

**ORCHID CAPITAL LIMITED  
(ABN 30 073 099 171)**

**APPENDIX 4E  
PRELIMINARY ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2008**

**APPENDIX 4E  
PRELIMINARY FINAL REPORT  
FOR THE YEAR ENDING 30 JUNE 2008**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

<b>Revenue from Ordinary Activities:</b>	\$727,505
<b>Previous corresponding period:</b>	\$3,503,843
<b>Percentage Change:</b>	Down 79%
<b>Profit/(Loss) from Ordinary Activities after tax attributable to members:</b>	(\$3,759,975)
<b>Previous corresponding period:</b>	\$2,394,324
<b>Percentage Change:</b>	Down 257%
<b>Net Profit/(Loss) attributable to members:</b>	(\$3,759,975)
<b>Previous corresponding period:</b>	\$2,394,324
<b>Percentage Change:</b>	Down 257%

**There is no proposal to pay a dividend.**

## REVIEW OF OPERATIONS

The operating loss after income tax of the consolidated entity for the year ended 30 June 2008 was (\$3,759,975) (2007: profit \$2,308,067).

Orchid Capital has unfortunately recorded a significant loss in the past financial year. Major contributor being the falling share price of our largest investee, Gongyou Machines Ltd. We have further reduced our operating costs.

The company has, since late 2005, embarked on a new strategy, to invest in Pre-IPO stage companies. This strategy has, in FY 2007, led to the first ever profit in the history of the company. The global financial crisis, which has started in July 2007, the first month of the actual financial period, has led to a collapse of the IPO markets and, in many countries, the worst fall in equity prices for listed small caps since the Great Depression of the 1930s.

Our focus was to invest in companies with a proven operational and financial track record, a solid balance sheet and low Price-Earnings-Ratio, in order to reduce the risk of being affected by a potential downturn. We have however not predicted that a combination of depressed equity and credit markets, high inflation, especially for industrial raw materials, and falling growth rates even in Asia would drive valuations of small companies to the current level.

We are still convinced that a crisis offers exceptional opportunities, and we are actively seeking transactions to maximize the shareholder value of our loyal investors.

### Our Asian Portfolio

Orchid's largest investment is a stake of about 10% in a leading producer of woodworking machines, Gongyou Machines Ltd. ("Gongyou"), based in Weihai (China). Orchid was the lead investor in the pre-IPO-investment round in 2006. Gongyou was the first Chinese company with a primary listing in Germany. Gongyou is a sizable group with 1300 staff and with outstanding competitive advantages: Still comparatively low production costs and a product range of more than 200 machine types, developed by an R&D team of 150 engineers. While the domestic market, mainly Chinese furniture manufacturers, suffers in the last few months from falling furniture exports to the USA, Gongyou's exports in regions like ASEAN, Russia and Latin America are still growing. Gongyou has been profitable for many years and recorded a net profit of more than AU\$ 5 million in the two financial years which ended on 30.06.2006 and 30.06.2007. Profits for the financial year which ended on 30.06.2008 have not been published yet. We expect Gongyou to be profitable, even if profits might fall due to the macroeconomic environment and high prices for steel and copper and increasing labour costs in China. Orchid's losses are mainly due to the fall in Gongyou's share price.

Our second Pre-IPO investment in RGM Entertainment Pte. Ltd., a Singapore-based Asian media group ([www.rgm.com.sg](http://www.rgm.com.sg)) has been concluded in July 2007. The Australian subsidiary of RGM has started as a successful talent agency in 1982. Currently, RGM is executive producer of several movies with a high calibre international cast. RGM will be the executive producer of high-profile movie Point Break 2. RGM has also recently raised a film financing facility, which could enable RGM to produce films with a combined budget of up to US\$ 400 million. RGM plans to list on a stock exchange once the equity markets normalize.

Xing Ling International Pte. Ltd, a pharma distributor majority-owned by Orchid, recorded a loss in the past financial period. Orchid is considering to sell Xing Ling.

Orchid is constantly evaluating and negotiating opportunities in Asia and Australia, seeking to offer its shareholders the best possible return.

