Management’s Discussion and Analysis

June 1, 2009

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 March 31, 2009. It should be read in conjunction with the unaudited consolidated financial statements for the three months ended March 31, 2009 and audited consolidated financial statements for the year ended June 30, 2008. 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.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements which reflect management’s expectations regarding the Company’s operating performance, business prospects and opportunities. Words such as “expects”, “anticipates”, “intends”, “plans”, “contemplate”, “target”, “estimates”, and similar expressions identity forward-looking statements. These statements are not guarantees of future performance and actual results may differ materially. Although the Company has attempted to identify major risks and factors that could cause actual results to differ materially from the forward-looking statements, there is no assurance all such risks and factored are all identified and accounted for. Accordingly, readers should not place any undue reliance on forward-looking statements. The Company does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report.

OVERVIEW OF BUSINESS

About Boyuan

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

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

Currently the Company has a significant 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 and the City of Sanya.

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

Key Factors Affecting Our Business

Most of our projects are on a cost plus basis. We are therefore protected by a large extent from any significant increase in our raw material costs.

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. China is not completely immune to the global economic conditions and therefore the global recession in the past year has affected China as well, though to a much smaller extent than the more developed regions such as North America and Europe. Rather than having a double-digit GDP growth, China is targeting a GDP growth rate of 8% for 2009. With this lower yet still relatively healthy growth rate, and China being a developing country, we continue to see an abundance of construction activities in the market.

2. The construction industry in China is highly fragmented with a number of very large State-Owned construction companies and a large number of regional and local construction companies. We have been very successful in competing with these players 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.

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 for project retainage. Many of our contracts contain retainage provisions. Retainage refers to that portion of billings made by us but held for payment by the customer pending satisfactory completion of the project. The retainage percentage is normally 25% for most of our projects.

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, “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.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

	For the three months ended March 31		For the nine months ended March 31	
	2009 ($)	2008	2009 ($)	2008
Operating Results				
Contract revenue earned	15,938,724	28,792,367	60,598,237	38,650,738
Cost of contract revenue	13,619,467	23,212,143	52,065,027	32,509,191
Gross profit	2,319,257	5,580,224	8,533,210	6,141,547
Net income	1,159,644	4,356,204	5,578,015	4,335,011
Earnings per share				
Basic	0.35	1.40	1.74	1.40
Diluted	0.35	1.40	1.74	1.40

	March 31, 2009	June 30, 2008
Financial Position		
Current assets	$69,565,361	$32,673,222
Total assets	75,895,309	38,293,626
Current liabilities	50,148,557	20,913,842
Total liabilities	51,200,174	20,915,249
Total shareholders' equity	24,695,136	17,378,377

RESULTS OF OPERATIONS

Total contract revenue earned was $60,598,237 for the nine months period ended March 31, 2009 which was substantially higher than the contract revenue earned of $38,650,738 for the same period last year. Net income increased by 29% from $4,335,011 in the nine months ended March 31, 2008 to $5,578,015 in the current nine months period ended March 31, 2009.

Total contract revenue earned for the three months ended March 31, 2009 was $15,938,724 compared to $28,792,367 for the same period last year. Gross profit was $2,319,257 for the three months ended March 31, 2009 representing a margin of 14.55% on revenue. Gross profit for the same period last year was $5,580,224 representing a margin of 19.38% on revenue.

The decrease in our contract revenue earned and gross profit in the three months period ended March 31, 2009 as compared to the same period last year did not reflect the full extent of our business activities in the current period. The size of our construction backlog continues to increase from last year. There were several delays in construction activities in the first half of last year due to licensing issues with the developers. Once these issues were cleared, we stepped up our construction activities in the third quarter of last year to make up for lost time despite this period being our traditionally slow period for construction activities due to the Chinese New Year holidays. As a result, we had an unusually profitable third quarter last year with gross profit in that quarter alone make up for over 90% of the gross profit for the nine months period ending March 31, 2008.

The general and administrative expense for the three months period ended March 31, 2009 was $518,815 representing an increase of 134 % over the same period last year's expense of $221,563. The major increase came from the professional fee expense relating to our listing in the TSX Venture Exchange.

Interest expense for this quarter was $169,068 which was $99,856 higher than 2008. The higher expense amount was due to the increase in our bank loans and bank drafts in support of the increase in our project backlog.

