

GEMSTV

G E M S T V H O L D I N G S L I M I T E D

A Tapestry of Brilliance

Extraordinary gems for the discerning collector

Glowing Reviews

Gems TV customers tell all

Discover Gems TV

From the early days

Shine Through

Registration No.



CR 109716

EXCLUSIVE!

CHAIRMAN'S LETTER - BOARD OF DIRECTORS - KEY MANAGEMENT
HOW TO PLAY THE GAME AND WIN! - 2009 IN RETROSPECT

Brilliant \Bril''liant\", noun

A diamond or other gem of the finest cut, formed into faces and facets, so as to reflect and refract the light, by which it is rendered more brilliant.

- The Collaborative International Dictionary of English

The very essence of beauty, luxury and exclusivity, gems sparkle with a radiance that borders on the mysterious. These priceless stones, which have been treasured throughout centuries, continue to win the hearts of collectors and casual buyers alike.

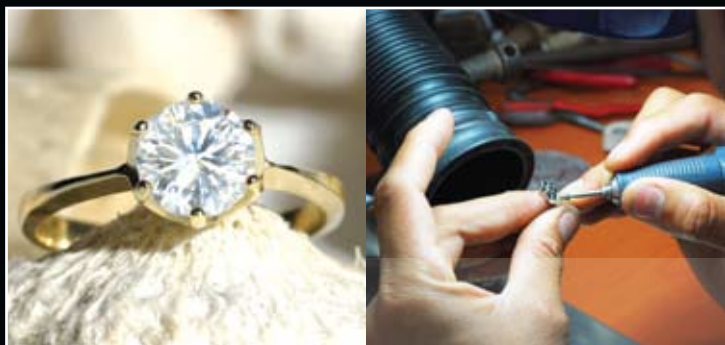
At Gems TV, we understand this obsession, which is why our mission is to make genuine gemstone jewelry affordable and available to everyone.

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A Tapestry of Brilliance



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Exquisitely crafted, genuine gemstones. Nothing less.

chairman's letter

*“Well-positioned to
capitalize on enormous
opportunities”*

JASON CHOO
Non-Executive Chairman

We continue to be excited about the way Japan is developing as a market with new online and mobile initiatives in the pipeline.

Dear Fellow Shareholders,

It is my privilege to present to you Gems TV's Annual Report for fiscal year 2009.

FY2009 continued to be a challenging year for Gems TV. The difficult economic conditions worldwide continued to squeeze discretionary spending especially on items such as jewelry. A combination of rising unemployment and deleveraging of households is unfortunately reflected in our top line revenue which fell 32% from last year.

We made the difficult decision early on during the financial year to resize our business in line with new revenue expectations. This involved staff reductions, renegotiations with third party suppliers and, of course, a reduction in proposed Directors' fees.

Our Group-wide cost cutting programs began to take effect in our second half of FY2009. In the first six months of FY2009 we recorded a net loss of \$32.3 million, but in the second six months, despite not having the benefit of seasonally high holiday sales, narrowed that loss to \$17.5 million excluding exceptional items.

The UK market continues to be challenging from both a macro economic and competitive point of view. We are still leaders in this market, but the market has shrunk considerably during the crisis as

evidenced by the continued dramatic slide in 9k jewelry products hallmarked by The Assay Office.

In the US, the challenging climate presented us with an opportunity to renegotiate our carriage costs with cable and satellite providers. In January 2009, we managed to reduce our monthly carriage costs by 40% or \$1.2 million. Together with other cost cuts, we reduced our total US cost base by 30%. Despite these efforts, the environment for jewelry sales in the US remains weak but our new, lower cost base has brought profitability in the US within reach again.



Our Japan business continued to grow. Revenue there increased 166% to \$12.1 million. We continue to be excited about the way Japan is developing as a market with new online and mobile initiatives in the pipeline.

During the year, we elected to withdraw from the China market and focus on our other sales territories. We also elected to shift our

manufacturing capacity to focus on higher-end products. While the cost of these products is higher on average, the volumes are much lower, thus resulting in a more efficient factory workforce.

In the last six months, we added \$3.2 million of cash to our balance sheet as we reduced working capital requirements in line with revenues. This achievement, along with the fact that we have no debt, has ensured a strong liquidity position which is the envy of our industry.

In the longer term, we are well-positioned to capitalize on enormous opportunities as we continue to establish ourselves as leaders in providing genuine gemstone jewelry in key jewelry markets around the world.

We continue to be excited about our future. Above all, we are passionate about the products we sell, are committed to educating our customers about genuine gemstone jewelry and providing them with timely, friendly and helpful customer service.

On behalf of the Board of Directors, I would like to thank our employees around the world for their commitment, talent and dedication, to thank our customers for their loyalty, support and enthusiasm, and you – our Shareholders – for your continued confidence and trust in Gems TV.