**BALANCE SHEET  
AS AT 30 JUNE 2008**

	Note	Consolidated		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	813,098	899,275	429,445	596,222
Trade and other receivables	8	44,757	416,734	11,722	347,047
Inventories (finished goods)		30,794	27,718	-	-
Other financial assets	9	2,428,379	5,920,651	1,228,808	4,386,826
<b>TOTAL CURRENT ASSETS</b>		<b>3,317,028</b>	<b>7,264,378</b>	<b>1,669,975</b>	<b>5,330,095</b>
<b>NON CURRENT ASSETS</b>					
Other financial assets	9	752,355	290,040	5,063,815	4,799,724
Property, plant and equipment	11	5,773	16,612	5,221	14,228
<b>TOTAL NON-CURRENT ASSETS</b>		<b>758,128</b>	<b>306,652</b>	<b>5,069,036</b>	<b>4,813,952</b>
<b>TOTAL ASSETS</b>		<b>4,075,156</b>	<b>7,571,030</b>	<b>6,739,011</b>	<b>10,144,047</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	12	322,919	291,772	186,757	213,924
Short-term provisions	13	4,392	88,000	-	88,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>327,311</b>	<b>379,772</b>	<b>186,757</b>	<b>301,924</b>
<b>NON CURRENT LIABILITIES</b>					
Borrowings from subsidiary	21	-	-	3,496,737	3,496,737
Long-term provisions	13	-	-	-	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>3,496,737</b>	<b>3,496,737</b>
<b>TOTAL LIABILITIES</b>		<b>327,311</b>	<b>379,772</b>	<b>3,683,494</b>	<b>3,798,661</b>
<b>NET ASSETS</b>		<b>3,747,845</b>	<b>7,191,258</b>	<b>3,055,517</b>	<b>6,345,386</b>
<b>EQUITY</b>					
Issued capital	14	31,848,559	31,708,559	31,848,559	31,708,559
Reserves	15	368,871	192,309	643,331	643,331
Accumulated losses	16	(28,469,585)	(24,709,610)	(29,436,373)	(26,006,504)
Total equity attributable to members of the parent entity		3,747,845	7,191,258	3,055,517	6,345,386
Minority interests	17	-	-	-	-
<b>TOTAL EQUITY</b>		<b>3,747,845</b>	<b>7,191,258</b>	<b>3,055,517</b>	<b>6,345,386</b>

The accompanying notes form part of these financial statements.

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	Consolidated		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Revenue from continuing operations</b>					
Investment revenue	3	68,881	78,783	22,452	16,663
Net realised gain on disposal of held-for-trading investments		27,435	308,618	(1,975)	295,377
Recovery of written down investments		476,718	-	476,718	2,679,180
Net unrealised gain on held-for-trading investments		-	2,733,562	-	-
Foreign exchange gains		-	192,791	1,183	-
Other income	4	154,472	190,089	1,050	533
<b>Total Revenue</b>		<b>727,505</b>	<b>3,503,843</b>	<b>499,428</b>	<b>2,991,753</b>
Cost of goods sold		(94,099)	(119,596)	-	-
Employee benefits expense		(2,273)	(133,852)	36,000	(13,025)
Share based payments		(140,000)	(88,000)	(88,000)	(88,000)
Depreciation expense		(10,847)	(16,708)	(9,007)	(14,987)
Consultancy and other professional fees		(387,075)	(461,391)	(364,505)	(417,254)
Computer and office expenses		(123,198)	(154,384)	(95,214)	(122,268)
Travelling and entertainment expenses		(30,553)	(67,723)	(1,543)	(22,094)
AIM listing expenses		-	(34,131)	-	(34,131)
Foreign exchange losses		(228,987)	-	-	-
Share of net unrealised losses from held for trading investments		(3,398,705)	-	(3,349,328)	-
Other expenses from ordinary activities	5	(71,745)	(77,021)	(57,700)	(48,888)
Profit (loss) from ordinary activities before income tax expense		(3,759,975)	2,351,036	(3,429,869)	2,231,106
Income tax expense relating to ordinary activities	6	-	-	-	-
Net profit (loss) after tax		(3,759,975)	2,351,036	(3,429,869)	2,231,106
Attributable to:					
Minority interest		-	(43,288)	-	-
Net profit (loss) attributable to members of the parent entity		(3,759,975)	2,394,324	(3,429,869)	2,231,106
Basic earnings/(loss) per share (cents per share)	18	(2.10)	1.37		

\* Diluted earnings per share have not been disclosed because it results in a more favourable earnings per share figure than basic earnings per share.

The accompanying notes form part of these financial statements.



