

**Yang Yang China Holdings Ltd**  
ACN 109 469 383

**Interim Financial Report**

**for the**

**Half-Year ended 31 December 2005**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2005 and any public announcements made by Yang Yang China Holdings Ltd during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

# Yang Yang China Holdings Ltd

ACN 009 058 646

## Directors' Report

The Directors of Yang Yang China Holdings Ltd submit herewith the financial report for the half-year ended 31 December 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of directors of the Company during the half-year and up to the date of this report are:

<b>Name</b>	<b>Position</b>
Ms Yang Liu	Chairperson & Managing Director
Professor King Yin Liu	Executive Director
Mr Colin Archer	Non-Executive Director
Professor Feng Jin	Non-Executive Director
Mr Michael Matchett	Non-Executive Director
Mr Xiao Bo Zhou	(resigned 22 August 2005)

### Review and Results of Operations

The review of the company's operations during the half year ended 31 December 2005 is as follows.

#### Financial

	Segment Revenue \$	Segment result \$
Pigs and Pig Products	304,962	100,543
Interest and items of a similar nature	-	-
	<u>304,962</u>	<u>100,543</u>
Unallocated expenses		(1,087,652)
Operating profit (loss)		<u>(987,109)</u>
Income Tax		-
Operating profit (loss) for half-year		<u><u>(987,109)</u></u>

#### Principal activities

The economic entity continues to be actively involved marketing its LETU product for the farming of pigs and production of pork products.

#### Changes In State Of Affairs

During the half year ended 31 December 2005 there was no significant change in the entity's state of affairs other than that referred to in the half-year financial statements or notes thereto.

#### Auditor's Independence Declaration

The following is a copy of a letter received from the Company's auditors:

#### "Lead auditor's independence declaration under Section 307C of the Corporations Act 2001"


To: the directors of Yang Yang China Holdings Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2005, there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

Graham Swan  
Lead auditor  
Rothsay Chartered Accountants"

This report is made in accordance with a resolution of the directors.

  
Yang Liu  
Director  
13th day of March 2006

# Yang Yang China Holdings Ltd

## Independent Auditor's Report To The Members of Yang Yang China Holdings Ltd

### Scope

We have reviewed the financial report of Yang Yang China Holdings Ltd for the half-year ended 31 December 2005 as set out on pages 3 to 10. The company's directors are responsible for the preparation of the financial report which includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of or during the half-year.

We have performed an independent review of the half-year financial report in order for the company to lodge the half-year report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the half-year financial report is free of material misstatement. The review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion. This review was performed in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB134: Interim Financial Reporting, and other mandatory professional reporting requirements and the Corporations Act 2001, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

### Review Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the company is not in accordance with:

- (a) the Corporations Act 2001, including
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
  - (ii) comply with Accounting Standard AASB134: Interim Financial Reporting and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

### **Rothsay**

Chartered Accountants

Graham R Swan

Partner

Dated this 13th day of March 2006

The liability of Rothsay Chartered Accountants is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

## **Directors' Declaration**

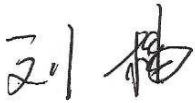
**For The Half-Year Ended 31 December 2005**

The directors declare that:

- (a) The attached financial statements and notes thereto comply with Accounting Standards;
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the consolidated entity;
- (c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act, 2001; and
- (d) In the directors' opinion, with the continuing support of creditors and additional capital raisings, there are reasonable grounds to believe that Yang Yang China Holdings Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors pursuant to s 303(5) of the Corporations Act, 2001.

On behalf of the Directors



Yang Liu  
Chairman  
Managing Director

13th day of March 2006

# Yang Yang China Holdings Ltd

## Condensed Consolidated Income Statement

For The Half-Year Ended 31 December 2005

	Note	Half-year ended 31 Dec 2005 \$	Half-year ended 31 Dec 2004 \$
Revenue from continuing operations		304,962	-
Expenses from continuing operations		(1,292,071)	-
<b>Loss before income tax</b>		<b>(987,109)</b>	-
Income tax expense		-	-
Loss from continuing operations		(987,109)	-
Loss from discontinued operations		-	-
<b>Loss for the half-year attributable to members of Yang Yang China Holdings Limited</b>		<b>(987,109)</b>	-
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company</b>			
Basic earnings per share	5	<b>\$(0.01)</b>	-

