

**APPENDIX 4D  
HALF-YEAR REPORT  
FOR THE HALF-YEAR ENDING 31 DECEMBER 2008**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

<b>Revenue from Ordinary Activities:</b>	\$134,687
<b>Previous corresponding period:</b>	\$320,192
<b>Percentage Change:</b>	Down 58%
<b>Loss from Ordinary Activities after tax attributable to members:</b>	(\$2,107,831)
<b>Previous corresponding period:</b>	(\$2,414,802)
<b>Percentage Change:</b>	Up 13%
<b>Net Loss attributable to members:</b>	(\$2,107,831)
<b>Previous corresponding period:</b>	(\$2,414,802)
<b>Percentage Change:</b>	Up 13%
<b>There is no proposal to pay a dividend.</b>	
<b>Net tangible assets per security:</b>	1.11
<b>Previous corresponding period:</b>	2.88

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

**HALF-YEAR FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

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## **CORPORATE DIRECTORY**

### **DIRECTORS**

C McKee  
J Sandt  
A Tan  
R Lambe

### **COMPANY SECRETARY**

R Lambe

### **REGISTERED OFFICE**

Level 1, 1 Havelock Street  
West Perth, Western Australia, 6005  
Telephone: +618 9209 2902  
Facsimile: +618 9209 3973  
Email: info@orchidcapital.net  
Website: www.orchidcapital.net

### **AUDITORS**

Stantons International  
Level 1, 1 Havelock Street  
West Perth, Western Australia, 6005

### **SHARE REGISTRY**

Advanced Share Registry Services Pty Ltd  
110 Stirling Highway  
Nedlands, Western Australia, 6909  
Telephone: +618 9389 8033  
Facsimile: +618 9389 7871

### **STOCK EXCHANGE LISTING**

The Company is listed on the Australian Securities Exchange Limited and Deutsche Borse AG.  
Home Exchange – Perth, Australia

ASX Code - ORC  
WKN Code - 924249

### **AUSTRALIAN COMPANY NUMBER AND AUSTRALIAN BUSINESS NUMBER**

A C N 073 099 171  
A B N 30 073 099 171

## DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2008.

### DIRECTORS

The names of the company's directors in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Clive McKee (Chairman)  
Julian Sandt (Chief Executive Officer)  
Alvin Tan (Non-Executive Director)  
Richard Lambe (Finance Director and Company Secretary)

### REVIEW AND RESULTS OF OPERATIONS

The operating loss after income tax of the consolidated entity for the half-year ended 31 December 08 was \$2,107,831 (31 December 2007: loss \$2,414,802).

The global economy and the equity markets are gripped by the worst downturn since the Great Depression of the 1930ies. For Orchid Capital, an investor in young, growing companies, such circumstances make it impossible to operate profitably. Listed investments, usually small caps, lose value, and unlisted investments have nearly completely been written down to zero, even if we still see possibilities to recover some value. Consequently, Orchid Capital has recorded a significant loss during the reporting period. Major contributor is the falling share price of our largest investee, Gongyou Machines Ltd. We have again 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, has led to a collapse of the IPO markets and a drastic fall in equity prices for listed small caps.

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, and economic depression even in Asia would drive valuations of small companies to the current level.

We have abstained from new investment, in order to conserve cash, for more than 12 months. The losses in the actual and the last six month periods are due to investments made before 2008. Therefore, Orchid Capital is in a net cash position and, in combination with the further reduced operating costs, should be able to overcome the crisis.

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. A precondition for new investments would be extremely low valuation combined with a reasonable degree of risk.

### 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 more than 1000 staff and with outstanding competitive advantages: Comparatively low production costs and a product range of more than 200 machine types, developed by an R&D team of 150 engineers. During the reporting period, Gongyou's domestic market, mainly Chinese furniture manufacturers, suffered from falling furniture exports and now even from lacklustre demand for furniture and construction materials in China. Gongyou's exports in regions like ASEAN, Russia and Latin America were still growing at the start of the reporting period, but fell in the last few months. Gongyou has been profitable for many years and recorded a net profit of about AU\$ 7 million in the three financial years which ended on 30.06.2006 - 2008. While the financial year 2009 will be difficult, we expect Gongyou to overcome the crisis, based on its strong balance sheet and on cost reduction measures. Orchid's losses are to a large extent 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 raised a film financing facility, which could enable RGM to produce films with a combined budget of up to US\$ 400 million. Still, we have taken a conservative approach and written down our investment in RGM, in spite of a significant chance to recover the investment.