Income tax expense for this period was $472,978 compared to $945,978 last year. The decrease was due to the lower income earned during the period.

As a result of the foregoing, net income for the period was $1,159, 644 compared to a net income of $4,356,204 in the same period in 2008.

We are likely to see a continuation of our backlog growth in the foreseeable future. We do not expect any significant change to our operating margins based on contracts currently under negotiation. We have stepped up our construction activities for the quarter ending June 30, 2009 to make up for loss time in the third quarter due to the Chinese New year holidays.

TRANSACTIONS WITH RELATED PARTIES

Related parties transactions are summarized as follows:

	At March 31 2009	At June 30 2008
Due from the Chairman & CEO	$987,455	$476,996
Due from an affiliated company	57,435	-
Due to shareholders	27,755	195,000
Due to affiliated companies	1,194,940	1,177,119

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

During the course of the year certain affiliated companies paid to our suppliers on our behalf resulting in the above Due to affiliated companies balance.

SUMMARY OF QUARTERLY RESULTS

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

	Revenue	Net Income(Loss)	Basic EPS	Diluted EPS
Q3, 2009	$15,938,724	$1,159,644	$0.35	$0.35
Q2, 2009	23,388,354	2,375,268	0.75	0.75
Q1, 2009	21,271,159	2,043,103	0.64	0.64
Q4, 2008	17,807,852	1,857,542	0.60	0.60
Q3, 2008	28,792,367	4,356,204	1.40	1.40
Q2, 2008	5,006,453	19,834	0.01	0.01
Q1, 2008	4,851,918	(41,027)	(0.01)	(0.01)
Q4, 2007	14,182,320	1,943,566	0.63	0.63

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended March 31	
	2009	**2008**
Cash Flow Data		
Operating activities	($3,620,304)	$3,914,303
Investing activities	(50,754)	(203,560)
Financing activities	3,801,026	174,525
Effect of currency translation	3,575	208,496
Net Increase in cash and cash equivalents	133,543	4,093,764

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 a cash and cash equivalents balance of $1,702,536 at the end of March 31, 2009 as compared to a cash and cash equivalents balance of $6,489,500 same period last year. This reduction was due to the significant increase in new construction projects in the past nine months, thus requiring additional working capital. We have $69,565,361 in current assets and $50,148,557 in current liabilities.

In connection with the RTO transaction described in the overview of our business, the Company has completed a concurrent financing of $3,333,300 (CDN$4,100,000). The Company issued 4,100 subscription receipts at a price of $813 (CDN$1,000). Each subscription receipt is comprised, at no additional cost, one unit (the "Units"). Each Unit will consist of one convertible debenture in the principal amount of $609 (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 of the at the conversion price of CDN$2.00 per share plus accrued interest paid in cash. The conversion right may be exercised at the option of the holder commencing one day after closing and until the close of business on the sixth date prior to the maturity date. The Convertible Debentures will mature in three cycles with 1/3 of the principal maturing 2 years and 1 day after the closing date, 1/3 of the principal maturing 3 years and 1 day after the closing date, and 1/3 of the principal maturing 4 years and 1 day after the closing date. Each warrant will entitle the holder, upon exercise, to receive a common share at a price of CDN$2.00 for a period of four years following closing date. Each right and additional right will entitle the holder, upon exercise, to receive one common share of the Company. Each right will be exercisable during the rights exercise period and each additional right will be exercisable during the additional rights exercise period. The rights exercise period shall commence on the date that the Company files on SEDAR its audited annual financial statements for the year ending June 30, 2009 and ending 30 days thereafter. The additional rights exercise period shall commence on the date that the Company files on SEDAR its audited annual financial statements for the year ended June 30, 2010 and ending 30 days thereafter. Any unexercised rights or additional rights will expire on November 30, 2010.

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

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

As of May 29, 2009 the Company had 21,270,259 preferred shares and 3,659,741 common 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 March 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 a change in +/- 10% in RMB exchange rate could have an impact of approximately +/- $853,000 on the Company's net income.

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

Liquidity Risk

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

Economic, political, & legal risk

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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

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

BOYUAN CONSTRUCTION GROUP, INC.

(Formerly SND Energy Ltd.)

