

**FINANCIAL REPORT FOR THE HALF YEAR ENDED  
31 DECEMBER 2006**

**FOR ORCHID CAPITAL LIMITED**

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FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

*Directors' report*

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2006.

**Directors**

The names of directors who held office during or since the end of the half-year:

Mr Clive McKee	Director, appointed 27-07-1999
Mr Julian Sandt	Director, appointed 24-06-2003
Mr Richard Lambe	Director, appointed 27-11-2006 Secretary, appointed 27-11-2006
Mr Alvin Tan	Non executive Director, appointed 27-07-1999

**Results**

The loss for the half year ended 31 December 2006 was \$343,143 (2005:loss \$1,094,211)

**Review of Operations**

Orchid Capital has entered a new era, after a change of management in 2005, the company has analyzed, negotiated and selected a few outstanding opportunities in Asia. We are convinced that, not only in the short run, but also in the long-term, Asia will generate high returns for equity investors. Asia has half of the world's population and is the fastest growing region on the planet, but offers investors still relatively low equity valuations with sustained growth. We will report in the following paragraphs how Orchid has progressed in the reporting period from the opportunities offered in Asia.

In addition, a core target of the management is the reduction of costs. Shareholders will, in the accounts, find lower operating costs, compared with the previous periods. Costs should further decline in the second half of the financial year (Jan – June 2007).

**A New Link between Europe and Asia**

Orchid's principal new investment is a stake of more than 10% in China's leading producer of woodworking machines, Gongyou Machines Ltd. ("Gongyou"). Orchid has acquired this stake in its role as lead investor in the pre-IPO-investment round in Summer 2006. The Gongyou group, of which the holding company is incorporated in Singapore, is a dynamic group with unique competitive advantages, such as 200 self-developed machine types with an R&D staff of 150, extremely low production costs, excellent economies of scale and increasing exports to 4 continents. Gongyou is not a small company – its has about 1300 staff and a net profit of nearly RMB 34 million in the past financial year. Profit has been steadily growing for the past years, and is expected to continue to grow in the coming years. More information on Gongyou can be found on [www.gongyoumachines.com](http://www.gongyoumachines.com).

At the time of printing this report, the preparations for the listing of Gongyou on the Frankfurt Stock Exchange are in advanced stage. While Gongyou has not received an approval for the listing yet, we hope for a successful listing in the near future.

The listing of Gongyou in Frankfurt would be the first ever China-related primary listing in Germany. Listings of Chinese companies have had a major successes on many stock exchanges, not only in Hong Kong and Singapore, but also in the USA and London. Orchid, who also initiated the listing process continues to coordinate between Asia and Germany in this matter, and will be well positioned to benefit from further German listings of Chinese companies.

**ORCHID CAPITAL LIMITED & CONTROLLED ENTITIES**  
**ABN 30 073 099 171**

**Auditor's Independence Declaration**

The auditor's independence declaration under section 307C of the Corporations Act 2001 for the half-year ended 31 December 2006 is set out on page 13.

This report is signed in accordance with a resolution of the Board of Directors.



Richard Lambe

Director

Perth, 28 February 2007

**ORCHID CAPITAL LIMITED & CONTROLLED ENTITIES**  
**ABN 30 073 099 171**

**Condensed Income Statement for the half-year ended 31 December 2006**

	Note	Consolidated	
		31-Dec-06	31-Dec-05
		\$	\$
<b>Continuing operations</b>			
Sales		96,007	-
Cost of sales		(2,764)	-
<b>Gross Profit</b>		<b>93,243</b>	<b>-</b>
Net gain on investments		35,363	159,747
Other income		54,912	113,212
<b>Total Revenue</b>		<b>183,518</b>	<b>272,959</b>
Employee benefits expense		(101,825)	(214,672)
Depreciation expense		(8,137)	(16,016)
Write back of Tibet expenditure		-	15,000
Share based payments		-	(92,000)
Consulting and other professional fees		(246,500)	(833,205)
Computer and office expenses		(87,016)	(80,801)
Travelling and entertainment expenses		(37,238)	(81,602)
Other expenses		(45,945)	(63,874)
Profit/(loss) before income tax		(343,143)	(1,094,211)
Income tax expense		-	-
<b>Profit/(loss) from continuing operations</b>		<b>(343,143)</b>	<b>(851,539)</b>
Profit/(loss) from discontinued operation (net of tax)		-	(242,672)
<b>Profit/(loss) for the period after income tax</b>		<b>(343,143)</b>	<b>(1,094,211)</b>
<b>Attributable to:</b>			
Shareholders of the Company		(333,150)	(1,094,211)
Minority Interests		(9,993)	-
<b>Profit/(loss) for the period after income tax</b>		<b>(343,143)</b>	<b>(1,094,211)</b>
<b>Earnings per share</b>			
Basic earnings per share (cents per share)		(20)	(72)

Diluted earnings per share has not been included, as it results in a more favourable earnings per share figure than basic earnings per share.

The accompanying notes form part of these financial statements.