Xing Ling International Pte. Ltd, a pharma distributor majority-owned by Orchid, recorded a loss in the reporting period. Orchid is actively negotiating a sale of its investment in Xing Ling.

Orchid is constantly evaluating and negotiating opportunities in Asia and Australia, seeking to offer its shareholders the best possible return. Because of our cautious approach, we have not made any new investments during the period.

#### **AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the half year ended 31 December 2008 has been received and is set out on page 13.

Signed in accordance with a resolution of the Directors



Richard Philip Lambe, Director  
Perth, 27 February 2009

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Orchid Capital Limited, I state that:

In the opinion of the directors:

- a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Richard Philip Lambe, Director  
Perth, 27 February 2009

**INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Note	Consolidated	
		31-Dec-08	31-Dec-07
		\$	\$
<b>Revenue from continuing operations</b>			
Investment revenue		37,190	39,796
Net realised gain on disposal of held-for-trading investments		-	27,158
Recovery of written down investments		57,683	147,315
Other income	3(a)	39,814	105,923
<b>Total Revenue</b>		<b>134,687</b>	<b>320,192</b>
Cost of goods sold		(21,913)	(47,428)
Employee benefits expense		(43,074)	(47,552)
Share based payments		-	(52,000)
Depreciation expense		(1,969)	(5,071)
Consultancy and other professional fees		(167,328)	(183,168)
Computer and office expenses		(68,216)	(94,697)
Interest expense		(2,375)	(93)
Travelling and entertainment expenses		(13,202)	(17,249)
Foreign exchange losses		(715,558)	(256,035)
Impairment losses		(290,040)	-
Net unrealised losses from held for trading investments		(889,347)	(1,992,808)
Net realised losses from held for trading investments		(1,033)	-
Other expenses from ordinary activities	3(b)	(28,463)	(38,893)
(Loss) from ordinary activities before income tax expense		(2,107,831)	(2,414,802)
Income tax expense relating to ordinary activities		-	-
Net (loss) after tax		(2,107,831)	(2,414,802)
Attributable to:			
Minority interest		-	-
Net (loss) attributable to members of the parent entity		(2,107,831)	(2,414,802)
Basic (loss) per share (cents per share)		(1.17)	(1.36)

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

The accompanying condensed notes form part of these financial statements.

**BALANCE SHEET  
AS AT 31 DECEMBER 2008**

	Note	Consolidated	
		31-Dec-08	30-Jun-08
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	767,022	813,099
Trade and other receivables		40,768	42,909
Inventories		38,832	30,794
Other financial assets		1,562,293	2,189,641
<b>TOTAL CURRENT ASSETS</b>		<b>2,408,915</b>	<b>3,076,443</b>
<b>NON CURRENT ASSETS</b>			
Other financial assets		-	290,040
Property, plant and equipment		3,949	5,773
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,949</b>	<b>295,813</b>
<b>TOTAL ASSETS</b>		<b>2,412,864</b>	<b>3,372,256</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		363,390	326,856
Interest bearing liabilities		14,103	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>377,493</b>	<b>326,856</b>
<b>NON CURRENT LIABILITIES</b>			
Interest bearing liabilities		31,186	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>31,186</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>408,679</b>	<b>326,856</b>
<b>NET ASSETS</b>		<b>2,004,185</b>	<b>3,045,400</b>
<b>EQUITY</b>			
Issued capital		31,848,559	31,848,559
Reserves		1,438,917	372,301
Accumulated losses		(31,283,291)	(29,175,460)
Total equity attributable to members of the parent entity		2,004,185	3,045,400
Minority interests		-	-
<b>TOTAL EQUITY</b>		<b>2,004,185</b>	<b>3,045,400</b>