Consolidated Financial Statements

March 31, 2009 and June 30, 2008

(Unaudited – Prepared by Management)

BOYUAN CONSTRUCTION GROUP, INC.

Contents

NOTICE OF NO AUDITOR REVIEW

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditor have not reviewed the unaudited interim consolidated financial statements for the quarter ended March 31, 2009.

Boyuan Construction Group, Inc.
Consolidated Balance Sheets
As at March 31, 2009 and June 30, 2008
(Stated in US Dollars)

	Note	As at March 31, 2009 (Unaudited)	As at June 30, 2008 (Audited)
ASSETS			
Current Assets			
Cash and Cash Equivalents		$ 1,702,536	$ 6,489,500
Restricted cash	3	2,567,915	397,352
Contracts receivable, *net*	4	11,136,551	5,836,492
Cost and earnings in excess of billings		37,802,095	9,146,579
Other receivable		3,411,246	3,982,572
Related party receivable	5	1,044,890	476,996
Inventory		928,406	79,982
Advances to suppliers		10,805,231	6,262,545
Prepaid expenses		166,346	-
Prepaid taxes		145	1,204
Total Current Assets		69,565,361	32,673,222
Non-Current Assets			
Property, plant & equipment, *net*	6	6,070,565	5,303,496
Construction in progress	7	133,833	198,191
Intangible assets, *net*	8	125,550	118,717
Total Assets		**$ 75,895,309**	**$ 38,293,626**
LIABILITIES			
Current Liabilities			
Bank loans	9	$ 6,500,526	$ 3,128,729
Long term debt – current portion		46,711	8,150
Notes payable	10	3,549,462	662,253
Accounts payable		15,430,600	3,724,852
Taxes payable	11	5,050,430	4,454,734
Other payable		4,679,292	7,474,716
Related party payable	12	1,222,695	1,372,119
Accrued liabilities		-	728
Customer deposits		13,668,841	87,561
Total Current Liabilities		50,148,557	20,913,842
Long Term Liabilities			
Long term debt		46,500	1,407
Convertible debenture – liability component	13	1,005,117	-
Total Liabilities		$ 51,200,174	$ 20,915,249

See Accompanying Notes to Consolidated Financial Statements

Boyuan Construction Group, Inc.
Consolidated Balance Sheets
As at March 31, 2009 and June 30, 2008
(Stated in US Dollars)

	Note	As at March 31, 2009 (Unaudited)	As at June 30, 2008 (Audited)
STOCKHOLDERS' EQUITY			
Share capital	14	$ 5,455,868	$ 5,537,053
Contributed Surplus		1,787,955	120,036
Equity component of convertible debenture	13	79,173	-
Statutory reserve	15	3,347,145	507,381
		10,670,141	6,164,470
Retained earnings		12,084,968	9,346,717
Accumulated other comprehensive income		1,940,027	1,867,190
		14,024,995	11,213,907
Total Stockholders' Equity		24,695,136	17,378,377
Total Liabilities & Stockholders' Equity		**$ 75,895,310**	**$ 38,293,626**

See Accompanying Notes to Consolidated Financial Statements

Boyuan Construction Group, Inc.
Consolidated Statements of Income
For the three and nine months ended March 31, 2009 and 2008
(Stated in US Dollars)
(Unaudited)

	Note	For the three months ended March 31, 2009	For the three months ended March 31, 2008	For the nine months ended March 31, 2009	For the nine months ended March 31, 2008
Contract revenues earned		$ 15,938,724	$ 28,792,367	$ 60,598,237	$ 38,650,738
Cost of contract revenue		13,619,467	23,212,143	52,065,027	32,509,191
Gross profit		2,319,257	5,580,224	8,533,210	6,141,547
General & administrative expenses		518,815	221,563	761,522	722,939
Operating income		1,800,442	5,358,661	7,771,688	5,418,608
Other income		-	4,171	-	8,175
Interest income		8,822	8,562	20,391	-
Other expense		(7,574)	-	(35,283)	-
Interest expense		(169,068)	(69,212)	(247,466)	(144,049)
Total other income (expense)		(167,820)	(56,479)	(262,358)	(135,874)
Earnings before tax		1,632,622	5,302,182	7,509,330	5,282,734
Income taxes	16	(472,978)	(945,978)	(1,931,315)	(947,723)
Net income		**$ 1,159,644**	**$ 4,356,204**	**$ 5,578,015**	**$ 4,335,011**
Earnings per share					
- basic		$0.35	$1.40	$1.74	$1.40
- diluted		$0.35	$1.40	$1.74	$1.40
Weighted average shares outstanding					
- basic		3,329,463	3,104,741	3,207,095	3,104,741
- diluted		3,329,463	3,104,741	3,207,095	3,104,741

