



# **M E E T I N G D O C U M E N T A T I O N**

## **Proposal for a Selective Buy Back of the Majority Shareholder's Ordinary Shares and a Change of Operations**

This is an important document and requires your immediate attention. It should be read in its entirety. If you have any questions in relation to this Proposal, please consult your financial or other professional adviser immediately.

The independent Director of Yang Yang China Holdings Limited considers that the Proposal is in the best interests of Shareholders and recommends that Shareholders approve the proposal.

The independent Expert has concluded the Proposal is fair and reasonable to all shareholders of Yang Yang China Holdings Limited.

The Meetings to approve the proposal will be held on 26th June 2007 at Stamford Plaza Hotel 33 Cross St Double Bay 2028 at 4.00 PM EST.

## KEY DATES

- |  |                            |
|--|----------------------------|
| • Deadline for Lodgment of General Meeting Proxy Forms                             | 24 <sup>th</sup> June 2007 |
| • Deadline for Lodgment of Majority Shareholder Meeting Proxy Forms                | 24 <sup>th</sup> June 2007 |
| • Meeting of Majority Shareholder  | 26 <sup>th</sup> June 2007 |
| • General Meeting of all Shareholders  | 26 <sup>th</sup> June 2007 |
| • If proposal approved last day of trading of Majority Shareholder's Shares on NSX | 26 <sup>th</sup> June 2007 |

### Important Notices

#### Read this document

You should read this document in its entirety carefully before making a decision on how to vote on the Proposal

#### Role of ASIC and NSX

A copy of this Meeting Documentation has been lodged with ASIC and NSX. Neither ASIC or NSX or any of their respective officers take any responsibility for the contents of this document.

#### No account of personal circumstances

This is an important document. The information set out in this Meeting Documentation does not constitute financial product advice. This Meeting Documentation does not take into account the individual investment objectives, financial situation or any particular needs of any shareholder or any other person. If you are in any doubt in relation to these matters, you should seek independent financial advice before making a decision on the Proposal.

#### Taxation Matters

The Proposal may have taxation implications for Shareholders. This document may refer to some potential taxation consequences arising from the proposal. As taxation implications may vary between Shareholders, Shareholders should obtain professional advice as to their individual circumstances.

#### Future Statements

Except for historical information, there may be matters discussed in this Meeting Documentation that are forward looking statements. Such statements are only predictions and are subject to inherent risks and uncertainty. Forward-looking statements, which are based on assumptions and estimates and describe Yang Yang China Holdings Limited's future plans, strategies, and expectations are generally identifiable by the use of the words 'anticipate', 'will' 'believe' 'estimate' 'expect', 'intend', 'seek' or similar expressions. Shareholders are cautioned not to place undue reliance on forward-looking statements. By its nature, forward looking information involves numerous assumptions, inherent risks and uncertainties both general and specific that contribute to the possibility that predictions, forecasts, projections and other-forward looking statements will not occur. Those risks and uncertainties include factors and risks specific to the industry in which Yang Yang China Holdings Limited operates as well as general economic conditions and prevailing exchange rates and interest rates. Actual performance or events may be materially different to those expressed or implied in those statements.

All forward looking statements attributable to Yang Yang China Holdings Limited or persons acting on behalf of Yang Yang China Holdings Limited are expressly qualified in their entirety by the cautionary statements in this section. Except as expressly required by the Corporations Act Yang Yang China Holdings Limited undertakes no obligation to publicly update or revise any forward looking statements provided in this Meeting Documentation, whether as a result of new information, future events or otherwise or the list of risks affecting this information.

None of Yang Yang China Holdings Limited, its officers or any person named in this Meeting Documentation with their consent or any person involved in the preparation of this Meeting Documentation makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfillment of any forward-looking statement except to the extent required by law.

The forward-looking statements reflect the views held only as at the date of this Meeting Documentation.

### **Defined Terms**

Certain terms used in this document are defined in Section 10 of this Meeting Documentation.



YANG YANG CHINA HOLDINGS LIMITED  
A B N 2 1 1 0 9 4 6 9 3 8 3

2<sup>nd</sup> May 2007

Dear Shareholder,

As a Director of Yang Yang China Holdings Limited, not associated with this transaction, on behalf of Yang Yang China Holdings Limited ("YYCH") I present you the information and documentation that will allow you to consider the proposal as outlines in this document and what YYCH is offering to Ms Liu Yang, the majority shareholder of YYCH.

The proposal is dependent on Shareholder approval by Special Resolution at general meeting and at a Majority Shareholder Meeting to be held on 26<sup>th</sup> June 2007. Details of the Proposal and the Notices accompany this letter.

On 27<sup>th</sup> March 2007 YYCH announced the Proposal to selectively buy back Ms LIU Yang's shares on certain terms.

During the past twelve months the company has been facing one hurdle after another with regard to getting the licensed technology LETU into Australia for testing through Veterinary Health Research on an identified pig farm in the town of Young, NSW.

On a number of occasions during the past eighteen months the board have informed the market about the delays and the progress that was being made.

The half yearly accounts for the period up to and including the 31<sup>st</sup> December 2006 were recently released to the National Stock Exchange of Australia and in those documents the board makes special mention of the difficulties associated with the use of LETU and the ability of our company to move forward with the trials without additional capital. The recent Private Placement approved by you the shareholders at the annual general meeting held in November 2006 expired on the 28<sup>th</sup> February 2007 without raising any funds.

The board has now decided to ask shareholders to approve the followings:

- A selective buy-back of the issued shares and options, issued to and held by the companies majority shareholder Ms LIU Yang. This buy back is conditional on Ms LIU Yang paying the sum of \$180,000.00 to the company and the company assigning back to Ms LIU Yang all the rights and licenses associated with the LETU product. This is a disposal of a major asset of the company to a Director and the disposal of the wholly owned subsidiary of YYCH, Guangdong JBC Biological Technology Co Limited.

The YYCH Board, including the Independent Director, believe the proposal is in the best interests of all shareholders and recommends that shareholders approve the above resolutions.

The Independent Director has appointed Rothsay Consulting Services Pty Limited to prepare an Independent Expert's Report to assess whether the Proposal is fair and reasonable to the shareholders of YYCH as a whole being both Ms LIU Yang and the remaining minority shareholders. The Independent Expert has found that the Proposal is fair and reasonable to the Shareholders of YYCH as a whole. A copy of this independent expert's report is included at Section 9 of this Meeting Documentation.

I encourage you to read this document in its entirety. In particular, the Explanatory Memorandum and the Independent's Experts Report contain important information to assist in your consideration of whether or not to support the Proposal. If you are unsure as to how to vote, I recommend that you speak with your investment or professional adviser.

If you have any queries about the Proposal please contact myself on 02 9327 7373 within Australia or +61 2 9327 7373 outside Australia.

I look forward to your participation at the Meetings on 26<sup>th</sup> June 2007.

Yours sincerely



**Colin Archer**

Director/Company Secretary



2<sup>nd</sup> May 2007

Dear Shareholders,

This Meeting Documentation provides important information regarding a proposed selective capital reduction YYCH is offering to its majority shareholder and a re-organization of the company's affairs.