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Cash receipts from customers		196,659	229,179	-	-
Cash paid to suppliers and employees		(683,797)	(1,159,805)	(545,427)	(664,442)
Interest received		57,729	70,676	22,452	16,093
Interest paid		(93)	(423)	(93)	(124)
Forex gain		(130,555)	192,791	1,185	-
Sundry income		2,484	1,696	1,050	533
<b>Net cash (used in) operating activities</b>	19	<b>(557,573)</b>	<b>(665,886)</b>	<b>(520,833)</b>	<b>(647,940)</b>
<b>Cash flows from investing activities</b>					
Payments for investments		(801,744)	(2,088,070)	(464,782)	-
Proceeds from the sale of investments		1,265,194	2,981,693	818,838	626,752
Dividends received		11,152	8,108	-	570
<b>Net cash provided by/(used in) investing activities</b>		<b>474,603</b>	<b>901,731</b>	<b>354,056</b>	<b>627,322</b>
<b>Cash flows from financing activities</b>					
Proceeds from share and option issues		-	82,805	-	82,805
Proceeds from loan from subsidiary		-	-	-	300,000
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>82,805</b>	<b>-</b>	<b>382,805</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(82,971)</b>	<b>318,650</b>	<b>(166,777)</b>	<b>362,187</b>
Cash and cash equivalents at 1 July		899,275	607,760	596,222	234,035
Effect of exchange rate fluctuations on cash held in foreign currencies		(3,206)	(27,135)	-	-
Cash and cash equivalents 30 June	7	<b>813,098</b>	<b>899,275</b>	<b>429,445</b>	<b>596,222</b>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

The financial report covers the economic entity of Orchid Capital Limited and controlled entities and Orchid Capital Limited as an individual parent entity. Orchid Capital Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and in accordance with the historical cost convention except for financial instruments at fair value through the profit and loss that are measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**Basis of Preparation**

Orchid Capital Limited and controlled entities, and Orchid Capital Limited as an individual parent entity have prepared financial statements in accordance with the Australian Equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

Compliance with AIFRSs ensures that this financial report complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Company's accounting policies.

At the date of authorization of the financial report, the following Standards and Interpretations were in issue but not yet effective:

**(ae) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of new standards and interpretations that may affect the Group is set out below.

(i) *AASB 8 Operating Segments* and *AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) *Revised AASB 123 Borrowing Costs* and *AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group does not have any borrowings).

*(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company.

### **Significant Accounting Policies**

Accounting policies are selected and applied in a manner that ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported. Comparative information is reclassified where appropriate to enhance comparability.

In addition to the accounting policies prescribed by applicable Accounting Standards, the following significant accounting policies have been adopted in the preparation and presentation of the financial report:

**(a) Principles of Consolidation**

A controlled entity is any entity Orchid Capital Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 10 to the financial statements. All controlled entities have a 30 June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

**(b) Income Tax**

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an

asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

(c) **Land for Sale**

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, foreign currency movements, borrowing costs and holding costs until completion of development. Borrowing costs, foreign currency movements and holding charges incurred after development are expensed. Profits are brought to account on the signing of an unconditional contract of sale.

(d) **Plant and Equipment**

Plant and equipment are measured at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rate used for depreciable assets is:

Plant and equipment	33.3%
Office Furniture	20.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(e) **Financial Instruments**

**Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

**Held-to-maturity investments**

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

**Available-for-sale financial assets**

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(f) **Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(g) **Investments in Associates**

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised group's share of post-acquisition reserves of its associates.

(h) **Foreign Currency Transactions and Balances**

**Functional and presentation currency**

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

**Group companies**

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- retained profits are translated at the exchange rates prevailing at the date of the transaction.
- income and expenses are translated at average exchange rates for the period; and

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(i) **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**Defined superannuation schemes**

There are no defined benefit plans.

**Equity-settled compensation**

The group operates a share and option-based compensation plan. This includes both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed was determined by reference to the fair value of the shares of the options granted.

(j) **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(k) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(l) **Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(m) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) **Comparative Figures**

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(o) **Inventories**

Inventories of finished goods are valued at the lower of purchased cost and net realisable value.

(p) **Critical accounting estimates and judgements**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 6 : Income Tax
- Note 9 : Other financial assets
- Note 13 : Provisions
- Note 20: Share Based Payments

## **Note 2: Segment Reporting**

The group's primary reporting format is business segments, with investment and sales of pharmaceutical products being the only segments operating at the end of the financial year. Secondary segment information is reported geographically.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

*Orchid Thailand Ltd* is a wholly owned subsidiary company, the main purpose of which, is to assist in realising Thailand held assets.

*Orchid Emarb Ltd* is a wholly owned subsidiary company, the main purpose of which, is to trade securities and secure investment opportunities.