Comprehensive Income:	Note 2(*U*)	For the three months ended March 31, 2009	For the three months ended March 31, 2008	For the nine months ended March 31, 2009	For the nine months ended March 31, 2008
Net income		$ 1,159,644	$ 4,356,204	$ 5,578,015	$ 4,335,011
Foreign currency translation adjustment	2(*R*)	28,921	686,210	72,837	758,622
		$ 1,188,565	$ 5,042,414	$ 5,650,852	$ 5,093,633

See Accompanying Notes to Consolidated Financial Statements

Boyuan Construction Group, Inc.
Consolidated Statements of Changes in Stockholders' Equity
For the year ended June 30, 2008 and nine months ended March 31, 2009
(Stated in US Dollars)

	Share Capital	Contributed Surplus	Equity Component Convertible Debt	Statutory Reserve	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at July 1, 2007	5,537,053	120,036	-	507,381	3,154,164	422,359	9,740,993
Net income					6,192,553		6,192,553
Foreign currency translation adjustment						1,444,831	1,444,831
Balance at June 30, 2008 (Audited)	$5,537,053	$ 120,036	$ -	$ 507,381	$ 9,346,717	$ 1,867,190	$ 17,378,377

	Share Capital	Contributed Surplus	Equity Component Convertible Debt	Statutory Reserve	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at July 1, 2008	$5,537,053	$ 120,036	$ -	$ 507,381	$ 9,346,717	$ 1,867,190	$ 17,378,377
Net income					5,578,015		5,578,015
Financing Transaction	(81,185)	1,667,919	79,173				1,665,907
Appropriations of retained earnings				2,839,764	(2,839,764)		-
Foreign currency translation adjustment						72,837	72,837
Balance at March 31, 2009 (unaudited)	$5,455,868	$ 1,787,955	$ 79,173	$ 3,347,145	$ 12,084,968	$ 1,940,027	$ 24,695,136

See Accompanying Notes to Consolidated Financial Statements

Boyuan Construction Group, Inc.
Consolidated Statements of Cash Flows
For the three and nine months ended March 31, 2009 and 2008
(Stated in US Dollars)
(Unaudited)

	For the three months ended March 31, 2009	For the three months ended March 31, 2008	For the nine months ended March 31, 2009	For the nine months ended March 31, 2008
Cash Flow from Operating Activities				
Cash received from customers	12,209,730	$ 24,024,505	38,149,865	$ 36,648,615
Cash paid to suppliers & employees	(13,502,793)	(19,094,417)	(43,010,432)	(30,890,889)
Interest received	8,822	-	20,391	-
Interest paid (net of amount capitalized)	(121,578)	(77,681)	(199,976)	(144,049)
Taxes paid	(2,214,485)	(942,568)	(4,789,965)	(944,339)
Miscellaneous receipts	-	4,464	-	4,464
Cash sourced in operating activities	(3,620,304)	3,914,303	(9,830,117)	4,673,802
Cash Flows from Investing Activities				
Payments for purchases of equipment	(46,593)	(311,259)	(880,293)	(1,131,799)
Payments for purchases of intangible assets	(4,161)	107,699	(7,320)	106,942
Cash (used) in investing activities	(50,754)	(203,560)	(887,613)	(1,024,857)
Cash Flows from Financing Activities				
Proceeds from financing transaction	2,623,534	-	2,623,534	-
Proceeds from borrowings from bank	660	200,018	3,450,127	218,239
(Repayment of bank loans)	-	-	(9,371)	-
Dividends paid	-	(25,493)	-	(1,748,640)
Loan from shareholders	1,176,963	-	258,573	-
(Repayment of loan from shareholders)	(131)	-	(413,128)	-
Cash sourced/(used) in financing activities	3,801,026	174,525	5,909,735	(1,530,401)
Net Increase/(Decrease) in Cash & Cash Equivalents for the Year	129,968	3,885,268	(4,807,995)	2,118,544
Effect of Currency Translation	3,574	208,496	21,030	149,780
Cash & Cash Equivalents at Beginning of Year	1,568,993	1,093,276	6,489,500	2,918,716
Cash & Cash Equivalents at End of Year	$ 1,702,536	$ 5,187,040	$ 1,702,536	$ 5,187,040