The Proposal is for:

- A selective buy-back of the issued shares and options, issued to and held by the companies majority shareholder Ms Liu Yang. This buy back is conditional on Ms LIU Yang paying the sum of \$180,000.00 to the company and the company assigned back to Ms LIU Yang all the rights and licenses associated with the LETU product. This is a disposal of a major asset of the company to a Director and the disposal of the wholly owned subsidiary of YYCH, Guangdong JBC Biological Technology Co Limited

I am the Independent Director on the Board of YYCH, and I have obtained an Independent Expert's Report from Rothsay Consulting Services Pty Limited, a copy of which is included in Section 9. The Independent Expert has concluded that the Proposal is fair and reasonable to all shareholders.

I recommend that the Minority Shareholders approve the Proposal by voting in favour of the various resolutions in the Notice of General Shareholders' Meeting.

I also recommend that you read these documents in their entirety, and speak to your own independent advisers regarding the impact that voting in favour or against the Proposal may have on your own circumstances.

Yours sincerely,

**Michael Matchett**  
Independent Director

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# I. Summary of the Proposal

This Section sets out the summary of the Proposal and should be considered in conjunction with the more detailed information provided in the balance of the explanatory memorandum set out in Section 4.

## I.1 The Proposal

- The Proposal involves a selective capital reduction and a change in the operations of YYCH. Under the Proposal all Shares and Options owned by Ms Liu Yang, the current chairman of YYCH, will be bought back for the consideration of \$1.00. In addition, as condition of the above Ms LIU Yang will purchase from the company the wholly owned subsidiary Guangdong JBC Biological Technology Co Limited, which owns all the rights and licenses associated with the LETU product for the sum of \$180,000.00 AUD.

The Proposal can only proceed if:

- A special resolution is passed at a general Meeting of Shareholders with no votes being cast in favour of the special resolution by the majority shareholder, Ms LIU Yang;  
and;
- Ms LIU Yang approves the transaction and consents to the cancellation of her shares under this Proposal by voting in favour of the Proposal at the Majority Shareholder Meeting.

If the Proposal is approved:

- YYCH will implement the proposal without further notice to Shareholders;
- YYCH will cancel all of the Shares and Options of the Majority Shareholder on or around 27<sup>th</sup> June 2007
- YYCH will transfer the rights and licenses associated with the LETU product and the wholly owned subsidiary Guangdong JBC Biological Technology Co Limited. to Ms LIU Yang.
- YYCH will be properly capitalized with sufficient cash for 12 months of trading on NSX.
- Ms LIU Yang will pay to YYCH the sum of \$180,000.00AUD in cash.

## I.2 Reasons for the Proposal

The Board of YYCH, including the Independent Director, considers that the Proposal is attractive to the minority shareholders for the following reasons:

- **It allows a fresh start for the company:** It has been announced to the market and NSX that for various reasons there has been a number of delays in introducing the LETU technology into Australia. By selling to Ms LIU Yang the wholly owned subsidiary Guangdong JBC Biological Technology Co Limited, which owns the rights and licenses associated with the LETU product. It allows the Directors to pursue and evaluate new opportunities for YYCH.



- **There will be sufficient capital for the company to continue its operations.** Since the formation of YYCH the company has been subject to undercapitalization. This has hampered the growth of the company and in particular has stifled its operations both in Australia and overseas. If shareholders approve the transaction, the company will not require large amounts of capital to fund LETU technology and will be sufficiently capitalized in the short term.
- **It is unlikely an alternative proposal will be received;** the board of YYCH, including the independent Director of YYCH, believe it is unlikely that an alternative third party will make a higher offer for shares held by shareholders of YYCH or for any of the assets held by YYCH.

### 1.3 Summary of the Independent Expert

The independent Expert has concluded that the Proposal is fair and reasonable to the minority shareholders and Ms LIU Yang. You should read the Independent Expert's Report in full.

### 1.4 Implications if the Proposal is not approved

- The Proposal will not proceed if it is not approved and:
- Ms LIU Yang will not have her shares cancelled;
- The company will not change its operations;
- The rights and licenses associated with the LETU product will not be transferred to Ms LIU Yang and Guangdong JBC Biological Technology Co Limited. will remain as a wholly owned subsidiary of the company.
- YYCH will not receive \$180,000.00 AUD
- The Directors of YYCH will need to consider carefully the cash position of the company including its viability as a going concern.

Further details on the implications of the Proposal not proceeding are included in Section 4 of the Explanatory Memorandum.

## 2. What You Should Do

### 2.1 Step 1

#### **Read this Meeting Documentation**

This Meeting Documentation sets out the details of the Proposal for Shareholders. This information is important. You should read this document carefully and if necessary seek your own independent advice on any aspects about which you are not certain.

### 2.2 Step 2

#### **Vote on the Resolution**

Your vote is important. Details of the relevant meeting are set out in the Notice of General Meeting included in this Meeting Documentation.

Shareholders can attend in person or complete the applicable proxy form that accompanies this Meeting Documentation and return it to the address provided. For details on how to complete and lodge the Proxy Form please refer to the instructions on the Proxy Form.

## 2.3 Key Dates

Deadline for lodgment of General Meeting proxy forms	24 <sup>th</sup> June 2007
General Meeting of Shareholders	26 <sup>th</sup> June 2007
If proposal approved the last day of trading of Ms LIU Yang's shares on NSX.	26 <sup>th</sup> June 2007

## 3. How To Vote

### 3.1 Venue

The General Meeting of all Shareholders will be held at Stamford Plaza Hotel 33 Cross St Double Bay 2028 on 26<sup>th</sup> June 2007 at 4.00pm EST

### 3.2 Voting in Person

If you wish to vote in person you should attend the General Meeting.

### 3.3 Voting by Proxy

If you are unable to attend this meeting please vote by completing and signing the relevant proxy form included with this Meeting Documentation as soon as possible, but so that it is received no later than 10.00am EDT on 24<sup>th</sup> June 2007. Proxy Forms received after this time will be invalid. You may return the relevant proxy forms by posting them, by delivering them to the address below or faxing them to Mr. Colin Archer, YYCH Company Secretary on facsimile number 02 9665 9627.

Postal Address:

Yang Yang China Holdings Limited  
(Post Office Box 788 Edgecliff NSW 2027 Australia)  
5<sup>th</sup> Floor, Edgecliff Centre  
203-233 New South Head Road  
EDGECLIFF, NSW, 2027 Australia

## 4. EXPLANATORY MEMORANDUM

### INTRODUCTION

As announced to NSX on 27 March 2007, the Board has decided to present to shareholders a proposal to change the direction of YYCH. The transaction involves a selective buy-back of the majority shareholders shares, a disposal of the wholly owned subsidiary Guangdong JBC Biological Technology Co Limited and the rights and interests associated with the LETU technology for the sum of \$180,000.00, and a change of direction for the company.

As a consequence, the Board has elected to change the focus of the Company's activities to that of a holding company evaluating investment opportunities as opposed to a biotechnology company.

The purpose of the Notice is to enable the Company's shareholders to approve the transaction with Ms LIU Yang and the Company's change in direction.

### REGULATORY REQUIREMENTS

#### 4.1 Ordinary Resolution,

Selective Buy back of issued capital from Ms Yang of 128,750,000 Fully Paid ordinary Shares and 128,750,000 Options

Section 256B of the Corporations Act provides that a company may reduce its share capital if the reduction:

- Is fair and reasonable to the shareholders as a whole;
- Does not materially prejudice the company's ability to pay its creditors; and
- Is approved by the shareholders.