*Xing Ling International Pte Ltd* is a 51% owned subsidiary company, the main purpose of which, is the distribution of health and pharmaceutical products.

**Business Segments:** The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2008 and 30 June 2007.

**Note 2: Segment Reporting (continued)**

<b>Primary Reporting - Business Segments</b>	<b>2008</b>	<b>2007</b>		
	<b>\$</b>	<b>\$</b>		
<b>Revenue</b>				
Revenue from investment segment				
Realised gain on investments	27,435	308,618		
Recovery of written down investment	476,718	-		
Unrealised gain on investments	-	2,733,562		
Interest	57,729	70,676		
Dividends	11,152	8,108		
Foreign exchange gain	-	192,642		
Other	1,050	533		
Total revenue from investment segment	<u>574,083</u>	<u>3,314,139</u>		
Revenue from pharmaceutical segment				
Pharmaceutical sales	151,988	188,394		
Other income - pharmaceutical	1,434	1,162		
Foreign exchange gain	-	149		
Total revenue from pharmaceutical segment	<u>153,422</u>	<u>189,704</u>		
Total consolidated revenue	<u>727,505</u>	<u>3,503,843</u>		
	<b>2008</b>	<b>2007</b>		
	<b>\$</b>	<b>\$</b>		
<b>Segment Result</b>				
Continuing operations				
Investments	(3,655,916)	2,525,770		
Pharmaceutical products	(104,060)	(174,733)		
Less: minority interest (pharmaceutical products)	-	43,288		
Total result from continuing operations	<u>(3,759,975)</u>	<u>2,394,325</u>		
Profit/(loss) before income tax	(3,759,975)	2,394,325		
Income tax expense	-	-		
Net profit/(loss)	<u>(3,759,975)</u>	<u>2,394,325</u>		
<b>Segment Assets and Liabilities</b>			<b>Liabilities</b>	
	<b>Assets</b>			
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Investment segment	4,008,298	7,459,632	71,914	183,951
Pharmaceutical segment	66,858	111,398	255,397	195,821
Consolidated	<u>4,075,156</u>	<u>7,571,030</u>	<u>327,311</u>	<u>379,772</u>
<b>Other Segment Information</b>			<b>Pharmaceutical Sales</b>	
	<b>Investment Activities</b>			
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Carrying value of investments accounted for using the equity method	-	-	-	-
Share of net profit/(loss) of associates and jointly controlled entities accounted for under the equity method	-	-	-	-
Acquisition of segment assets	-	-	-	-
Impairment losses:				
Recognised in profit or loss	-	-	-	-
Recognised in equity	-	-	-	-
Reversals of impairment losses:				
Recognised in profit or loss	-	-	-	-
Recognised in equity	-	-	-	-
Depreciation and amortisation of segment assets	(9,007)	(14,987)	(1,840)	(1,721)
Significant other non-cash expenses				
Issue of shares to CEO per terms of employment	(52,000)	(88,000)	-	-
Significant revenues (expenses)				
Unrealised loss on investments	(3,398,705)	-	-	-
Unrealised gain on investments	-	2,733,562	-	-
Realised gains on investments	27,435	308,618	-	-
Recovery of written down investment	476,718	-	-	-
Sales	-	-	151,988	188,394
Interest income on investments	57,729	70,676	-	-
Salaries	-	(124,714)	(23,017)	(120,827)
Consulting fees - directors	(324,834)	(303,071)	-	-
Financial markets terminal	(83,942)	(88,759)	-	-
Travel and accommodation	(1,286)	(21,807)	(23,509)	(35,669)
<b>Secondary Reporting - Geographical Segments</b>			<b>Segment Result</b>	
	<b>Segment Revenue</b>			
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Australia	498,245	2,991,753	(3,231,645)	2,231,105
Switzerland	75,112	166,978	(422,068)	141,999
Singapore	153,765	189,836	(104,059)	(174,732)
Thailand	384	386	(2,203)	(2,225)
Eliminations	-	154,890	-	154,890
Minority interest	-	-	-	43,288
Consolidated	<u>727,505</u>	<u>3,503,843</u>	<u>(3,759,975)</u>	<u>2,394,325</u>

<b>Note 3: Investment Revenue</b>	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest received	57,729	70,676	22,452	16,093
Dividends	11,152	8,108	-	570
<b>Total Investment Revenue</b>	<b>68,881</b>	<b>78,784</b>	<b>22,452</b>	<b>16,663</b>