# Yang Yang China Holdings Ltd

## Condensed Consolidated Balance Sheet

		As at 31 Dec 2005	As at 30 June 2005
	Note	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	3	426,242	74,881
Receivables		421,027	309,155
Inventories		110,544	247,820
<b>Total Current Assets</b>		<b>957,813</b>	<b>631,856</b>
<b>Non-Current Assets</b>			
Property, plant & equipment		29,424	33,950
Other - Intangibles		3,696,630	3,736,437
<b>Total Non-Current Assets</b>		<b>3,726,054</b>	<b>3,770,387</b>
<b>Total Assets</b>		<b>4,683,867</b>	<b>4,402,243</b>
<b>Current Liabilities</b>			
Payables		4,601,232	3,863,699
<b>Total Current Liabilities</b>		<b>4,601,232</b>	<b>3,863,699</b>
<b>Total Liabilities</b>		<b>4,601,232</b>	<b>3,863,699</b>
<b>Net Assets</b>		<b>82,635</b>	<b>538,544</b>
<b>Equity</b>			
Contributed equity	4	36,035,200	35,504,000
Accumulated losses	2	(35,952,565)	(34,965,456)
<b>Total Equity</b>		<b>82,635</b>	<b>538,544</b>

The above statement should be read in conjunction with the accompanying notes.

## Condensed Statement of Changes in Equity

As at 31 December 2005

	Note	Half-year ended 31 Dec 2005	Half-year ended 31 Dec 2004
Total equity at the beginning of the half-year		538,544	-
Share placement		531,200	2,000
Net assets acquired in subsidiary			2,023,560
Loss for the half-year		(987,109)	-
<b>Total equity at the end of the half-year</b>		<b>82,635</b>	<b>2,025,560</b>
Total recognised income and expenses for the half-year attributable to members of Yang Yang China Holdings Ltd		(987,109)	-

The above statement should be read in conjunction with the accompanying notes.

# Yang Yang China Holdings Ltd

## Consolidated Cash Flow Statement

For The Half-Year Ended 31 December 2005

	Half-year ended 31 Dec 2005 \$	Half-year ended 31 Dec 2004 \$
<b>Cash Flows from Operating Activities</b>		
Payments to suppliers	(434,595)	-
Income received	254,756	-
<b>Net Operating Cash Flows</b>	<b>(179,839)</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>		
Payments for plant & equipment	-	-
Cash received from sale of plant & equipment	-	-
Cash proceeds from sale of equity investments	-	-
<b>Net Investing Cash Flows</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of shares and options	531,200	2,000
Loans to other entities	-	-
<b>Net Financing Cash Flows</b>	<b>531,200</b>	<b>2,000</b>
<b>Net (Decrease) In Cash and Cash Equivalents</b>	<b>351,361</b>	<b>2,000</b>
Cash and Cash Equivalents at beginning of half year	74,881	-
<b>Cash and Cash Equivalents at End of Half Year</b>	<b>426,242</b>	<b>2,000</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

# Yang Yang China Holdings Ltd

## Notes to the Financial Statements

For the Half-Year ended 31 December 2005

### 1. Basis of Preparation of Half-Year Financial Statements

This general purpose financial report for the half-year ended 31 December 2005 has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134 : *Interim Financial Reporting*. This half-year report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2005 and public announcements made by Yang Yang China Holdings Ltd during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act, 2001.

The principle accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

This interim financial report is the first Yang Yang China Holdings Ltd interim financial report to be prepared in accordance with Australian equivalents to International Financial Reporting Standards ('AIFRSs'). AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of the Company until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles ('AGAAP'). The Company has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and 139. The conversion of the balance sheet at 30 June 2005 from AGAAP to AIFRS has not resulted in any material financial impact on balance sheet carrying values or any alteration to the income statement or cashflow.

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost which comprises the purchase price and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition is calculated using the first in first out method.

#### *Taxation*

The Company has not brought to account the estimated future income tax benefits attributable to tax losses and temporary differences as a deferred tax asset, as it is not yet considered probable that future taxable profit will be available for utilisation.

#### *Foreign currency*

Transactions in foreign currencies are converted to Australian dollars at the rate of exchange at the date of the transaction. At balance date, foreign monetary assets and liabilities including those of integrated foreign operations are translated at the closing rate, and exchange variations are included in the income statement.

#### *Impairment of Assets*

The recoverable amount of an asset is determined as the higher of net selling price and value in use.

Property plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses (the cost method). The fair value of property plant and equipment, as determined by reference to observable prices, is not materially different to the carrying amount. Costs incurred on development activities are capitalised if the product or process is technically and commercially feasible and the company has sufficient resources to complete the development.