Under the Corporations Act, YYCH can only implement the Proposal if it obtains shareholder approval by special resolution at the General Meeting of Shareholders and it receives the approval of the shareholder which is having their shares bought back, in this case Ms LIU Yang. The Board wishes to advise that it has received the written consent to this transaction from Ms LIU Yang and Ms LIU Yang has indicated that she is willing to approve this transaction. A special resolution is a resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution, either in person or by proxy.

#### Disposal of a Major Asset and Transactions with person of influence

Listing Rule 6.43 of the Listing Rules of NSX state that a listed entity must not dispose of a major asset without the approval of shareholders. This transaction comes within the category of a transaction which must be approved by shareholders by special resolution.

## **4.2 Information on the Company**

YYCH was formed on 6 July 2004 and acquired Guangdong JBC Biological Technology Co Limited. This company then became a wholly owned subsidiary with operations in Guangdong Province China. On 8<sup>th</sup> March 2005 YYCH lodged a replacement prospectus with ASIC to raise working capital. The prospectus was closed and on 6<sup>th</sup> September 2005 the company was admitted to the official list of the NSX and on the 6<sup>th</sup> September 2005 the securities and options of YYCH commenced trading on NSX.

Since the company's listing on the NSX in September 2005 it has been solely focused on the development and implementation of LETU technology in agriculture pig farming. Sadly the Directors have been unable to conclude a satisfactory agreement with the Chinese Government pig farms. All negotiations were ceased and the board has no immediate plans to start any more conversions in the Guangdong Region of South China. These negotiations turned out to be far more difficult than originally anticipated. Even after final approval for the importation of LETU from Japan has been received from the Australian Pesticides and Veterinary Medicines Authority (APVMA) in December 2006 along with the previous approvals from Australian Quarantine Inspection Service (AQIS) the time taken defeated any real progress with the funds available. A private placement offer to raise \$750,000 to boost cash on hand to allow the trials of LETU on a pig farm in Young has yet to be subscribed. Present cash on hand is not enough to conclude such trials. On the Fijian front political instability has led the Yang Yang board to suspend further negotiations about the development of an eco farming project/s in Fiji using LETU.

## **SHAREHOLDER CONSIDERATIONS**

### **4.3 Independent Expert concluded that the transaction is fair and reasonable.**

The Report by the Independent Expert concludes that the offer is Fair and Reasonable to the Shareholders as a whole, being Ms LIU Yang and the Minority Shareholders.

### **4.4 No alterative proposal**

The Board, including the independent Directors of YYCH believes it is unlikely than an alternative third party will make an offer for shares held by Minority Shareholders given Ms LIU Yang has a controlling interest in YYCH of 70.29% of the shares on issue and YYCH shares are relatively illiquid.

### **4.5 Considerations for Minority Shareholders**

There are a number of matters that Minority Shareholders need to consider when making a decision on how to vote on the proposed resolution at the relevant meeting. These include a number of advantages and disadvantages, some of which will be contingent on the individual financial position of the shareholder.

#### 4.6 Potential key advantages and disadvantages to Minority Shareholders if the Proposal is Approved:

The following is a summary of key advantages and disadvantages of the Proposal if approved by Minority Shareholders.

Advantages	Disadvantages
<b>Company will continue its Operations</b> On implementation of this proposal the company will have approximately \$180,000.00 in cash to continue its operations and examine investment opportunities to maximize value for shareholders. If the company does not implement this proposal it is possible that the company will be placed into administration.	<b>No exposure to LETU technology in the future, due to the disposal of the major asset.</b> Minority shareholders will forfeit their right to participate in any potential increase in the share price of YYCH as a result of the LETU technology. If the proposal is approved the subsidiary of YYCH will be sold to Ms LIU Yang.
<b>Potential Upside</b> On implementation, YYCH will be a company with the ability to make investments and create value for shareholders.	<b>Unable to consider a superior proposal</b> Minority shareholders may consider that a superior proposal for YYCH is unlikely. The approval of the Proposal will prevent Minority Shareholders from receiving more than \$180,000.00 for the sale of the LETU subsidiary. The board of YYCH does not believe that it is likely that a superior offer will be made.
<b>NSX Listing</b> Shareholders will continue to have public shares trading on the NSX.	

#### 4.7 Potential key advantages and disadvantages to Minority Shareholders if the Proposal is NOT APPROVED

Potential key advantages and disadvantages for Minority Shareholders if the Proposal is not approved include the following:

Advantages	Disadvantages
<b>Maintain Exposure to LETU technology.</b> Minority shareholders retain exposure to potential future growth and income streams that may be generated by their wholly owned subsidiary, dealing with LETU technology.	<b>Continued exposure to Biotechnology</b> Shareholders will continue to hold shares in YYCH, a biotechnology company and the future prospects of that company will depend on the success of the biotechnology operations.

#### 4.8 Directors' Recommendations

The Directors have closely considered the Proposal, the information contained in this Explanatory Memorandum and the Independent Expert's Report and have formed the view that the Proposal:

- Is in the best interest of the Minority Shareholders
- Is fair and reasonable to the shareholders of YYCH as a whole; and
- Does not materially prejudice YYCH's ability to pay its creditors

Mr. Michael Matchett was appointed to the Board of YYCH in July 2004 and is the sole Independent Director.

The Independent Director recommends that Shareholders approve the proposal by voting in favour of the resolutions proposed in the Notice of Meeting and in the Notice of Minority Shareholders Meeting (as applicable).

Further details of the Directors Interests in YYCH are disclosed in Section 5 of the Meeting Documentation.

#### **4.9 Approval Process**

Section 256B of the Corporations Act provides that a company may reduce its share capital if the reduction: Is fair and reasonable to the company's shareholders as a whole; Does not materially prejudice the company's ability to pay its creditors; and Is approved by shareholders.

Under the Corporations Act, YYCH can only implement the Proposal if it obtains shareholder approval by special resolution at the General Meeting and at the Minority Shareholder's Meeting. A special resolution is a resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution either in person or by proxy. The two meetings are required because the Proposal involves a selective capital reduction and the cancellation of Shares.

At a General Meeting, only minority Shareholders may vote in favour of the resolution. Ms LIU Yang may vote against the resolution at the General Meeting. Ms LIU Yang may vote in favour of the resolution at the Majority Shareholder Meeting. Minority Shareholders cannot participate in the Majority Shareholder Meeting.

##### **4.9.1 General Meeting of all Shareholders**

A special resolution must be passed at the General Meeting with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the proposal, or by their associates. As Part of the Proposal, Ms LIU Yang will receive consideration for the cancellation of her shares. As such no votes may be cast in favour of this resolution by Ms LIU Yang. Only Minority Shareholders will be able to cast votes in favour of this special resolution. Ms LIU Yang may vote against the resolution at a General Meeting, however, if Ms LIU Yang wishes to approve the proposal she is not required to vote in favour of the resolution proposed in the Notice of General Meeting.

The General Meeting of all Shareholders will be held at Stamford Plaza Hotel 33 Cross St Double Bay 2028 on 26<sup>th</sup> June 2007 at 4.00pm EST.

##### **4.9.2 Majority Shareholder's Meeting**

Only the Majority Shareholder may vote on the Proposal at the Majority Shareholder's Meeting because only her shares are to be cancelled if the Proposal is approved. For the Proposal to be approved at the Majority Shareholders Meeting, it must be approved by a special resolution of the Majority Shareholder (ie. 75% of the votes cast either in person or by proxy). All votes cast by Ms Yang at the Majority Shareholders Meeting will be counted whether for or against the Proposal will be counted in this vote.