<b>Note 4: Other Income</b>	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Pharmaceutical sales	151,988	188,394	-	-
Service income	1,433	1,162	-	-
Deconsolidation adjustment	-	-	-	-
Sundry income	1,050	533	1,050	533
<b>Total Other Revenue</b>	<b>154,472</b>	<b>190,089</b>	<b>1,050</b>	<b>533</b>

<b>Note 5: Other Expenses</b>	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Administration expenses	-	-	-	-
Advertising	632	1,344	632	1,344
ASX fees	17,794	15,742	17,794	15,742
ASIC fees	1,000	3,010	1,000	3,010
Bad debts expense	-	4,744	-	-
Bank charges	16,978	13,200	10,182	2,742
Board of Directors	-	-	-	-
Electricity	3,082	4,096	-	-
General expenses	1,719	5,851	498	1,421
Office relocation	-	1,862	-	1,862
Insurance	-	477	-	477
Interest payable	93	423	93	124
Postage, freight & courier	1,236	305	-	109
Repairs & maintenance	1,711	3,909	-	-
Share registry services	4,440	9,796	4,440	9,796
XETRA Sponsorship	20,883	8,961	20,883	8,961
Storage rental	2,178	1,269	2,178	1,269
Subscriptions & donations	-	635	-	635
Loss on sale of fixed assets	-	1,396	-	1,396
<b>Total Other Expense</b>	<b>71,745</b>	<b>77,021</b>	<b>57,700</b>	<b>48,888</b>

<b>Note 7: Cash and cash equivalents</b>	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	749,654	389,275	369,445	86,222
Short-term bank deposits	63,444	510,000	60,000	510,000
<b>Total Cash and cash equivalents</b>	<b>813,098</b>	<b>899,275</b>	<b>429,445</b>	<b>596,222</b>

<b>Note 8: Trade and other receivables</b>	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Trade debtors	30,325	402,293	-	334,716
Sundry debtors	4,766	4,331	3,722	4,331
Prepayments	9,666	10,110	8,000	8,000
<b>Total trade and other receivables</b>	<b>44,757</b>	<b>416,734</b>	<b>11,722</b>	<b>347,047</b>

As of 30 June 2008, trade and other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

**Note 9: Other financial assets**

	Consolidated		Parent Entity	
	2008	2007	2008	2007
<u>Current</u>				
Bank Deposits - long term	531,665	679,255	-	-
Listed shares - at fair value	1,896,714	5,241,396	1,228,808	4,386,826
Total current other financial assets	2,428,379	5,920,651	1,228,808	4,386,826

The fair value of listed investments has been determined directly by reference to published price quotations in an active market. Included in listed shares are shares in Gongyou Machines Ltd which had a fair value of \$1,199,700 at 30 June 2008. As of 28 August 2008 the fair value has decreased to \$912,279

Non-current

<u>Investments in subsidiaries</u>				
Orchid Emarb Ltd	-	-	4,261,460	4,261,460
Orchid Thailand Ltd	-	-	89,047	89,047
less provision for writedown	-	-	(39,047)	(39,047)
Xing Ling International Pte Ltd	-	-	198,224	198,224
less provision for writedown	-	-	(198,224)	-
Total investments in subsidiaries	-	-	4,311,460	4,509,684
<u>Land held</u>				
Lot 12 Samsara, Thailand	290,040	290,040	290,040	290,040
Total land held for resale	290,040	290,040	290,040	290,040
<u>Investment in unlisted associated companies</u>				
Jiva Kata Resort Company Ltd	229,962	706,680	229,962	706,680
less provision for writedown	(229,962)	(706,680)	(229,962)	(706,680)
Pre IPO Loan - RGM Entertainment	464,782	-	464,782	-
less provision for writedown	(2,467)	-	(2,467)	-
Total investment in unlisted associated companies	462,315	-	462,315	-
Total non-current other financial assets	752,355	290,040	5,063,815	4,799,724

**Note 10: Controlled Entities**

	Country of Incorporation	Percentage Owned (%)*	
		2008	2007
<u>Parent Entity:</u>			
Orchid Capital Ltd	Australia		
<u>Subsidiaries:</u>			
Orchid Emarb Ltd	BVI	100	100
Orchid Capital Ltd (Thailand)	Thailand	100	100
Xing Ling International Pte Ltd	Singapore	51	51
Teleios Pte Ltd (wholly-owned subsidiary of Xing Ling)	Singapore	100	100