#### *Going Concern*

The financial report has been prepared on a going concern basis which contemplates the continuity of business activities and the realisation of assets and the payment of liabilities in the ordinary course of business. The Directors are currently reviewing capital raising options to raise working capital and to fund continuing research projects. Monies due to a director are not expected to be repaid within the next twelve months.

### 2. Accumulated Losses

	Half-Year Ended 31 Dec 2005 \$	Annual Report 30 June 2005 \$
Loss from ordinary activities after related income tax expense	(987,109)	(34,965,456)
Accumulated profits (losses) brought forward	(34,965,456)	-
Accumulated profits (losses) at end of half-year	(35,952,565)	(34,965,456)



# Yang Yang China Holdings Ltd

## Notes to the Financial Statements

For the Half-Year ended 31 December 2005

### 3. Reconciliation of cash

For the purposes of this statement of cash flows, cash includes

	Half-year ended 31 Dec 2005 \$	Half-year ended 31 Dec 2004 \$
Cash at the end of the half-year as shown in the statement of cash flows is reconciled to the related items in the accounts as follows:		
Cash on hand and at bank	108,701	2,000
Deposits at call	317,541	-
	<b>426,242</b>	<b>2,000</b>

### 4. Issued and quoted securities at end of current half-year

Category of Securities	Number Issued	Number Quoted		
<u>Ordinary Shares:</u>				
Listed	178,323,200	178,323,200		
Of which issued during half-year ended 31 December 2005	2,656,000	2,656,000		
<u>Options:</u>			Exercise Price	Expiry Date
Listed	178,321,200	178,321,200	0.30	31/12/09
Of which issued during half-year ended 31 December 2005	-	-	-	-
Unlisted	-	-	-	-
Of which issued during half-year ended 31 December 2005	-	-	-	-

### 5. Earnings per share

	Half-year ended 31 Dec 2005	Half-year ended 31 Dec 2004
Basic earnings per share - dollars	\$(0.001)	-
Diluted earnings per shares is not materially different from Basic earnings per share		
The weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	178,323,200	10,000

# Yang Yang China Holdings Ltd

## Notes to the Financial Statements

For the Half-Year ended 31 December 2005

### 6. Explanation of transition to Australian equivalents to IFRSs

#### (1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

##### (a) At the date of transition to AIFRS: 1 July 2004

	1 July 2004
	\$
<b>Total equity under AGAAP</b>	<b>2,000</b>
Adjustments for effect of transition to AIFRSs	-
<b>Total equity under AIFRS</b>	<b>2,000</b>

##### (b) At the end of the last half-year reporting period under previous AGAAP: 31 December 2004

	31 December 2004
	\$
<b>Total equity under AGAAP</b>	<b>2,025,560</b>
Adjustments for effect of transition to AIFRSs	-
<b>Total equity under AIFRS</b>	<b>2,025,560</b>

##### (c) At the end of the last reporting period under previous AGAAP: 30 June 2005

	30 June 2005
	\$
<b>Total equity under AGAAP</b>	<b>538,544</b>
Adjustments for effect of transition to AIFRSs	-
<b>Total equity under AIFRS</b>	<b>538,544</b>

#### (2) Reconciliation of loss reported under previous AGAAP to loss AIFRS

##### (a) Reconciliation of loss for the half-year ended 31 December 2004

	31 December 2004
	\$
<b>Net loss as reported under AGAAP</b>	<b>-</b>
Adjustments for effect of transition to AIFRSs	-
<b>Net loss under AIFRS</b>	<b>-</b>

##### (b) Reconciliation of loss for the year ended 30 June 2005

	30 June 2005
	\$
<b>Net loss as reported under AGAAP</b>	<b>34,965,456</b>
Adjustments for effect of transition to AIFRSs	-
<b>Net loss under AIFRS</b>	<b>34,965,456</b>

#### (3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustment to the cash flow statement.

# Yang Yang China Holdings Ltd

## Notes to the Financial Statements

For the Half-Year ended 31 December 2005

### 7. Segmental information

The Company operates only in Australia and China predominantly marketing its “LETU” product to pig farmers.

### 8. Subsequent Events

Since the end of the financial year the company has allotted 2,700,000 ordinary shares at 20 cents each raising \$540,000 for working capital, together with 1,350,000 options exercisable at 30 cents at any time up to 31/12/09. The financial effect of this issue has not been reflected in the financial statements.

No other matter or circumstance has arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported for the half-year ended 31 December 2005.