The Meeting of the Majority Shareholder Meeting will be held at Stamford Plaza Hotel 33 Cross St Double Bay 2028 on 26<sup>th</sup> June 2007 following conclusion of the General Meeting.

##### **4.9.3 Proxy Voting Intentions**

Mr. Colin Archer as the intended Chairperson of the General and Majority Shareholder Meeting intends to vote undirected proxies in favour of the Proposal at the Meetings.

## 5 YYCH Directors' Disclosure

### 5.1 Directors

The current Directors of YYCH are:

- Colin Archer
- Michael Matchett
- Ms LIU Yang
- Xiao Bo Zhou

### 5.2 Directors' Shareholdings in YYCH

The Directors of YYCH and the number of YYCH Shares held by or on behalf of the Directors are set out below:

YYCH Directors Shareholdings and Option Holdings	Fully paid Ordinary Shares	Options to acquire Shares
Mr. Michael Matchett	NIL	NIL
Ms. LIU Yang	128,750,000	128,750,000
Colin Archer	NIL	NIL
Mr. Xiao Bo Zhou	8,740,000	8,740,000

### 5.3 Board Declaration

The Directors have each, where applicable, declared their interests as detailed to the Board and with the Board's permission following that disclosure have taken part in Board deliberations and voted in relation to the Proposal.

The Directors that hold shares have informed the Board that they intend to vote in favour of the Proposal at the General Meeting, and Ms LIU Yang intends to vote in favour of the Proposal at the Majority Shareholders' Meeting in their capacity as shareholders. If a Director is appointed as a proxy by a shareholder, then that Director will vote in respect of the Shares held by the Shareholder as directed.

Ms Liu has agreed to resign from the Board on successful completion of the proposal. All other directors have agreed to remain as directors of the company.

### 5.4 Directors' Recommendations

The Directors, including the Independent Director, believe the Proposal is in the best interests of all Shareholders and recommend that Shareholders approve the Proposal.

## 6. Yang Yang China Holdings Limited

### 6.1 Background

Yang Yang China Holdings Limited developed out of a China based Life Sciences Company called Guangdong JBC Biological Technology Co Limited (now a wholly owned subsidiary of YYCH), headed by Ms LIU Yang (current Chairman and major shareholder of YYCH) and primarily 2 scientists - Dr Jiang and Professor Jin.



As a result of many years R&D in both China and Japan the professors isolated a very particular strain of beneficial bacteria within the Lacto bacillus fermentum family. This has since been brand named as "LETU".

The benefits of beneficial bacteria for all animals (including humans) have been well documented over many years.

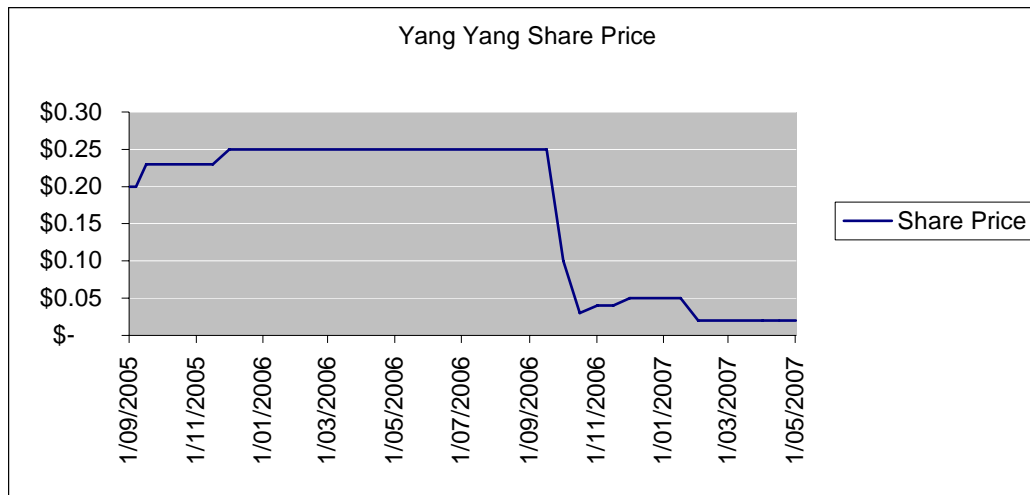
There are a range of products sold, including yoghurts, that include these bacteria. Professors Jin and Jiang and their team, having studied this science for many years have applied it to high intensity animal farming as a way of replacing the more commonly used antibiotics and growth promoters.

While a body of R&D has been completed across various high intensity animal farming most commercial application has been focused towards pig farming.

In addition to animal health aspects, adoption of LETU farming enables the usual waste water containing effluents to be reused as part of an eco farming system that converts a waste product in to an asset. Water used to flush the effluent into settling ponds within the LETU system contains many nutrients and is saturated with the beneficial bacteria so presents the opportunity to grow both fish and plants in the settling ponds. The solids are captured and processed to create organic fertilizer for use on other cash crops. Ultimately the water (depleted of the nutrients) can be recycled back through the pig farm thereby significantly reducing one of the economic barriers to market for pig farming.

## 6.2 YYCH Share price history

YYCH's share price performance from listing on NSX in September 2005 has significantly underperformed from a level of approximately \$0.25 per share to \$0.02 per share. Below is the YYCH share price graph of performance since listing.



### 6.3 Review of financial performance for the half year ended 31 December 2006

Consolidated net loss after tax for the half year was \$230,000

### 6.4 YYCH Shares

Distribution of Shares

As at 10<sup>th</sup> April 2007 the distribution of Shareholders was as follows:

Shares Spread	Members	Shares Held	% Held
1 - 10,000	12	120,000	0.07%
10,001 - 100,000	32	1,341,000	0.73%
100,001 - 500,000	8	1,646,550	0.9%
500,001 - 1,000,000	3	2,030,500	1.1%
1,000,001 - 2,000,000	3	4,700,950	2.6%
2,000,001 - 3,000,000	4	9,827,000	5.4%
3,000,001 - 4,000,000	1	3,500,000	1.9%
4,000,001 - 5,000,000	0	0	0.0%
5,000,001 - 6,000,000	1	5,250,000	2.9%
6,000,001 - 7,000,000	0	0	0.0%
7,000,001 - 8,000,000	0	0	0.0%
8,000,001 - 9,000,000	3	25,990,000	14.2%
9,000,001 - plus	1	128,750,000	70.2%
<b>TOTAL:</b>	<b>68</b>	<b>183,156,000</b>	<b>100.0%</b>

### 6.5 Top 10 Shareholders

As at 10<sup>th</sup> April 2007, the top 10 shareholders in YYCH were:

No.	Name	Number of Ordinary Shares	% of Issued Capital
1.	Ms Yang LIU	128,750,000	70.2%
2.	Ryhat Establishment	8,750,000	4.8%
3.	Xiao Bo Zhou	8,740,000	4.8%
4.	Xiong Zhao	8,500,000	4.6%
5.	Logic International Software	5,250,000	2.9%
6.	APEC Group Pty Limited	3,500,000	1.9%
7.	America's Travel Corporation	2,542,000	1.4%
8.	Qing Ping Qui	2,510,000	1.4%
9.	Glory (Australia) Investments Pty Ltd	2,500,000	1.4%
10.	Koon Sang LIM	2,275,000	1.2%

## **7. Further Information**

Further information about YYCH can be found on the YYCH website at [www.sibco.com.au/yangyangInfo.htm](http://www.sibco.com.au/yangyangInfo.htm) and the National Stock Exchange of Australia Site <http://www.nsx.com.au/Default.asp>

### **7.1 Financial Impact on Shareholders and Creditors**

- 7.1.1 If the proposal is approved by Shareholders and implemented Minority shareholders will retain 100% ownership of YYCH and relinquish control of the wholly owned subsidiary Guangdong JBC Biological Technology Co Limited. Ms LIU Yang's shareholding will be cancelled. Accordingly Ms LIU Yang will cease to have an interest in YYCH. The Board Believes that implementation of the Proposal will not materially prejudice YYCH's ability to pay its creditors.