See Accompanying Notes to Consolidated Financial Statements

Boyuan Construction Group, Inc
Reconciliation of Net Income to Cash Sourced/(Used) in Operating Activities
For the three and nine months ended March 31, 2009 and 2008
(Stated in US Dollars)
(Unaudited)

	For the three Months ended March 31, 2009	For the three months ended March 31, 2008	For the nine months ended March 31, 2009	For the nine months ended March 31, 2008
Net income	$ 1,159,644	$ 4,356,204	$ 5,578,015	$ 4,335,011
Adjustments to reconcile net income to net cash sourced by operating activities:				
debenture interest accretion accrual	47,490	-	47,490	-
amortization	413	-	947	-
depreciation	68,809	53,839	199,170	130,671
decrease/(increase) in restricted cash	(22,881)	(9,260)	(2,167,352)	
decrease/(increase) in notes receivable	59,827	-	-	-
decrease/(increase) in contracts receivable	(8,469,980)	(2,773,515)	(5,273,607)	(791,069)
decrease/(increase) in costs and earnings in excess of billings	(3,523,481)	-	(28,598,201)	-
decrease/(increase) in other receivable	1,369,981	(296,883)	586,055	895,238
decrease/(increase) in related party receivable	(679,866)		(565,627)	
decrease/(increase) in inventory	(789,435)	(884,956)	(847,457)	(1,202,531)
decrease/(increase) in advance to suppliers	(3,472,428)	(2,003,728)	(4,515,195)	(3,288,585)
decrease/(increase) in prepaid expenses	7,727	4,896	1,063	4,896
decrease/(increase) in prepaid taxes	(166,053)	(2,605)	(166,217)	-
increase/(decrease) in notes payable	(156,655)	305,162	2,882,426	305,162
increase/(decrease) in accounts payable	674,779	17,813	11,682,377	43,502
increase/(decrease) in taxes payable	958,305	1,289,994	578,196	1,309,777
increase/(decrease) in other payable	1,776,094	5,404,968	(2,821,830)	5,043,199
increase/(decrease) in accrued liabilities	-	124	(730)	(5,178)
increase/(decrease) in customer deposits	7,537,406	(1,547,750)	13,570,360	(2,106,291)
Total of all adjustments	(4,779,948)	(441,901)	(15,408,132)	338,791
Net Cash Provided by/(Used in) Operating Activities	**$ (3,620,304)**	**$ 3,914,303**	**$ (9,830,117)**	**$ 4,673,802**

See Accompanying Notes to Consolidated Financial Statements

1. The Company and Principal Business Activities

The consolidated financial statements reflect the financial position and results of operations of Boyuan Construction Group, Inc., (the "Company"), formerly SND Energy Ltd. The Company was incorporated under the Canada Business Corporations Act on May 4, 2007, as SND Energy Ltd.

On February 27, 2009, the Company and Hong Kong Wealthy Holdings Limited ("HKCo") entered into an agreement whereby the Company acquired all of HKCo's issued and outstanding shares in consideration for the issuance of post-consolidation common shares of the Company (the "Acquisition"). HKCo's principal asset is 100% interest in Zhejiang Boyuan Trading Co., Limited ("China Privco"), a private PRC company. China Privco consolidates the accounts of Zhejiang Boyuan Construction Co., Ltd. (" Zhejiang") through its variable interest entity relationship and is the primary beneficiary of Zhejiang.

The Acquisition is a reverse takeover ("RTO") under the policies of the TSX Venture Exchange. The Acquisition is a capital transaction in substance rather than a business combination; that is, the transaction is equivalent to the issuance of shares by HKCo for the net liabilities of the Company, accompanied by a recapitalization of HKCo. 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 a continuation of the financial statements of HKCo., while the capital structure is that of the Company. The historical amounts of HKCo's assets and liabilities are included in these consolidated financial statements and the comparative figures are those of HKCo.