**ORCHID CAPITAL LIMITED & CONTROLLED ENTITIES**  
**ABN 30 073 099 171**

**Condensed Balance Sheet as at 31 December 2006**

	Note	Consolidated	
		31-Dec-06	30-Jun-06
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	3	924,067	607,760
Trade and other receivables		102,281	112,694
Inventories		68,915	7,463
Other financial assets		3,623,470	3,951,931
Other current assets		720	2,255
<b>Total current assets</b>		<b>4,719,453</b>	<b>4,682,103</b>
<b>Non-current assets</b>			
Other financial assets		290,040	810,040
Property, plant and equipment		24,666	34,347
<b>Total non-current assets</b>		<b>314,706</b>	<b>844,387</b>
<b>Total assets</b>		<b>5,034,159</b>	<b>5,526,490</b>
<b>Current liabilities</b>			
Trade and other payables		190,429	200,505
Short-term provisions		42,849	26,463
<b>Total current liabilities</b>		<b>233,278</b>	<b>226,968</b>
<b>Non-current liabilities</b>			
Long-term provisions		28,684	41,509
<b>Total non-current liabilities</b>		<b>28,684</b>	<b>41,509</b>
<b>Total liabilities</b>		<b>261,962</b>	<b>268,477</b>
<b>Net Assets</b>		<b>4,772,197</b>	<b>5,258,013</b>
<b>Equity</b>			
Issued capital		31,616,559	31,612,407
Reserves		642,370	564,678
Foreign Currency Translation Reserve		(173,678)	49,574
Accumulated losses		(27,345,085)	(27,011,934)
<b>Total equity attributable to shareholders of the Company</b>		<b>4,740,166</b>	<b>5,214,725</b>
<b>Minority interest</b>		<b>32,031</b>	<b>43,288</b>
<b>Total equity</b>		<b>4,772,197</b>	<b>5,258,013</b>

The accompanying notes form part of these financial statements.

**ORCHID CAPITAL LIMITED & CONTROLLED ENTITIES**  
**ABN 30 073 099 171**

**Condensed Statement of Changes in Equity for the half-year ended  
31 December 2006**

	Ordinary Shares \$	Translation Reserve \$	Option Reserve \$	Accumulated Losses \$	Total \$	Minority Interest \$	Total Equity \$
<b>At 1 July 2005</b>	<b>31,612,407</b>	-	<b>142,058</b>	<b>(25,654,483)</b>	<b>6,099,982</b>	-	<b>6,099,982</b>
Issue of ordinary shares and options net of capital raising costs	-	-	-	-	-	-	-
Translation reserve	-	96,835	-	-	96,835	-	96,835
Total recognised income and expense	-	-	-	(1,094,212)	(1,094,212)	(100,290)	(1,194,502)
<b>At 31 December 2005</b>	<b>31,612,407</b>	<b>96,835</b>	<b>142,058</b>	<b>(26,748,695)</b>	<b>5,102,605</b>	<b>(100,290)</b>	<b>5,002,315</b>
<b>At 1 July 2006</b>	<b>31,612,407</b>	<b>49,574</b>	<b>564,678</b>	<b>(27,011,934)</b>	<b>5,214,725</b>	<b>43,288</b>	<b>5,258,013</b>
Issue of ordinary shares and options net of capital raising costs	4,152	-	77,692	-	81,844	-	81,844
Translation reserve	-	(223,252)	-	-	(223,252)	-	(223,252)
Total recognised income and expense	-	-	-	(333,151)	(333,151)	(11,257)	(344,408)
<b>At 31 December 2006</b>	<b>31,616,559</b>	<b>(173,678)</b>	<b>642,370</b>	<b>(27,345,085)</b>	<b>4,740,166</b>	<b>32,031</b>	<b>4,772,197</b>

The accompanying notes form part of these financial statements.

**ORCHID CAPITAL LIMITED & CONTROLLED ENTITIES**  
**ABN 30 073 099 171**

**Condensed Cash Flow Statement for the half-year ended 31 December 2006**

	Note	Consolidated 31-Dec-06	31-Dec-05
<b>Cash flows from operating activities</b>			
Cash receipts from customers		208,620	-
Cash paid to suppliers and employees		(664,329)	(1,258,687)
Interest received		39,394	69,620
Other		(34,772)	(78,432)
<b>Net cash provided by (used in) operating activities</b>		<u>(451,087)</u>	<u>(1,267,499)</u>
<b>Cash flows from investing activities</b>			
Purchase of non-current assets		-	(52,357)
Cash flow from investments		701,718	2,808,125
Payment for exploration and evaluation activities		-	(246,272)
<b>Net cash provided by (used in) investing activities</b>		<u>701,718</u>	<u>2,509,496</u>
<b>Cash flows from financing activities</b>			
Proceeds from share and option issues		81,843	-
<b>Net cash provided by (used in) financing activities</b>		<u>81,843</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>		332,474	1,241,997
Cash and cash equivalents at 1 July 2006		607,760	2,162,621
Effect of exchange rate fluctuations on cash held		(16,167)	-
<b>Cash and cash equivalents 31 December 2006</b>		<u>924,067</u>	<u>3,404,618</u>

The accompanying notes form part of these financial statements.