### **7.2 Independent Expert's Conclusion**

Enclosed with this Meeting Documentation is the Independent Expert's Report. The Independent Expert, Rothsay Consulting Services Pty Limited has considered the proposal and concluded that the Proposal is fair and reasonable to Ms LIU Yang and the Minority Shareholders.

The Independent Expert has noted that:

- An alternative offer is highly unlikely given, in particular, that Ms LIU Yang owns 70.2% of the issued capital;
- The company does not currently have the requisite cash to continue funding the development of the biotechnology.

It is recommended that shareholders read the Independent Expert's Report in full.

### **7.3 ASIC and NSX lodgment**

This document together with the Independent Expert's Report have been lodged with ASIC in accordance with section 256C(5) of the Corporations Act and have also been provided to NSX. Neither ASIC nor NSX takes any responsibility for the contents of this booklet.

## **8. Directors Responsibility Statement and Consents**

The Directors of YYCH state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements by the Directors in this Meeting Documentation are not misleading or deceptive and that with respect to any statements given by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that person making those other statements were competent to make such statements and each of those persons have given their consent to the issue of this Meeting Documentation and have not withdrawn that consent before the issue of this Meeting Documentation.

Rothsay Consulting Services Pty Limited has given as at the date of this Meeting Documentation their written consent to be named as Independent Expert.

## 9. Independent Experts Report

# *R*othsay Consulting Services Pty Ltd

ABN 15 008 939 446

Level 1, 2 Barrack Street, Sydney NSW 2000 GPO Box 2759, Sydney NSW 2001  
Phone 9299 0091 Facsimile 9299 2595 Email swan2000@bigpond.com

4 May 2007

The Directors  
Yang Yang China Holdings Limited  
5th Floor Edgecliff Centre  
203-233 New South Head Rd  
Edgecliff NSW 2027

Dear Sirs

### **Independent Expert's Report on sale of Chinese subsidiary and rights to certain Letu technologies**

You have requested we provide an Independent Expert's Report to advise the shareholders of Yang Yang China Holdings Ltd ("Yang Yang" and "the Company"), as to whether the sale of the Chinese subsidiary, Guangdong JBC Biological Technology Co Limited and the rights to use certain Letu technologies to Ms Liu Yang is fair and reasonable to the non-associated shareholders and to set out the reasons for our conclusions.

Rothsay Consulting Services Pty Ltd (Rothsay) understands and has agreed that this report is to be included in an explanatory memorandum to assist shareholders in their consideration of a resolution to be put at a general meeting of the company.

### **Criteria for Evaluation**

In preparation of this report we have had regard to the requirements of ASIC Practice Note 42 Independence of Experts' Reports.

The term fair and reasonable has no legal definition. However, the Australian Securities and Investments Commission ("ASIC") Policy Statement 74 establishes certain guidelines in respect of the preparation of experts' reports.

What is fair and reasonable for non-associated shareholders should be judged in all the circumstances of the proposal. The report must compare the likely advantages and disadvantages for the non-associated shareholders if the proposal is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the value of the assets to be sold under the proposal and the value of the consideration is only one element of this assessment.

In forming an opinion as to whether the transaction is fair and reasonable to Yang Yang non-associated shareholders, we believe that:-

- The value of the assets being sold must be equal to or greater than the consideration offered by Ms Liu Yang
- No alternative transactions are available which are more advantageous to Yang Yang non-associated shareholders;

Rothsay has determined whether the offer is fair by comparing the underlying value of Yang Yang with the value of the assets being acquired. Our methodology for the value of Yang Yang is described in the section titled fair value. We have also considered the following in determining whether the offer is reasonable.

- The likely market price and liquidity of Yang Yang shares in the absence of the transaction;
- Other advantages and disadvantages for Yang Yang shareholders in approving the cancellation of Ms Liu Yang's shares.

### **Corporate History**

Yang Yang is a company listed on the NSX which developed out of a China based Life Sciences Company called Guangdong JBC Biological Technology Co. Ltd ( now a wholly owned subsidiary), headed by Ms Liu Yang (current chairperson and major shareholder) and two scientists who had isolated a particular beneficial bacteria branded as "LETU".

The company has been unsuccessful in marketing "LETU" due to various problems including regulatory hurdles and a recent capital raising failed due to the uncertain future of the company.

Further information on the operations of the company is available from the annual accounts which are available from the company and announcements made to the NSX.

### **SOURCES OF INFORMATION**

In forming our opinion as to the proposed transactions we have considered information including:

- Audited financial statements of Yang Yang for the year ended 30 June 2006.
- Financial statements for the half year ended 31 December 2006
- The recent NSX trading price and volumes of Yang Yang shares.
- Releases by Yang Yang to the NSX.
- Draft notices of meeting and explanatory memorandum to be dispatched to Yang Yang shareholders regarding the proposed sale.

In preparing this report we have reviewed the information described above as well as other published and unpublished information. We had discussions with the directors of Yang Yang concerning the proposed sale and other opportunities for Yang Yang post the sale.

The statements and opinions contained in our report are given in good faith and upon reasonable grounds in the belief that such statements are not false, misleading or incomplete. We have considered explanations given to us in our discussions with the directors and senior management of Yang Yang. Whilst we have no reason to doubt the accuracy of any information provided to us or that any material information has been withheld from us or is incomplete, we have not independently verified the information.

### **The Proposed Transaction**

That the Company agree to sell its' Chinese subsidiary, Guangdong JBC Biological Technology Co Limited and the rights to use Letu and associated products to Ms LiuYang in consideration for her surrendering 128,750,000 ordinary shares and accompanying options and a cash amount of \$A180,000.

## Summary of Opinion

- In our opinion the sale of Guangdong JBC Biological Technology Co Limited and the rights to use Letu and associated products to Ms Liu Yang in consideration for her surrendering 128,750,000 ordinary shares and accompanying options and a cash amount of \$A180,000 is fair and reasonable to non-associated shareholders.

Our opinion is based on economic, market and other conditions prevailing at the date of this report which can change significantly over relatively short periods of time.

## FAIR VALUE

For the purpose of assessing fairness to Yang Yang shareholders, a value needs to be attributed to the consideration offered by Ms Liu Yang and the assets to be sold, ie Guangdong JBC Biological Technology Co Limited and the rights to use Letu and associated products. The value of a company's shares is usually determined by reference to both asset values and the consistency and quality of earnings. In this regard we have considered the following valuation methodologies:

- The **market value** of shares in Guangdong JBC Biological Technology Co Limited and the rights to use Letu and associated products

This method relies on the efficient market hypothesis, which states in general terms, the market price at any point in time should fully reflect available information given willing buyers and willing sellers. This method is widely accepted and extensive evidence is available to support the hypothesis.