Pursuant to the terms of the agreement, the Company completed a share consolidation on the basis of 1 post-consolidation share for every 1,258.0342 pre-consolidation shares and one post-consolidation share of the Company will be issued for each issued and outstanding share of HKCo and a total of 3,054,741 common shares and 21,320,259 preferred shares of the Company will be issued to the shareholders of HKCo for the acquisition.

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 and is a builder of commercial, residential, and municipal infrastructure projects in China. The Company engages in business activities under its own name or through its wholly owned subsidiaries.

Variable Interest Entity Agreements

The Company through its expected sole ownership of China Privco will effectively take on all the rights and privileges of beneficial ownership of Zhejiang via four agreements entered into between China Privco and Zhejiang. Under the generally accepted accounting principles in the Canada this relationship will be accounted for as a variable interest entity. Under such an arrangement the financial positions and related results of operations, changes in equity and cash flows will be consolidated under the Company's accounts. The four agreements are further described below:

(a) Entrusted Management Agreement

The owners of Zhejiang will entrust to China Privco, the complete and exclusive right to manage the operations of Zhejiang.

(b) Exclusive Option Agreement

The owners of Zhejiang grant China Privco the exclusive right to purchase all the assets and the business of Zhejiang whenever legally possible under PRC laws.

(c) Shareholders' Voting Proxy Agreement

The owners of Zhejiang give the right to China Privco appoint designees to vote on shareholders matters on behalf of the owners of Zhejiang.

(d) Shares Pledge Agreement

Zhejiang intends to sell it assets to China Privco; however, before such transactions can be realized under PRC laws, in order to protect the interest of the shareholders of China Privco, the owners of Zhejiang will pledge all their ownership to China Privco.

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 Canada ("CDN GAAP").

(B) Use of estimates

The preparation of financial statements in conformity with CDN GAAP 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. Significant areas requiring the use of management estimates include the recognition of revenue, allowance for doubtful receivables, obsolescence of inventories, useful lives of property, plant and equipment, determination of accrued liabilities, future income tax valuation allowances. 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 subsidiaries. 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 net realizable value as determined by the first in first out method. Inventories at March 31 2009 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 labour, 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*

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

(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 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 retained 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) *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.

(P) *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.

(Q) *Income taxes*

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

(R) *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.

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.

(S) *Earning per share*

Basic earning per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted earning per share. Diluted earning per share excludes all dilutive potential common shares if their effect is anti-dilutive. The weighted average number of common shares outstanding and earnings per share for 2007 has been adjusted retroactively to reflect the 2008 stock split.

(T) *Financial Instruments*

The Company's financial instruments consist of cash, restricted cash, contract receivables, other receivables, related party receivables, bank loans, accounts payable, notes payable, other payable, related party payable, customer deposits, long term debt and convertible debenture. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

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

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

(U) *Comprehensive income*

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

(V) *Capital Disclosure*

The Company discloses its objectives, policies and processes for managing capital, and compliance with externally imposed capital requirements, if any.

(W) *Recent accounting pronouncements*

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

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

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

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

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 March 31, 2009	**At June 30, 2008**
Contracts receivable – construction	$11,306,143	$ 6,220,673
Less: Allowance for doubtful accounts	169,592	384,181
Net construction receivable	**$11,136,551**	**$ 5,836,492**
Allowance for doubtful accounts		
Beginning balance	$ 384,181	$ 153,581
Allowance provided	-	230,600
Reversal	(214,589)	-
Ending balance	**$ 169,592**	**$ 384,181**

5. Related Party Receivable

	At March 31, 2009	At June 30, 2008
Due from the Chairman & CEO	$987,455	$ 476,996
Due from an affiliated company for a property construction project in Sanya City*	57,435	-
	$1,044,890	**$ 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 March 31, 2009	**Cost**	**Accumulated Depreciation**	**Net**
Buildings	$2,624,411	$662,138	$1,962,273
Construction Equipment	4,613,942	1,023,468	3,590,474
Office Equipment	723,995	206,177	517,818
	$7,962,348	**$1,891,783**	**$6,070,565**

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**

The Company recorded depreciation to its statements of income in the amounts of $199,170 and $130,671 for the nine months ended March 31, 2009 and the year ended June 31, 2008, respectively.

