

Company Summary

July 27, 2009

Boyuan Construction Group Inc. (BOY : TSX-V)

Current Price : \$1.75Coverage Initiated:
\$1.75 (July 27, 2009)

Highlights:

- “make good” provisions in place for 2009 and 2010 net income levels. Mgmt to distribute shares to financing unit holders if targets missed
- large backlog of Chinese construction projects
- successful pattern of achieving significant year-over-year growth in revenues and earnings
- targeting YoY earnings growth of 34% in f2009 and 46% in f2010

DISCUSSION:

Boyuan Construction was formed in February 2004 and listed in Canada in March 2009 after completing a reverse takeover. The company is in the business of residential and commercial building construction, municipal infrastructure and engineering projects in China. Boyuan is based in Jiaxing City and focuses on construction projects in China's fast-growing regions of the Yangtze River Delta and the city of Sanya on south China's Hainan Island. With 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 sq. meters.

In the three fiscal years ending June 30, 2008, Boyuan completed more than 120 projects for a number of private and public sector clients. Currently the company has a significant number of projects in its backlog including residential, commercial, industrial, and hotels. The duration of these projects ranges from one to three years.

We believe that Boyuan is the first Canadian-listed company to promise investors additional shares if it fails to meet earnings targets. These “make-good” provisions are designed to gain credibility in North American markets and have been used regularly by Chinese companies trading in the U.S. As part of a \$4.1 million private placement that coincided with the company's RTO in March 2009, Boyuan's chairman put 2.05 million of his personal shareholdings into escrow pending the achievement of fiscal 2009 and 2010 after tax net income targets. If these goals are not met, the escrowed shares will be distributed to shareholders who exercise the rights obtained in the private placement. This strategy enabled Boyuan to complete a successful financing during a very difficult time to raise money.

Due to several regulatory changes in China in 2008, the company stands to benefit from reduced corporate tax rates as well as a US\$586 billion stimulus plan initiated by the government with a focus on construction projects. Most of Boyuan's projects are completed on a cost plus basis which largely protects the company from any significant increase in its raw material costs. It is also important to note that Boyuan's sales and margins benefit from a falling US dollar while a rising US dollar has an inverse impact.

On June 17, 2009, Boyuan announced the signing of three new commercial construction project agreements with a total value of US\$33.6 million. The projects are expected to be completed by July 2011. Based in the Yangtze River Delta, the projects will include construction of the main production facilities of an eco-farm project in Jiangsu, one of China's fastest-growing provinces; development of support facilities for a nuclear plant project in Zhejiang, another fast-growing Chinese province; and construction of a barley production facility, also in Zhejiang. The Yangtze River Delta is home to approximately 80 million people and 20% of China's gross domestic product, representing US\$2 trillion.

On July 6, 2009, Boyuan completed a private placement that consisted of 6,474 units at \$1,000 per unit for gross proceeds of \$6,474,000. Each unit consists of one secured convertible debenture, 125 common shares, 250 warrants to purchase common shares at \$2.00 for up to 4 years, as well as 250 non-transferable rights and 250 non-transferable additional rights, each entitling the holder to receive one share upon exercise of a “make-good” provision. Each debenture is convertible at \$2.00 per share, bears an interest rate of 11.75% per year and matures on Feb. 28, 2013. Under the make-good provision, certain members of Boyuan's management have deposited 3,237,000 common shares into escrow and in the event that Boyuan's after tax net income for f2009 is less than US\$8.5 million, the rights holder will receive one make-good escrowed share for each right exercised. If Boyuan's net income for f2010 is less than US\$12.4 million, the additional rights can be exercised for another common share. Following the expiry of the additional rights exercise period, all shares remaining in escrow will be transferred back to Boyuan's management.