- The value of shares in Guangdong JBC Biological Technology Co Limited and the rights to use Letu and associated products based on the **asset backing method**.

This method considers the realisable value of Guangdong JBC Biological Technology Co Limited and the rights to use Letu and associated products assets by sale as a going concern or, alternatively, realisation of individual assets by orderly disposal or liquidation.

- The value of shares in Guangdong JBC Biological Technology Co Limited and the rights to use Letu and associated products based on the **capitalisation of future maintainable earnings method**.

This method requires estimation of the company's future maintainable earnings given historic and forecast performance, then determination of an appropriate capitalisation rate (or price/earnings ratio factor) to reflect the purchase's assessment of risk and return factors.

- The **discounted cash flow valuation method** which discounts future cash flows to current values by recognising risk and time value of money aspects.

## Fair Market Value Is Commonly Defined as:

The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arms-length.

## Value of Guangdong JBC Biological Technology Co Limited and the rights to use LETU and associated products

### Market Value

A review of the recent price movements and trading activity of Yang Yang on the NSX reveals consistent trading on reasonable volume in the 3 to 3.4 cent range with a 52 week high of 5.0 cents and a low of 2.9 cents.

Market value is influenced by the market's perception of many factors including the value of assets, the industry in which the company operates, managerial skills within the company and future expectations for the company. These market perceptions can change significantly over a relatively short period of time and are also significantly influenced by supply and demand for the shares. In our opinion Yang Yang's share price has been affected by the lack of progress in marketing the rights to use Letu and associated products and the market's interpretation of recent activities.

### **Capitalisation of Earnings**

Given the nature of Guangdong JBC Biological Technology Co Limited's operations, there is no expectation of operating profits in the foreseeable future. Accordingly, there is no basis for arriving at a value of Guangdong JBC Biological Technology Co Limited based on capitalisation of future maintainable earnings. There is no basis for determining future profitability with certainty. In addition the company does not have the required cash to develop the biotechnology.

### **Research Analyst Valuations**

We are not aware of any research analyst publications that would provide assistance in determining the value attaching to Guangdong JBC Biological Technology Co Limited and the rights to use Letu and associated products

### **Dividends**

We understand no dividends have been paid by Guangdong JBC Biological Technology Co Limited which is consistent with an emerging bio-tech company.

### **Alternative Offers**

We are not aware of alternative offers or indications of such in respect of Guangdong JBC Biological Technology Co Limited and the rights to use Letu and associated products and therefore do not consider the alternative offer valuation method relevant. Further an alternative offer is considered unlikely as Ms Yang owns 70.23% of the issued capital.

### **Conclusion on the Value of Guangdong JBC Biological Technology Co Limited and the rights to use Letu and associated products**

In our opinion the most appropriate value of Guangdong JBC Biological Technology Co Limited and the rights to use Letu and associated products based on review of the above methodologies is market value.

We note that the net asset backing based on the 31 December annual financial report is 1.6 cents on a pre-consolidation basis. It is not unusual for companies to trade at either a premium or discount to their net assets backing. Investors' willingness to gain exposure to activities based on their potential to outperform the fundamental value of the company through either new developments or hope of commercial success may contribute to the premium. The converse argument applies for a discount.

A difference between the market value and net asset backing value would also relate to the value of an ASX listing given the costs to gain official quotation.

### **CONCLUSION AS TO FAIRNESS OF THE TRANSACTIONS**

In our opinion without an independent valuation of Guangdong JBC Biological Technology Co Limited and the Letu technologies the sale may be considered fair as the value of the assets to be sold may not be greater than the consideration.

## **OTHER CONSIDERATIONS**

- **Share Price of Yang Yang if the Issue is Rejected**

If the sale is rejected by shareholders, Yang Yang shares are likely to trade at less than their current band based on the markets' assessment of factors affecting the company and may even be delisted if the company is placed into administration due to a lack of funds to continue trading.

- **Taxation Consequences**

Yang Yang has tax losses in respect of revenue losses available to be carried forward to be offset against income. This potential asset is not brought to account in the financial statements as the ability to receive value from them is dependant on the derivation of income which, given the current trading status of the company, is uncertain. We are of the opinion that the cancellation of Ms Liu's shares will not affect the utilisation of these losses.

### **Advantages**

- On implementation of the proposal the company will have approximately \$180,000 in cash to continue its operations and examine investment opportunities for to maximise opportunities for shareholders.

### **Disadvantages**

- If the proposal is not approved it is likely the company will be placed into administration.

## **CONCLUSION AS TO REASONABLENESS**

We have noted that there are currently no alternative transactions more advantageous to the minority shareholders and having considered these and other factors, it is our opinion the proposed transaction is reasonable to the minority shareholders.

## **AUTHOR**

Rothsay Consulting Services Pty Ltd ("Rothsay") is the corporate consulting arm of Rothsay Chartered Accountants and has experience in providing advice on mergers and acquisitions for listed companies.

Graham Rothsay Swan is a Fellow of the Institute of Chartered Accountants with a Bachelor of Economics and was primarily responsible for the preparation of this report and he has experience in preparing expert's reports under the Corporations Law, NSX listing rules and ASIC statements and releases.

There are no pecuniary or other interests which could be regarded as being capable of affecting the ability of the author to give an unbiased opinion in respect of the matters raised in this report.

## **DECLARATION OF INTEREST**

Rothsay has no interest in Yang Yang and does not have any relationship with Ms Liu or any associated persons.

The fee received for the preparation for this report is based on normal professional rates and is not dependent on the outcome of the proposal. With the exception of this fee Rothsay has not received and will not receive any pecuniary or other benefits whether directly or indirectly, in connection with the preparation of this report.



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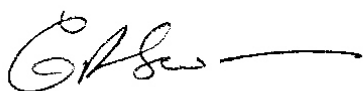
The report does not serve any purpose other than as an expression of our opinion as to the fairness and reasonableness of the transaction to be put forward to Yang Yang shareholders. It is not intended that this report should be used for any purpose other than to accompany the Explanatory Memorandum to Shareholders of Yang Yang and the report is for the benefit only of those persons expressly entitled to receive a copy of the report.

Recognising that Rothsay may rely on information provided by Yang Yang and its officers (save whether it would not be reasonable to rely on the information having regard to Rothsay's experience and qualifications), Yang Yang has agreed:

- To make no claim by it or its officers against Rothsay to recover any loss or damage which Yang Yang may suffer as a result of reasonable reliance by Rothsay on the information provided by Yang Yang;
- To indemnify Rothsay against any claim arising (wholly or in part) from Yang Yang or any of its officers providing Rothsay any false or misleading information or in the failure of Yang Yang or its offices in providing material information except where the claim has arisen as a result of wilful misconduct or negligence by Rothsay.
- A draft of this report was presented to Yang Yang's Directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.
- We consent to the inclusion of this report in the form and context in which it appears in the information memorandum.
- We estimate a fee of \$5,500 will be charged for the preparation of this report.