7. Construction in Progress

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

Description	**At March 31, 2009**	**At June 30, 2008**
Construction Materials	$133,833	$ 194,891
Labor	-	3,300
	$133,833	**$ 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 March 31, 2008**	**At June 30, 2008**
Land use rights	$ 116,384	$ 115,940
Accounting software	13,419	4,978
Other	-	1,092
	$ 129,803	$ 122,010
Accumulated Amortization		
Land use rights	2,230	1,819
Accounting software	2,023	1,346
Other	-	128
	4,253	3,293
Net	**$125,550**	**$ 118,717**

9. Bank Loans

Lender	Due Date	Interest Rate Per Annum	Balance at March 31, 2009
Jiaxing Commercial Bank-Pinghu Branch	9/26/2009	7.8000%	$219,119
Industrial & Commercial Bank of China Pinghu Branch	6/9/2009	8.0925%	292,158
Industrial & Commercial Bank of China Pinghu Branch	7/7/2009	4.8600%	438,238
Industrial & Commercial Bank of China Pinghu Branch	9/8/2009	4.8600%	671,964
Industrial & Commercial Bank of China Pinghu Branch	9/29/2009	4.4550%	350,590
Industrial & Commercial Bank of China Pinghu Branch	4/29/2009	6.5325%	438,238
Jiaxing Bank of Communication Xiucheng Branch	4/5/2009	6.7275%	292,158
Jiaxing Bank of Communication Xiucheng Branch	4/15/2009	6.6300%	438,238
Bank of Investment Jiaxing Branch	12/22/2009	4.8675%	1,168,634
Xingye Bank Jiaxing Branch	6/23/2009	4.4550%	2,191,189
			$6,500,526

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 March 31, 2008, there were 18 bank drafts outstanding. The drafts were for various amounts ranging from $14,170 (RMB 97,000) to $1,168,634 (RMB 8,000,000). The drafts were issued on various dates, all with 6-month maturities, with the latest maturity date of September 23 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 March 31, 2009	At June 30, 2008
Business Tax	$ 1,965,944	$ 861,728
Income Tax	2,832,727	3,450,468
City Construction & Real Estate Tax	103,552	39,107
Personal Income Tax Withheld	148,207	103,431
	$ 5,050,430	**$ 4,454,734**

12. Related Party Payable

The related party payables were comprised of the following accounts:

	At March 31, 2009	At June 30, 2008
Due to a shareholder, Madam Hung, Wing Chun	$ 27,755	$ 167,351
Due to a shareholder, Mr. Hung, Wing Cheung	-	27,649
Due to an affiliated company for a property construction project in Sanya City	-	1,177,119
Due to an affiliated company Ziyuan Trading	532,458	-
Due to an affiliated company Boyuan Industrial & Trading Co.	662,482	-
	$ 1,222,695	**$ 1,372,119**

The affiliated companies share common ownership with the Company.

13. Convertible debenture

In connection with the RTO transaction described in Note 1, the Company completed a concurrent financing of $3,333,300 (CDN$4,100,000). The Company issued 4,100 subscription receipts at a price of $813 (CDN$1,000). Each subscription receipt comprised, at no additional cost, one unit (the "Units"). Each Unit consisted of one convertible debenture in the principal amount of $609 (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 an interest rate of 11.75% per annum, paid quarterly in arrears and will be, at the election of the holder, convertible into 375 common shares at the conversion price of CDN$2.00 per share plus accrued interest paid in cash. The conversion right may be exercised at the option of the holder commencing one day after closing and until the close of business on the sixth date prior to the maturity date. The Convertible Debentures will mature in three cycles with 1/3 of the principal maturing 2 years and 1 day after the closing date, 1/3 of the principal maturing 3 years and 1 day after the closing date, and 1/3 of the principal maturing 4 years and 1 day after the closing date. Each warrant will entitle the holder, upon exercise, to receive a common share at a price of CDN$2.00 for a period of four years following closing date. Each right and additional right will entitle the holder, upon exercise, to receive one common share of the Company. Each right will be exercisable during the rights exercise period and each additional right will be exercisable during the additional rights exercise period. The rights exercise period shall commence on the date that the Company files on SEDAR its audited annual financial statements for the year ending June 30, 2009 and ending 30 days thereafter. The additional rights exercise period shall commence on the date that the Company files on SEDAR its audited annual financial statements for the year ended June 30, 2010 and ending 30 days thereafter. Any unexercised rights or additional rights will expire on November 30, 2010.

