

Yang Yang China Holdings Ltd
ACN 109 469 383

Interim Financial Report

for the

Half-Year ended 31 December 2006

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 2006 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 2006. 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:

| Name | Position |
|------------------------|--|
| Ms Yang Liu | Chairperson & Managing Director |
| Professor King Yin Liu | Executive Director (resigned 6 July 2006) |
| Mr Colin Archer | Non-Executive Director |
| Professor Feng Jin | Non-Executive Director (resigned 4 January 2007) |
| Mr Michael Matchett | Non-Executive Director |
| Mr Xiao Bo Zhou | Non-executive Director (appointed 6 July 2006) |

Review and Results of Operations

The review of the company's operations during the half year ended 31 December 2006 is as follows.

Financial

| | Segment Revenue \$ | Segment result \$ |
|--|-----------------------|----------------------|
| Pigs and Pig Products | - | - |
| Interest and items of a similar nature | 7,449 | 7,449 |
| | <u>7,449</u> | <u>7,449</u> |
| Unallocated expenses | | (237,773) |
| Operating profit (loss) | | (230,324) |
| Income Tax | | - |
| Operating profit (loss) for half-year | | <u>(230,324)</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 2006 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 2006, 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 March 2007

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 2006 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 2006 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 14th day of February 2007

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

Yang Yang China Holdings Ltd

ACN 092 832 892

Directors' Declaration

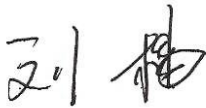
For The Half-Year Ended 31 December 2006

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 March 2007

Yang Yang China Holdings Ltd

Condensed Consolidated Income Statement

For The Half-Year Ended 31 December 2006

| | Note | Half-year ended 31 Dec 2006 \$ | Half-year ended 31 Dec 2005 \$ |
|---|------|---|---|
| Revenue from continuing operations | | 7,449 | 304,962 |
| Expenses from continuing operations | | (237,773) | (1,292,071) |
| Loss before income tax | | (230,324) | (987,109) |
| Income tax expense | | - | - |
| Loss from continuing operations | | (230,324) | (987,109) |
| Loss from discontinued operations | | - | - |
| Loss for the half-year attributable to members of Yang Yang China Holdings Limited | | (230,324) | (987,109) |
| Earnings per share for loss attributable to the ordinary equity holders of the Company | | | |
| Basic earnings per share | 5 | \$(0.01) | \$(0.01) |

Yang Yang China Holdings Ltd

Condensed Consolidated Balance Sheet

| | | As at 31 Dec 2006 | As at 30 June 2006 |
|----------------------------------|------|----------------------|-----------------------|
| | Note | \$ | \$ |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 162,382 | 380,066 |
| Receivables | | 384,141 | 396,952 |
| Inventories | | - | 247,820 |
| Total Current Assets | | 546,523 | 631,856 |
| Non-Current Assets | | | |
| Property, plant & equipment | | 15,816 | 21,861 |
| Other – Intangibles | | - | - |
| Total Non-Current Assets | | 15,816 | 21,861 |
| Total Assets | | 562,339 | 798,879 |
| Current Liabilities | | | |
| Payables | | | 410,605 |
| Total Current Liabilities | | 404,389 | 410,605 |
| Total Liabilities | | 404,389 | 410,605 |
| Net Assets | | 157,950 | 388,274 |
| Equity | | | |
| Contributed equity | 4 | 36,575,200 | 36,575,200 |
| Accumulated losses | 2 | (36,417,250) | (36,186,926) |
| Total Equity | | 157,950 | 388,274 |

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

Condensed Statement of Changes in Equity

As at 31 December 2006

| | Note | Half-year ended 31 Dec 2006 | Half-year ended 31 Dec 2005 |
|--|------|-----------------------------------|-----------------------------------|
| Total equity at the beginning of the half-year | | 388,274 | 538,544 |
| Share placement | | - | 531,200 |
| Loss for the half-year | | (230,324) | (987,109) |
| Total equity at the end of the half-year | | 157,950 | 82,635 |
| Total recognised income and expenses for the half-year attributable to members of Yang Yang China Holdings Ltd | | (230,324) | (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 2006

| | Half-year ended 31 Dec 2006 \$ | Half-year ended 31 Dec 2005 \$ |
|--|---|---|
| Cash Flows from Operating Activities | | |
| Payments to suppliers | (225,111) | (434,595) |
| Income received | 7,449 | 254,756 |
| Net Operating Cash Flows | (217,662) | (179,839) |
| Cash Flows from Investing Activities | | |
| Payments for plant & equipment | - | - |
| Cash received from sale of plant & equipment | - | - |
| Cash proceeds from sale of equity investments | - | - |
| Net Investing Cash Flows | - | - |
| Cash Flows from Financing Activities | | |
| Proceeds from issue of shares and options | - | 531,200 |
| Loans to other entities | - | - |
| Net Financing Cash Flows | - | 531,200 |
| Net (Decrease) In Cash and Cash Equivalents | (217,662) | 351,361 |
| Cash and Cash Equivalents at beginning of half year | 380,066 | 74,881 |
| Cash and Cash Equivalents at End of Half Year | 162,404 | 426,242 |

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 2006

1. Basis of Preparation of Half-Year Financial Statements

This general purpose financial report for the half-year ended 31 December 2006 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 2006 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 accounting policies adopted are consistent with those of the previous financial year and corresponding interim financial report.

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 2006 \$ | Annual Report 30 June 2006 \$ |
|--|--------------------------------------|-------------------------------------|
| Loss from ordinary activities after related income tax expense | (230,324) | (1,21,470) |
| Accumulated profits (losses) brought forward | (36,186,926) | (34,965,456) |
| Accumulated profits (losses) at end of half-year | (36,417,250) | (36,186,926) |

Yang Yang China Holdings Ltd

Notes to the Financial Statements

For the Half-Year ended 31 December 2006

3. Reconciliation of cash

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

| | Half-year ended 31 Dec 2006 \$ | Half-year ended 31 Dec 2005 \$ |
|---|---|---|
| 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 | 108,701 |
| Deposits at call | 317,541 | 317,541 |
| | <u>426,242</u> | <u>426,242</u> |

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

| Category of Securities | Number Issued | Number Quoted | | |
|---|------------------|------------------|-------------------|----------------|
| <u>Ordinary Shares:</u> | | | | |
| Listed | 183,148,000 | 183,148,000 | | |
| Of which issued during half-year ended 31 December 2006 | - | - | | |
| <u>Options:</u> | | | Exercise Price | Expiry Date |
| Listed | 181,798,000 | 181,798,000 | 0.30 | 31/12/09 |
| Of which issued during half-year ended 31 December 2006 | - | - | | |
| Unlisted | - | - | - | - |
| Of which issued during half-year ended 31 December 2006 | - | - | - | - |

5. Earnings per share

| | Half-year ended 31 Dec 2006 \$(0.001) | Half-year ended 31 Dec 2005 \$(0.001) |
|--|--|--|
| Basic earnings per share - dollars | | |
| 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 | 183,148,000 | 178,323,200 |

6. Segmental information

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

7. Subsequent Events

No matter or circumstance has arisen since the end of the half-year which significantly affected or may significantly affect the operations of the group, the results of the group, or the state of affairs of the group as reported for the half-year ended 31 December 2006.