Rothsay Consulting Services Pty Ltd



Graham R Swan FCA MAICD  
Director

## 10. Defined Terms and Interpretation

In this Meeting Documentation, the following terms have the following meanings unless the context otherwise requires:

**A-IFRS** means the Australian equivalent to the International Financial Reporting Standards

**ASIC** means the Australian Securities and Investment Commission

**Associate** has the meaning given to that term in sections 10 to 17 of the Corporations Act

**NSX** means the National Stock Exchange of Australia Limited

**Board** or **Board of YYCH** means the Directors of YYCH

**YYCH** or **the Company** means Yang Yang China Holdings Limited ACN 109 469 383

**Chairman** means the Chairman of the Board Ms Liu Yang

**Corporations Act** means the Corporations Act 2001 (Cth)

**Director** means a Director of YYCH

**Explanatory Memorandum** means the explanatory memorandum accompanying the Notice of General Meeting and Notice of Majority Shareholder's Meeting contained in this Meeting Documentation

**General Meeting** means the proposed meeting of all Shareholders on 26<sup>th</sup> June 2007 at 4.00pm EST Stamford Plaza Hotel 33 Cross St Double Bay 2028.

**Independent Director** means the Director of YYCH who is not associated with YYCH being Mr. Michael Matchett.

**Independent Expert** means Rothsay Consulting Services Pty Limited

**Independent Expert's Report** means the report by the Independent Expert contained in the Meeting Documentation.

**Meeting Documentation** means:

- The letter from the Company Secretary and Director Chairman of YYCH to shareholders dated 2<sup>nd</sup> May 2007.
- The letter from the Independent Director of YYCH to YYCH Shareholders dated 2<sup>nd</sup> May 2007

- The summary of the Proposal
- Details for shareholders on what to do
- The Explanatory Memorandum
- The Independent Expert's Report
- The Notice of General Meeting
- The Notice of Majority Shareholder Meeting
- The Proxy forms for the General Meeting and the Minority Shareholders Meeting

**Majority Shareholder** means Ms Liu Yang.

**Majority Shareholder meeting** means the proposed meeting of the Majority Shareholder at Stamford Plaza Hotel 33 Cross St Double Bay 2028 on 26<sup>th</sup> June 2007 promptly following the Conclusion of the General Meeting of all Shareholders to consider and if thought fit to pass the special resolutions set out in the Notice of Majority Shareholder's Meeting.

**Notice of General Meeting** means the Notice dated 16<sup>th</sup> May 2007 which is enclosed in the meeting documentation

**Notice of Majority Shareholder Meeting** means the notice dated 16<sup>th</sup> May 2007 which is enclosed in the Meeting Documentation.

**Option** means an option to acquire a fully paid ordinary share in YYCH trading under the NSX ticker code YYCO

**Proposal** means the selective reduction of Capital in YYCH by way of the cancellation of shares held by the Majority Shareholder, the disposal of the wholly owned subsidiary Guangdong JBC Biological Technology Co Limited, the consolidation of the company's share capital and the change of name and operations of the company.

**Proxy Forms** means the Proxy Form for the General Meeting and the Proxy Form for the Majority Shareholder Meeting contained in this meeting documentation

**Share** means a fully paid ordinary share in YYCH

**Shareholder** means the holder of YYCH shares.



**DATE 21<sup>st</sup> May 2007**

## **NOTICE OF GENERAL MEETING**

**Notice is hereby given that a general meeting of Yang Yang China Holdings Limited will be held at Stamford Plaza Hotel 33 Cross St Double Bay 2028. on the 26<sup>th</sup> June 2007 at 4.00pm EST**

**SUITE 545 – 5<sup>TH</sup> FLOOR EDGECLIFF CENTRE SYDNEY NSW AUSTRALIA 2027**

PO BOX 474 EDGECLIFF NSW 2027

Telephone: +612-9362-3976

email: [yangyangholdings@yahoo.com](mailto:yangyangholdings@yahoo.com) - web: [HTTP://WWW.GEOCITIES.COM/YANGYANGHOLDINGS](http://WWW.GEOCITIES.COM/YANGYANGHOLDINGS)



### Items of Business

1. To consider and if thought fit, pass the following as a special resolution:
  - (i) “That the company reduce its share capital by way of a selective capital reduction in accordance with Section 256B of the Corporations Act 2001 by;
  - (ii) debiting the Company’s share capital account by an amount equal to the product of \$25,750,000 and the number of ordinary shares in the Company cancelled under paragraph (iii) of this resolution;
  - (iii) canceling all ordinary shares and options held by Ms LIU Yang (the Majority Shareholder) immediately before 5pm (Eastern Standard Time) on the Record Date being 26<sup>th</sup> June 2007 (such time being the record time) with effect on and from the record time.”
  
2. To consider and if thought fit, pass the following as a special resolution:
 

“That for the purpose of the Listing Rules of the National Stock Exchange of Australia Limited and for all other purposes, shareholders approve the company selling its’ Chinese Subsidiary Company Guangdong JBC Biological Technology Co Limited and the Rights to use Letu and associated products of Ms LIU Yang in consideration for Ms LIU Yang surrendering 128,750,000 million Fully Paid Ordinary Shares and 128,750,000 options and Ms LIU Yang paying the sum of \$AUD 180,000.00 to the company and the company consequently changing the nature of its activities on the terms and conditions set out in the Explanatory Statement accompanying this Notice”.

### Interdependence of Resolutions

The resolution above will not take effect unless the resolution at the Majority Shareholder Meeting and the resolutions above have been approved by the requisite majority.

### VOTING RESTRICTIONS

The Company will disregard any votes cast in favour of this resolution by Ms Liu Yang, any person or any associate of that person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### VOTING IN PERSON OR BY ATTORNEY

Members or their attorneys wishing to vote in person should attend the General Meeting. You are asked to arrive at least 10 minutes prior to the commencement of the General Meeting so that your shareholding may be checked against the register and your attendance noted.

Attorneys should bring with them an original or certified copy of the Power of Attorney under which they have been authorized to attend and vote at the meeting, unless it has already been provided to the Company.

## VOTING BY PROXY

Members are advised that:

- a) each member entitled to vote at the meeting has a right to appoint a proxy;
- b) the proxy need not be a member of the Company;
- c) a member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion of number of votes each proxy is appointed to exercise.

Your Proxy Form (any Power of Attorney under which it is signed) must be received at the Company's Registered Office at Suite 545 - 5<sup>th</sup> Floor Edgecliff Centre Sydney NSW Australia 2027 not later than 48 hours before the appointed time for the holding of the meeting that being Close of Business 5.00 PM EST 24<sup>th</sup> June 2006.

Proxies May be Lodged:

- a) by hand or via postal or courier services;
- b) By Facsimile addressed to the Company Secretary, Yang Yang China Holdings Limited (Fax Number: +61 (0) 2 9665 9627)

## VOTING ENTITLEMENTS

All ordinary Shares in the Company that are quoted securities as at 4.00pm EDT on 26<sup>th</sup> June 2007 are taken, for the purposes of the meeting to be held by the persons who held those shares at that time.

By order of the Board



**Colin Archer**  
Company Secretary



## PROXY FORM

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/members of Yang Yang China Holdings Limited hereby appoint

\_\_\_\_\_

of \_\_\_\_\_

or in his/her absence, the Chairman of the Meeting as my/our general /special proxy to vote on my/our behalf at the General Meeting of the Company to be held on 26<sup>th</sup> June 2007 or at any adjournment of that meeting.