Chairman of the Company has to deposit 2,050,000 common shares of the Company obtained in connection with the transaction described above into an escrow agent upon closing. In the event that the audited consolidated financial statements of the Company reflect less than US$8,500,000 of after tax net income ("ATNI") 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 audited consolidated financial statements of the Company reflect less than US$11,500,000 of ATNI for the fiscal year ending June 30, 2010, the escrow agent, upon exercise, or deemed exercise, of the additional rights during the additional rights exercise period, will transfer to the holders of the additional rights for no additional consideration one escrowed share for each additional right exercised by such holder. Following the expiry of the additional rights exercise period, all shares remaining in escrow will be transferred back to management of the Company.

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

The Company uses the residual value method to allocate the principal amount of the Convertible Debenture between the liability and equity components. Under this method, the value of the equity component of $79,173 was determined by deducting the fair value of the liability component from the principal amount of the financing. The fair value of the liability component was computed as the present value of future principal and interest payments discounted at a rate of 15% per annum.

The warrants issued have been assigned a value based on a Black-Scholes valuation model using contractual life of 4 years, a risk free-rate of 2.97%, a volatility of 70% and zero dividends. The warrants have been recorded as an increase to contributed surplus.

The rights and additional rights have been assigned a value based on a Black-Scholes valuation model using contractual life of 1-2 years, a risk free-rate of 2.60%-2.72%, a volatility of 70% and zero dividends. The rights and additional rights have been recorded as a debt issuance and share issuance costs in proportion to their relative values.

Issuance costs of $780,579 (CDN $977,285) comprising of $651,226 (CDN $815,335) in cash and 205,000 agent warrants with fair value of $129,353 (CDN $161,950). Each agent warrant will entitle the holder, upon exercise, to receive a common share at a price of $1.597(CDN $2.00) for a period of two years following closing date. The agent warrants issued have been assigned a value based on a Black-Scholes valuation model using contractual life of 2 years, a risk free-rate of 2.72%, a volatility of 70% and zero dividends.

14. Capital Structure

	Preferred Shares		Common Shares	
	Number	Amount	Number	Amount
Balance, July 1, 2008	-	$ -	42,500	$ 18,824,668
Issuance of Shares to acquire Boyuan	21,270,259	-	3,104,741	-
Transfer of share capital balance of SND to deficit		-	-	(18,824,668)
	21,270,259	-	3,147,241	-
Boyuan share capital	-	-	-	5,537,053
Proceeds from financing unit related to the common share component	-	-	512,500	391,905
Issuance costs:				
Cash commissions	-	-	-	(195,145)
Fair value of rights and additional rights	-	-	-	(277,945)
Balance, March 31, 2009	21,270,259	$ -	3,659,741	$ 5,455,868

The Company's opening balance as of July 1, 2008 reflects a share consolidation of one post acquisition share for every 1,258.0342 pre-acquisition shares.

15. Statutory Reserve Commitment

	At March 31, 2009	**At June 30, 2008**
PRC Unadjusted Registered Capital	$8,846,259	$ 6,537,099
Statutory Reserve Ceiling based on 50% of PRC Registered Capital	4,423,130	3,268,550
Less: Additional Paid in Capital carried in Capital Reserve	(120,036)	(120,036)
Less: Retained Earnings appropriated to Statutory Reserve	(3,347,145)	(507,381)
Statutory Reserve Commitment Outstanding	**$955,949**	**$2,641,133**

16. Income Taxes

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 nine months ended March 31, 2009	For the nine months ended March 31, 2008
PRC earnings before tax	$ 7,722,755	$ 5,941,397
PRC income tax rate	25%	16%
Estimated tax expense provided	$ 1,931,315	$ 947,723

17. 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 retail 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 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.

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.

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.

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 March 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 a change in +/- 10% in RMB exchange rate could have an impact of approximately +/- $853,000 on the Company's net income.

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.

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.

18. 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 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 a statutory reserve as disclosed in note 2 (N).