Know Your Gems



Agate
Family: Chalcidony Quartz
Origin: Brazil, India, Mexico & South Africa



Alexandrite
Family: Chrysoberyl
Origin: India, Madagascar & Tanzania



Amber
Family: Copalite
Origin: Russia



Amethyst
Family: Quartz
Origin: Brazil, Brazil, Madagascar, Uruguay & Zambia



Amethyst
Family: Quartz
Origin: Russia



Andalusite
Family: Andalusite
Origin: Brazil, Mozambique & Sri Lanka



Andesine
Family: Feldspar
Origin: Tibet



Chalcidony
Family: Quartz
Origin: Brazil, India, Madagascar, Mexico, South Africa, Sri Lanka & US



Chrysoberyl
Family: Chrysoberyl
Origin: Brazil, India, Madagascar, Russia, Sri Lanka, Tanzania, Zambia & Zimbabwe



Chlorite
Family: Quartz
Origin: Brazil, Madagascar, Mozambique, Tanzania, Uruguay & Zambia



Colour Change Garnet
Family: Garnet
Origin: Madagascar & Tanzania



Carnelian
Family: Chalcidony Quartz
Origin: Brazil, India, Madagascar, Sri Lanka & Uruguay



Demantoid Garnet
Family: Garnet
Origin: Russia & Russia



Diamond
Family: Carbon
Origin: Africa



Green Amethyst
Family: Quartz
Origin: Brazil



Hafador
Family: Feldspar
Origin: Brazil, Madagascar, Tanzania, Nigeria & Russia



Ice Zircon
Family: Zircon
Origin: Tanzania



Impati Andesine
Family: Feldspar
Origin: Tibet



Indicolite
Family: Spinel
Origin: Brazil, Kenya, Madagascar, Malawi, Mozambique, Nigeria, Sri Lanka & Tanzania



Iolite
Family: Cordierite
Origin: India, Madagascar & Sri Lanka



Jelly Opal
Family: Opal
Origin: Australia & Mexico



Meraloni Mini Garnet
Family: Garnet
Origin: Tanzania



Moonstone
Family: Feldspar
Origin: Brazil, India, Madagascar, Sri Lanka & Tanzania



Morganite
Family: Spinel
Origin: Afghanistan, Brazil, Madagascar, Zambia, Russia & US



Mozambique Garnet
Family: Garnet
Origin: Mozambique



Multi Colour Tourmaline
Family: Tourmaline
Origin: Nigeria



Nephrite (Jade)
Family: Jade
Origin: China



Noble Red Spinel
Family: Spinel
Origin: Madagascar, Tanzania & Vietnam



Rubellite Tourmaline
Family: Tourmaline
Origin: Brazil, Madagascar, Nigeria & Tanzania



Ruby
Family: Corundum
Origin: India, Madagascar, Mozambique, Sri Lanka, Tanzania, Thailand & Vietnam



Russian Diopside
Family: Pyroxene
Origin: Russia



Sapphire
Family: Corundum
Origin: Australia, Cambodia, China, Madagascar, Sri Lanka, Sri Lanka, Thailand & Vietnam



Spessartite Garnet
Family: Garnet
Origin: Nigeria, Nigeria & Tanzania



Sphere
Family: Spinel
Origin: Brazil, Madagascar, Pakistan & Sri Lanka



Star Ruby
Family: Corundum
Origin: India, Madagascar, Sri Lanka & Vietnam



Turquoise
Family: Turquoise
Origin: Afghanistan, China, India, Iran & US



Zultanite
Family: Diopside
Origin: Turkey

Formed in the heart of the earth millions of years ago, gemstones are at the heart of every piece of Gems TV jewelry. Discover the mystique, rarity and timeless beauty of gemstones from around the globe with Gems TV, your trusted source for genuine gemstone jewelry.

