2006, the Accounting Standards Board (“AcSB”) issued a replacement of CICA Handbook Section 1506, “Accounting Changes”. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of the changes in accounting policies, estimates and errors on the financial statements. The adoption of Section 1506, effective July 1, 2007, had no impact on these financial statements.

ii) Financial Instruments, Comprehensive Income and Hedging Relationships

Effective July 1, 2007, the Company adopted the following new accounting standards relating to financial instruments, as issued by the Canadian Institute of Chartered Accountants: Section 3855, “Financial Instruments – Recognition and Measurement”; Section 1530, “Comprehensive Income”; and Section 3865, “Hedges”.

Effective July 1, 2008, the Company adopted Section 3862, “Financial Instruments - Disclosure” and Section 3863, “Financial Instruments - Presentation”.

These changes in accounting policy were applied in accordance with the transitional provisions contained in each of these sections.

Financial Instruments

Sections 3855, 3862 and 3863 provide guidance for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. These standards require financial assets, liabilities and derivatives to initially be recognized at fair value. After initial recognition, financial instruments are measured at fair value, amortized cost or cost, depending on the classification of the financial instrument. These standards also require the Company to recognize and measure derivative instruments embedded in host contracts that were issued on or after January 1, 2003.

Upon the adoption of the new standards on July 1, 2007, the Company has classified its financial instruments as follows:

- Cash is classified as held-for-trading and are measured at fair value with changes in fair value recognized in net loss. This classification had no impact on the Company's financial statements at the time of adoption.
- Contracts receivable, other receivable and advances to suppliers are classified as loans and receivables, which are measured at amortized cost. This classification had no impact on the Company's financial statements at the time of adoption.
- Bank loans, long term debt, accounts payable, taxes payable (other than corporate income taxes payable), other payable, dividend payable and customer deposits are classified as other financial liabilities and are measured at amortized cost using the effective interest method. This classification had no impact on the Company's financial statements at the time of adoption.

In addition, the Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments. The Company did not have any available for sale financial assets, held-to-maturity instruments and outstanding contracts with embedded derivatives at July 1, 2007.

Comprehensive Income

Section 1530 establishes standards for the reporting and display of comprehensive income. The Company's only component of comprehensive income was unrealized holding losses on available for sale securities.

Hedges

Section 3865 establishes standards on when and how hedge accounting may be applied. Hedge accounting under this section is optional. The adoption of this standard did not have any impact on the Company's financial statements.

iii) Capital Disclosures

In October 2006, the AcSB issued CICA Handbook Section 1535, "Capital Disclosures", which establishes standards for disclosing information about an entity's capital and how it is managed. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company adopted the standard on July 1, 2008.

The Company defines capital as all components of shareholders' equity, cash and restricted cash, bank loans, notes payable and long term debt. The Company's objectives, when managing capital, are to maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations with sufficient capital and capacity to manage unforeseen operational and industry developments and to ensure the Company has the capital and capacity to allow for business growth opportunities and/or support the growth of its existing business. The Company is not subject to any externally imposed capital requirements.

ii) Inventories

In May 2007, the AcSB issued CICA Handbook Section 3031, "Inventories". Section 3031 introduces changes to the measurement and disclosure of inventory and converges with international financial reporting standards and is effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The Company adopted the standard on July 1, 2008.

b) Recently Issued Canadian Accounting Pronouncements

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

ii) In February 2008, the AcSB confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. Management is currently assessing the impact of adopting IFRS and it has not yet determined its effect on the Company's financial statements.

iii) In May 2007, the AcSB amended Section 1400, "General Standards of Financial Statement Presentation", to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future which is at least, but is not limited to, twelve months from the balance sheet dates. Disclosure is required for material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

iv) In January 2009, the CICA issued EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This new standard is effective for the Company's interim and annual financial statements for its fiscal year commencing on July 1, 2009. The guidance requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

18. Subsequent Events

On February 27, 2009 the Company completed the acquisition of all of the issued and outstanding common shares of SND Energy Ltd. through a reverse-takeover transaction.

Concurrent with the closing of the acquisition, the Company also completed a private placement financing which generated gross proceeds of CDN$4.1 million in a unit offering, issuing secured convertible debentures and 512,500 common shares to accredited investors. Under the terms of the private placement financing, investors received units priced at CDN$1,000 each, consisting of one listed convertible debenture and 125 free-trading common shares at CDN$2.00 per share, along with 250 warrants. The private placement investors will be able to convert the debentures at any time during their four-year term into common shares of the Company at CDN$2.00 per share. The warrants are exercisable at CDN$2.00 per share for the same four-year period. Each debenture holder will also receive 250 rights and 250 additional rights. Each right and additional right entitles the holder to receive one new share upon execution of a make-good provision.

Under the make-good provision, the Company's Chairman deposited into escrow 2,050,000 common shares, equal to the total dollar value of the private placement financing. In the event that the Company does not achieve after-tax net income of at least US$8.5 million for its fiscal year ending June 30, 2009 and US$11.5 million for the fiscal year ending June 30, 2010, the escrow agent will transfer, for no additional consideration, one escrowed share for each exercised right. Should the Company not achieve the above earnings targets, half of the make-good escrow shares are transferable to the private placement investors within 30 days of the Company posting its audited financial results on SEDAR, for each of fiscal 2009 and 2010,. Following the expiry of the additional rights exercise period, all shares remaining in escrow will be transferred back to the Company's management if they are not otherwise transferred to the offering's private placement investors.

The debentures will be listed separately on the TSX Venture Exchange, mature on February 27, 2014, and bear interest an annual interest rate of 11.75% paid quarterly in cash.

The gross proceeds of the private placement financing will be used by the Company for working capital purposes as well as for the procurement of new construction equipment.

As a result of the completed acquisition and concurrent financing, Boyuan's common shares and the convertible debentures have received conditional listing approval to begin trading on the TSX Venture Exchange under the symbol BOY.