The accompanying condensed notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Ordinary Shares	Translation reserve	Option Reserve	Accumulated Losses	Total Attributable to Members	Minority interest	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>							
Balance at 1 July 2007	31,708,559	(451,022)	643,331	(24,709,610)	7,191,258	-	7,191,258
Movement in translation reserve	-	283,900	-	-	283,900	-	283,900
Shares issued in respect of share-based payments	140,000	-	-	-	140,000	-	140,000
Loss for the half year	-	-	-	(2,414,802)	(2,414,802)	-	(2,414,802)
Minority interest	-	-	-	-	-	-	-
Balance at 31 December 2007	<u>31,848,559</u>	<u>(167,123)</u>	<u>643,331</u>	<u>(27,124,412)</u>	<u>5,200,355</u>	<u>-</u>	<u>5,200,355</u>
Balance at 1 July 2008	31,848,559	(271,030)	643,331	(29,175,460)	3,045,400	-	3,045,400
Movement in translation reserve	-	1,066,616	-	-	1,066,616	-	1,066,616
Shares issued in respect of share-based payments	-	-	-	-	-	-	-
Loss for the half year	-	-	-	(2,107,831)	(2,107,831)	-	(2,107,831)
Minority interest	-	-	-	-	-	-	-
Balance at 31 December 2008	<u>31,848,559</u>	<u>795,586</u>	<u>643,331</u>	<u>(31,283,291)</u>	<u>2,004,185</u>	<u>-</u>	<u>2,004,185</u>

The accompanying condensed notes form part of these financial statements.

**CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Note	Consolidated	
		31-Dec-08	31-Dec-07
		\$	\$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		31,986	105,207
Cash paid to suppliers and employees		(313,112)	(438,440)
Interest received		26,400	30,250
Interest paid		(2,375)	(93)
Sundry income		305	2,824
<b>Net cash (used in) operating activities</b>		<b>(256,796)</b>	<b>(300,252)</b>
<b>Cash flows from investing activities</b>			
Payments for investments		-	(798,570)
Proceeds from the sale of investments		59,323	918,359
Dividends received		10,789	9,546
<b>Net cash provided by investing activities</b>		<b>70,112</b>	<b>129,335</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		49,222	-
Repayment of borrowings		(3,933)	-
<b>Net cash provided by financing activities</b>		<b>45,289</b>	<b>-</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(141,395)</b>	<b>(170,917)</b>
Cash and cash equivalents at 1 July 2008		813,099	899,275
Effect of exchange rate fluctuations on cash held in foreign currencies		95,318	15,716
Cash and cash equivalents 31 December 2008	4	<b>767,022</b>	<b>744,074</b>

The accompanying condensed notes form part of these financial statements.

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**NOTE 1: BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**Basis of preparation**

This general purpose financial report for the half year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by Orchid Capital Limited during the half year ended 31 December 2008 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Since 1 July 2008 the Group has not adopted any new Standards or Interpretations as there have been no changes to Standards and Interpretations that would affect the financial performance or position of the Group.

**NOTE 2: SEGMENT INFORMATION**

The primary reporting format for the group is business segments.

**Business segment**

The following table presents revenue and profit information for business segments for the half years ended 31 December 2008 and 31 December 2007.

	<b>Investment Activities</b>	<b>Pharmaceutical Sales</b>	<b>Total Operations</b>
<b>Half year ended 31 December 2008</b>			
<b>Revenue</b>			
Recovery of written down investments	57,683	-	57,683
Pharmaceutical sales	-	39,509	39,509
Interest	26,401	-	26,401
Dividends	10,789	-	10,789
Other revenue	305	-	305
Total segment revenue	<u>95,178</u>	<u>39,509</u>	<u>134,687</u>
Total consolidated revenue			<u>134,687</u>
<b>Result</b>			
Segment result	<u>(2,041,973)</u>	<u>(65,858)</u>	<u>(2,107,831)</u>
Minority interest (pharmaceutical products)			-
Net loss before income tax			<u>(2,107,831)</u>
<b>Half year ended 31 December 2007</b>			
<b>Revenue</b>			
Realised gain on investments	174,473	-	174,473
Pharmaceutical sales	-	103,099	103,099
Interest	30,250	-	30,250
Dividends	9,546	-	9,546
Other revenue	2,482	342	2,824
Total segment revenue	<u>216,751</u>	<u>103,441</u>	<u>320,192</u>
Total consolidated revenue			<u>320,192</u>
<b>Result</b>			
Segment result	<u>(2,380,063)</u>	<u>(34,739)</u>	<u>(2,414,802)</u>
Minority interest (pharmaceutical products)			-
Net loss before income tax			<u>(2,414,802)</u>