\* Percentage of voting power is in proportion to ownership

**Note 11: Property, Plant and Equipment**

	Consolidated		Parent Entity	
	2008	2007	2008	2007
Plant and Equipment	\$	\$	\$	\$
At cost	64,048	64,109	58,630	58,630
Accumulated depreciation	(58,275)	(47,497)	(53,409)	(44,402)
Total Property, Plant and Equipment	5,773	16,612	5,221	14,228

(a) **Movements in Carrying Amount**

Movement in the carrying amount for plant and equipment between the beginning and the end of the current financial year

	Consolidated		Parent Entity	
	2008	2007	2008	2007
Consolidated Entity:	\$	\$	\$	\$
Plant and equipment				
Balance at the beginning of the year	16,612	34,347	14,228	30,611
Additions	-	-	-	-
Written down value of disposals	(32)	(1,027)	-	(1,396)
Depreciation expense	(10,847)	(16,708)	(9,007)	(14,987)
Carrying amount at the end of the year	5,733	16,612	5,221	14,228

**Note 12: Trade and other payables**

	Consolidated		Parent Entity	
	2008	2007	2008	2007
CURRENT	\$	\$	\$	\$
Trade payables	309,628	220,928	186,757	155,792
Sundry payables and accrued expenses	13,290	70,843	-	58,132
	322,919	291,772	186,757	213,924

**Note 13: Provisions**

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current - Employee entitlements	4,392	88,000	-	88,000
Non-current - Employee entitlements	-	-	-	-
	4,392	88,000	-	88,000

**Note 14: Issued Capital**

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
180,643,756 (2007: 176,643,756) fully paid ordinary shares	31,848,559	31,708,559	31,848,559	31,708,559

**Movement in ordinary shares on issue**

	2008		2007	
	No.	\$	No.	\$
At the beginning of the financial year	176,643,756	31,708,559	176,643,756	31,708,559
Employee share issue	4,000,000	140,000	4,000,000	140,000
Exercise of options	-	-	-	-
No. shares bought back during the year	-	-	-	-
At the end of the financial year	180,643,756	31,848,559	180,643,756	31,848,559

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands



**Note 19: Notes to the Cash Flow Statement**

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Reconciliation of net cash used in operating activities to operating profit/(loss) after income tax				
Operating profit/(loss) after income tax	(3,759,975)	2,394,326	(3,429,869)	2,231,106
Add				
Depreciation	10,847	16,708	9,007	14,987
Share-based payments	140,000	92,000	140,000	92,000
(Gain)/Loss on sale of property, plant and equipment	-	1,027	-	1,396
(Gain)/loss on sale of investments	(504,153)	(308,618)	(474,743)	(295,377)
(Gain)/loss on revaluation of fair value through profit or loss financial assets	3,398,705	(2,733,562)	3,349,328	(2,679,180)
Dividends received and receivable	(11,152)	(8,108)	-	(570)
Foreign exchange translation	(148,285)	(108,341)	-	-
Deconsolidation adjustments	-	-	-	-
Minority interest for the year	-	(43,288)	-	-
Changes in net assets/liabilities:				
(Increase)/decrease in receivables	371,977	32,931	609	(609)
(Increase)/decrease in inventories	(3,076)	(20,255)	-	-
(Decrease)/Increase in payables	31,147	91,267	(27,166)	47,774
(Decrease)/increase in provisions	(83,608)	(71,972)	(88,000)	(59,467)
Net cash (used in) operations	<u>(557,573)</u>	<u>(665,886)</u>	<u>(520,833)</u>	<u>(647,940)</u>

**Note 20: Share-based Payments**

The following share-based payment arrangement existed at 30 June 2008

The CEO, Julian Sandt, is entitled to an issue of 2 million shares for each of the three years of his letter agreement dated 18 September 2005. The first tranche of 2 million shares were issued on 27 April 2007. The second and third tranches were issued on 9 November 2007.

**Note 23: Events after balance sheet date**

As at the date of this report the fair value of shares held in Gongyou Machines Ltd was \$912,279.

**ADDITIONAL INFORMATION**

**Net Tangible Assets per security**            2.07 cents per share

**Previous period**                                4.07 cents per share

**Entities over which control has been gained or lost:**    Nil

**Associates and Joint ventures:** Nil

**This report is based on accounts which are in the process of being audited. The accounts of wholly owned subsidiaries, Orchid Emarb Ltd and Orchid Thailand Ltd have been audited. The accounts of the parent entity, Xing Ling International Pte Ltd and the consolidated accounts are in the process of being audited.**