Signature of Shareholder \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007

The Chairman proposes to vote undirected proxies in favour of resolution 1

If you do **not** wish to direct your proxy how to vote, please place a mark in the box. ☐

By marking this box you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

Unless otherwise instructed the proxy will vote as he or she thinks fit, or abstain from voting. Should the member wish to direct the proxy how to vote, the following should be completed

Resolution	For	Against	Abstain
1. To approve selective Capital reduction as proposed in the Notice of General Meeting dated 21st May 2006			
2. To approve the sale of Guangdong JBC Biological Technology Co Limited to Ms Liu Yang as proposed in the Notice of General Meeting dated 21 <sup>st</sup> May 2007			

## HOW TO COMPLETE THIS FORM

### 1. Appointment of a Proxy

If you wish to appoint the chairman of the meeting as your proxy mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered security holder in the space.



If you appoint a body corporate as your proxy, the body corporate will need to ensure that it appoints an individual as its corporate representative and that the appropriate "Certificate of Appointment of Corporate Representative is produced prior to admission.

## **2. Votes on Item of Business**

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the item of business. Subject to the voting restrictions, all your securities will be voted in accordance with such direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

## **3. Appointment of a Second Proxy**

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company or you may copy this form.

To appoint a second proxy you must:

- a) indicate that you wish to appoint a second proxy by marking the box.
- b) On each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fraction of votes will be disregarded.
- c) Return both forms together in the same envelope

## **4. Signing Instructions**

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name the holder must sign

Joint Holding: where the holding is in more than one name all of the security holders should sign.

Power of Attorney : to sign under Power of Attorney, you must have already lodged this document with the company or the registry. If you have not previously lodged this document for notation, please attach a certified copy of the Power of Attorney to this form when you return it.

Companies: where the company has a sole Director who is also the sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

## **5. Lodgment of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 4.00pm on 26<sup>th</sup> June 2007. Any proxy form received after that time will not be valid for the scheduled meeting.

Documents must be lodged:

In person: Registered Office- suite 545 — 5<sup>th</sup> floor Edgecliff Centre Sydney NSW Australia 2027

By Mail: Registered Office- suite 545 — 5<sup>th</sup> floor Edgecliff centre Sydney NSW Australia 2027

By Fax: Company Secretary, Yang Yang China Holdings Limited — 02 9665 9627



**Date: 21<sup>st</sup> May 2007**

## **NOTICE OF MAJORITY SHAREHOLDER MEETING**

**Notice is hereby given that a meeting of member of Yang Yang China Holdings Limited, whose shares are to be cancelled under the proposed selective capital reduction will be held at Stamford Plaza Hotel 33 Cross St Double Bay 2028. on 26<sup>th</sup> June 2007, promptly following the conclusion of the General Meeting of all members.**



### **Items of Business**

- I. To consider and if thought fit, pass the following resolution which will be a special resolution in accordance with section 256C(2) of the Corporations Act 2001:
  - a. “That the company reduce its share capital by way of a selective capital reduction in accordance with Section 256B of the Corporations Act 2001 by;
  - b. debiting the Company’s share capital account by an amount equal to the product of \$25,750,000 and the number of ordinary shares in the Company cancelled under paragraph (c) of this resolution;
  - c. canceling all ordinary shares and options held by Ms Yang (the Majority Shareholder) immediately before 5pm (Eastern Standard Time) on the Record Date being 26<sup>th</sup> June 2007 (such time being the record time) with effect on and from the record time.”

### **Interdependence of Resolutions**

The selective capital reduction will not proceed and the resolutions above will not take effect unless the resolutions at the General Meeting is passed by the requisite majority.

### **Attendance Restrictions**

Note that this is a meeting for the Majority Shareholder, Ms LIU Yang only.

### **Voting in Person or by Attorney**

Members or their attorneys wishing to vote in person should attend the Majority Shareholder Meeting. You are asked to arrive at least 10 minutes prior to the commencement of the Majority Shareholder Meeting so that your shareholding may be checked against the register and your attendance noted. Attorneys should bring with them an original or certified copy of the Power of Attorney under which they have been authorized to attend and vote at the meeting, unless it has already been provided to the Company.

### **VOTING BY PROXY**

Members are advised that:

- a) each member entitled to vote at the meeting has a right to appoint a proxy;

- b) the proxy need not be a member of the Company;
- c) a member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion of number of votes each proxy is appointed to exercise.

Your Proxy Form (any Power of Attorney under which it is signed) must be received at the Company's Registered Office at Suite 545-5<sup>th</sup> Floor Edgecliff Centre Sydney NSW Australia 2027 not later than 48 hours before the appointed time for the holding of the meeting.

Proxies May be Lodged:

- c) by hand or via postal or courier services;
- d) By Facsimile addressed to the Company Secretary, Yang Yang China Holdings Limited (Fax Number: +61 (0) 2 9665 9627)

#### **VOTING ENTITLEMENTS**

All ordinary Shares in the Company that are quoted securities as at 4.00pm EDT on 26<sup>th</sup> June 2007 are taken, for the purposes of the meeting to be held by the persons who held those shares at that time.

By order of the Board



**Colin Archer**  
Company Secretary



**YANG YANG CHINA HOLDINGS LIMITED**  
 A B N 2 1 1 0 9 4 6 9 3 8 3

## PROXY FORM

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/members of Yang Yang China Holdings Limited hereby appoint

\_\_\_\_\_

of \_\_\_\_\_

or in his/her absence, the Chairman of the Meeting as my/our general /special proxy to vote on my/our behalf at the Majority Shareholder Meeting of the Company to be held on 26<sup>th</sup> June 2007 or at any adjournment of that meeting.

Signature of Shareholder \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007

The Chairman proposes to vote undirected proxies in favour of resolution I

If you do **not** wish to direct your proxy how to vote, please place a mark in the box. ☐

By marking this box you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

Unless otherwise instructed the proxy will vote as he or she thinks fit, or abstain from voting. Should the member wish to direct the proxy how to vote, the following should be completed

Resolution	For	Against	Abstain
I. To approve selective Capital reduction as proposed in the Notice of General Meeting dated 21 <sup>st</sup> May 2007			

### HOW TO COMPLETE THIS FORM

#### a) Appointment of a Proxy

If you wish to appoint the chairman of the meeting as your proxy mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered security holder in the space.

If you appoint a body corporate as your proxy, the body corporate will need to ensure that it appoints an individual as its corporate representative and that the appropriate "Certificate of Appointment of Corporate Representative" is produced prior to admission.

#### **b) Votes on Item of Business**

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the item of business. Subject to the voting restrictions, all your securities will be voted in accordance with such direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### **2. Appointment of a Second Proxy**

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company or you may copy this form.

To appoint a second proxy you must:

- a. indicate that you wish to appoint a second proxy by marking the box.
- b. On each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fraction of votes will be disregarded.
- c. Return both forms together in the same envelope

### **3. Signing Instructions**

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name the holder must sign

Joint Holding: where the holding is in more than one name all of the security holders should sign.

Power of Attorney : to sign under Power of Attorney, you must have already lodged this document with the company or the registry. If you have not previously lodged this document for notations, please attach a certified copy of the Power of Attorney to this form when you return it.

Companies: where the company has a Dole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

#### **4. Lodgment of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48hours before the commencement of the meeting at 4.00pm on 26<sup>th</sup> March 2007. Any proxy form received after that time will not be valid for the scheduled meeting.

Documents must be lodged:

In person: Registered Office- suite 545 — 5<sup>th</sup> floor Edgecliff centre Sydney NSW Australia 2027

By Mail: Registered Office- suite 545 — 5<sup>th</sup> floor Edgecliff centre Sydney NSW Australia 2027

By Fax: Company Secretary, Yang Yang China Holdings Limited — 02 9665 9627