**NOTE 3: INCOME AND EXPENSES**

	<b>Consolidated</b>	
	<b>31-Dec-08</b>	<b>31-Dec-07</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Other Income</b>		
Pharmaceutical Sales	39,509	103,442
Sundry Income	305	2,481
	<u>39,814</u>	<u>105,923</u>
<b>(b) Other Expenses</b>		
Advertising	-	633
ASX fees	9,570	16,894
Bank charges	6,189	13,825
Electricity	1,909	1,386
General expenses	2,485	1,051
Postage, freight & courier	2,289	383
Repairs & maintenance	1,724	693
Share registry services	3,137	3,128
Storage rental	1,160	900
	<u>28,463</u>	<u>38,893</u>

**NOTE 4: CASH AND CASH EQUIVALENTS**

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	<b>Consolidated</b>	
	<b>31-Dec-08</b>	<b>31-Dec-07</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	707,022	459,729
Short-term bank deposits	60,000	284,345
	<u>767,022</u>	<u>744,074</u>

**NOTE 5: DIVIDENDS PAID**

No dividends were paid during the period.

**NOTE 6: COMMITMENTS AND CONTINGENCIES**

There has been no change to the commitments and contingencies disclosed in the most recent annual financial report.

**NOTE 7: EVENTS AFTER THE BALANCE SHEET DATE**

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 \$405,622 at 31 December 2008. As of 26 February 2009 the fair value, having sold 5,000 shares since balance date, has decreased to \$343,067 based on the market price and exchange rates at that date. The fair value of other listed investments was \$459,947 at 31 December 2008. As of 26 February 2009 the fair value has increased to \$469,246 based on market price and exchange rates at that date. This overall decrease in fair value of listed investments is a post balance sheet event and has not been accounted for at 31 December 2008.

Other than the above, there has not arisen in the interval between the end of the financial year 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

**NOTE 8: COMPARATIVES**

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

**NOTE 9: INTEREST-BEARING LOANS AND BORROWINGS****Borrowing and repayment of debt**

On 16 July 2008, the Group's 51% owned Singapore subsidiary, Xing Ling International Pte Ltd, borrowed SGD\$50,000 (AUD\$49,222) from a bank. The loan is secured by a personal guarantee from the 49% shareholder, Mr Erik Ng, and is repayable in full by 16 June 2011. The loan bears interest of 12.5% pa. As at 31 December 2008, the outstanding balance of the loan was SGD\$46,005 (AUD\$45,289).

27 February 2009

Board of Directors  
Orchid Capital Ltd  
Unit 6, 32 Hines Rd  
O'CONNOR WA 6163

Dear Sirs

**RE: ORCHID CAPITAL LTD**

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 Ltd.

As Audit Director for the review of the financial statements of Orchid Capital Ltd for the half year ended 31 December 2008, 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)**



**John Van Dieren**  
**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 consolidated balance sheet as at 31 December 2008, and the consolidated income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both Orchid Capital Ltd ("the Company") and the entities it controlled during that half-year.

#### *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 Interim And Other Financial Reports 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 2008 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*

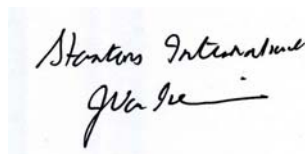
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Orchid Capital Limited on 27 February 2009.

### *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 2008 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 (Authorised Audit Company)**



**J P Van Dieren**  
Director

West Perth, Western Australia  
27 February 2009