**ORCHID CAPITAL LIMITED & CONTROLLED ENTITIES**  
**ABN 30 073 099 171**

**Notes to the Financial Statements for the half-year ended**  
**31 December 2006**

**Note 1: Basis of Preparation**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Orchid Capital Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

For the purposes of preparing the half year financial report, the half year has been treated as a discrete reporting period.

**Note 2: Significant Accounting Policies**

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006, except for the adoption of amending standards mandatory for annual reporting periods beginning on or after 1 January 2006.

**Note 3: Cash and Cash Equivalents**

Cash and cash equivalents are comprised of the following:

	31/12/2006	31/12/2005
	\$	\$
Cash at bank and in hand	864,667	547,760
Short-term bank deposits	60,000	60,000
	<u>924,667</u>	<u>607,760</u>

**Note 4: Dividends**

No dividends were paid during the period

**Note 5: Contributed Equity**

During the period 83,043 options exercisable at 5 cents per share were converted into fully paid ordinary shares. Further 99,172,478 options expired on 30 November 2006.

A new option issue of 88,046,096 at 0.1 cents per option raising \$77,692 net of capital raising costs was made in December 2006. The options are exercisable at 5 cents on or before 28 February 2012. The option applications and funds were received prior to 31 December 2006 but the options were issued on 6 January 2007. A shortfall of options of 11,126,328 raising further \$11,126 is to be allocated after 31 December 2006. Funds received in regards to the shortfall of options are included in the current liabilities balance.

**ORCHID CAPITAL LIMITED & CONTROLLED ENTITIES**  
**ABN 30 073 099 171**

**Note 6 Segment reporting**

**For the six months ended 31 December 2006**

**Geographical**

	Australia		Switzerland		Singapore		Thailand		Eliminations		Consolidated	
	31-Dec-06	31-Dec-05	31-Dec-06	31-Dec-05	31-Dec-06	31-Dec-05	31-Dec-06	31-Dec-05	31-Dec-06	31-Dec-05	31-Dec-06	31-Dec-05
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Segment revenue	92,533	7,029	48,128	106,024	96,140	-	190	159	610	522,420	237,601	635,632
Segment result	(316,161)	(1,350,347)	(6,951)	(266,017)	(20,394)	-	(247)	(267)	610	522,420	(343,143)	(1,094,211)
Unallocated expenses												
Results from operating activities												
Less results from operating activities (discontinued operation)											(343,153)	(1,094,211)
Results from operating activities (continuing operations)											-	(242,672)
											(343,153)	(851,539)

The consolidated entity comprises the following main business segments:

- Orchid Thailand Ltd* - Wholly owned subsidiary Company main purpose is to assist in realising Thailand assets.
- Orchid EMARB Pty Ltd* - Wholly owned subsidiary Company main purpose is to trade securities and secure investment opportunities.
- Xing Ling Pte Ltd* - 51% owned subsidiary Company main purpose is the distribution of health and pharmaceutical products.

**Note 7: Contingent Liabilities**

There has been no change in contingent liabilities since the last annual reporting date.

**Note 8: Events Subsequent to Reporting Date**

There has not been, in the interval between 31 December 2006 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the economic entity, the results of those operations, or the state of affairs in the economic entity in future years.

**Note 9: Comparatives**

Comparatives have been restated where appropriate to ensure consistency in disclosure with the current period.

*Directors' declaration*

The directors of the company declare that:

1. The financial statements and notes of the consolidated entity:
  - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the economic entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company 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 Board of Directors.

Director



Richard Lambe

Director

Dated this 28 day of February 2007

# Stantons International

ABN 41 103 088 697

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WEST PERTH WA 6005, AUSTRALIA  
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28 February 2007

Board of Directors  
Orchid Capital Limited  
Suite 10, 119 Hampton Rd.  
South Fremantle, WA 6162

Dear Sirs

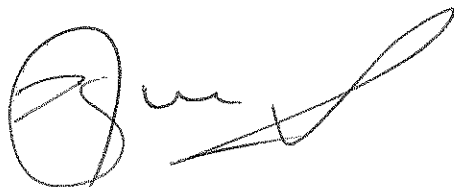
**RE: ORCHID CAPITAL LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Orchid Capital Limited.

As Audit Director for the review of the financial statements of Orchid Capital Limited for the period ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely  
**STANTONS INTERNATIONAL**  
(Authorised Audit Company)



**Keith Lingard**  
Director

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ORCHID CAPITAL LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Orchid Capital Limited, which comprises the condensed consolidated balance sheet as at 31 December 2006, and the condensed consolidated income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Orchid Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in

accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Orchid Capital Limited on 15 February 2007.

#### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Orchid Capital Limited is not in accordance with the *Corporations Act 2001* including:

- (a) 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
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**STANTONS INTERNATIONAL**  
**(An authorised audit company)**



**Keith Lingard**  
Director

West Perth, Western Australia  
28 February 2007