Management has stated as recently as mid-June that Boyuan is on pace to exceed its fiscal 2009 earnings target of US\$8.5 million which indicates that the company had a very strong fourth quarter ended June 30, 2009. Earnings for this quarter will need to be almost US\$3 million or US\$0.12 (CDN\$0.13) per share (basic + preferred) in order for the company to meet its fiscal 2009 target. Accordingly, earnings for the year ended June 30, 2009 could be more than US\$8.5 million or US\$0.34 (CDN\$0.37) per share. Furthermore, prior to the latest financing, the company had positive working capital in excess of US\$19 million or US\$0.78 (CDN\$0.86) per share (b + p) with long-term debt of just over US\$1 million. Earnings for fiscal 2010 are forecast to be US\$12.4 million or US\$0.40 (CDN\$0.44) per share. Boyuan is presently trading at just 4.6 times 2009e earnings (2.3 times after working capital) and at just 3.9 times 2010e earnings (1.9 times after working capital). For industry comparables please see the PowerPoint presentation on the QIS Capital website.

FINANCIAL SUMMARY (For the fiscal years ending June 30 - U.S. Dollars)

	2006	2007	2008	2009e	2010e
Revenues	\$ 28,145,251	\$ 49,112,775	\$ 56,458,590	\$ 96,405,673	\$ 136,939,130
Gross Profit	3,177,860	8,439,927	9,698,268	n/a	n/a
EBITDA	3,074,083	8,781,821	10,208,069	n/a	n/a
Net Income	2,612,732	4,665,720	6,354,892	8,500,000	12,400,000
per diluted share	n/a	n/a	n/a	\$ 0.31	\$ 0.37

LATEST FINANCIAL RESULTS - U.S. Dollars

(000'S)	3 Months Ended Mar. 31		9 Months Ended Mar. 31	
	2009	2008	2009	2008
Revenues	\$15,939	\$28,792	\$60,598	\$38,651
Cost of Goods Sold	13,619	23,212	52,065	32,509
Gross Profit	2,319	5,580	8,533	6,142
G&A Expense	519	222	762	724
Interest Expense	169	69	247	144
Income Taxes	473	946	1,931	548
Net Income	1,160	4,356	5,578	4,335
per basic+pref. share	\$ 0.05	n/a	\$ 0.22	n/a

BALANCE SHEET - U.S. Dollars

(As at March 31, 2009)

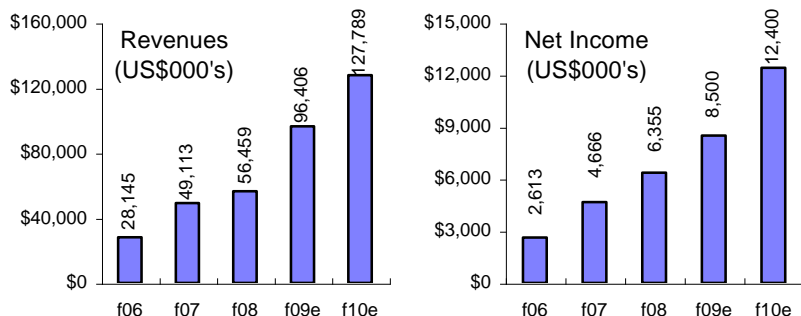
Current Assets	\$ 69,565,361
Total Assets	75,895,309
Current Liabilities	50,148,557
Long-Term Debt	1,051,617
Shareholders' Equity	24,695,136

SHARES OUTSTANDING

(As at July 24, 2009)

Basic	4,468,991*
Preferred	21,270,259**
Debenture Shares	3,965,250***
Warrants	2,848,500
Fully-diluted	32,553,000

- * officers and directors own approximately 71% of the basic and preferred shares issued and outstanding
- ** preferred shares are convertible to common shares on 1:1 basis
- *** debentures shares assumes full conversion of BOY.DB



MANAGEMENT & DIRECTORS:

Shou Cailiang, *President, CEO & Chairman*

Paul Law, *CFO*

Ren Shu, *Secretary of the Board*

Wang Hao, *Vice President*

Qian Feng, *Executive Vice General Manager*

Mannie Liu, *Director*

John Bai, *Director*

Francis Leong, *Director (director of Calgary's ENMAX)*

David Horsley, *Director (CFO of Sino Forest (TRE:TSX))*

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