 <p>Aptite Family: Apophite Origins: Brazil, Madagascar, Mexico, Mozambique & Sri Lanka</p>	 <p>Aegumaline Family: Beryl Origins: Brazil, Madagascar, Mozambique, Namibia, Nigeria, Tanzania & Zambia</p>	 <p>Black Opal Family: Opal Origins: Australia</p>	 <p>Black Star Sapphire Family: Corundum Origins: Thailand</p>	 <p>Blue Zircon Family: Zircon Origins: Cambodia & Nigeria</p>	 <p>Boulder Opal Family: Opal Origins: Australia</p>	 <p>Cat's Eye Chrysoberyl Family: Chrysoberyl Origins: Brazil, India, Madagascar, Russia, Sri Lanka, Tanzania, Zambia & Zimbabwe</p>
 <p>Emerald Family: Beryl Origins: Afghanistan, Brazil, Pakistan, Sierra Leone & Zimbabwe</p>	 <p>Fire Beryl™ Family: Beryl Origins: Afghanistan, Brazil, Colombia, Pakistan & South Africa</p>	 <p>Fire Opal Family: Opal Origins: Brazil, Ethiopia & Mexico</p>	 <p>Fluorite Family: Fluorite Origins: Brazil & India</p>	 <p>Freshwater Pearl Family: Ocarina Origins: China & Japan</p>	 <p>Glacier Topaz™ Family: Topaz Origins: Russia</p>	 <p>Golden Beryl Family: Beryl Origins: Brazil</p>
 <p>Kunzite Family: Spodumene Origins: Afghanistan, Brazil, Madagascar, Nigeria & Pakistan</p>	 <p>Kyanite Family: Kyanite Origins: Sierra Leone & Tibet</p>	 <p>Labradorite Family: Feldspar Origins: China, India & Madagascar</p>	 <p>Lapis Lazuli Family: Lazulite Origins: Afghanistan & Pakistan</p>	 <p>Madeira Citrine Family: Quartz Origins: Brazil</p>	 <p>Malachite Family: Malachite Origins: Namibia, Tanzania & Zambia</p>	 <p>Mandarin Garnet Family: Garnet Origins: Cambodia, Nigeria & Tanzania</p>
 <p>Padparadscha Sapphire Family: Corundum Origins: Madagascar, Sri Lanka, Tanzania & Vietnam</p>	 <p>Paraiba Tourmaline Family: Tourmaline Origins: Brazil, Mozambique & Nigeria</p>	 <p>Peridot Family: Olivine Origins: China, Kenya, Pakistan, South Africa, Tanzania & US</p>	 <p>Pink Sapphire Family: Corundum Origins: Madagascar, Sri Lanka & Tanzania</p>	 <p>Pheasant Family: Silicate Origins: Australia</p>	 <p>Rhodolite Garnet Family: Garnet Origins: India, Madagascar, Sri Lanka & Tanzania</p>	 <p>Rose Quartz Family: Quartz Origins: Brazil, Madagascar, Mozambique, South Africa & Tanzania</p>
 <p>Star Sapphire Family: Corundum Origins: Madagascar, Sri Lanka & Tanzania</p>	 <p>Swiss Blue Topaz Family: Topaz Origins: Brazil</p>	 <p>Tahitian Pearl Family: Ocarina Origins: Tahiti</p>	 <p>Tangerine Garnet Family: Garnet Origins: Namibia, Nigeria & Tanzania</p>	 <p>Tanzanite Family: Silicate Origins: Tanzania</p>	 <p>Tiger's Eye Family: Quartz Origins: Australia, Brazil, India, Namibia & South Africa</p>	 <p>Tavorite Garnet Family: Garnet Origins: Kenya & Tanzania</p>



WWW.GEMSTV



board of directors



JASON CHOO
*Non-Executive
Chairman*



TONY HILLIER
*Chief Executive
Officer*



NG BOON YEW
Independent Director



DAVID ALAN RICK
*Non-Executive
Director*



DAVID SIM
*Independent
Director*



LEONG KA YEW
*Independent
Director*

JASON CHOO *Non-Executive Chairman*

Jason Choo is the Chairman and a Non-Executive Director of the Board. He was appointed Non-Executive Chairman of the Board in January 2009. Previously, he was the Chief Executive Officer of Gems TV Holdings Limited, bringing the company through its listing on the Singapore Exchange Mainboard in November 2006.

In addition, Jason is the Chairman and Director of Lonsdale Capital Pte Ltd, a position he has held since 1996. Jason also serves as a Director of The Hour Glass Limited, a company listed on the Singapore Exchange. From 1997 to 2002, he was a Director of Visionics Corporation, a company listed on Nasdaq National market. Jason received a Bachelor of Arts in Economics from Colorado College in 1994.

NG BOON YEW *Independent Director*

Ng Boon Yew has been an Independent Director of the company since June 2006. He is also the Chairman of the remuneration committee and a member of the audit committee. He is a Certified Public Accountant with more than 20 years' accounting and auditing experience in both the private and public sectors.

Boon Yew is also the Chairman of Raffles Campus Pte Ltd, a position he has held since 2004. He was the Chief Executive Officer of Emaar Education LLC from 2006 to 2009 and with Singapore Technologies Pte Ltd from 2000 to 2004, as consultant, then its Chief Financial Officer. From 1984 to 2000, he was a partner with KPMG. Boon Yew currently serves as a Director on the boards of Datapulse Technology Ltd, Fischer Tech Ltd, RSH Ltd, National Kidney Foundation, Pek Tiong Seng Foundation Ltd and JAB Foundation Ltd and a member of the Singapore Securities Industry Council. He was a Director of United Overseas Bank Ltd.

Boon Yew is a member of the Institute of Chartered Accountants in England & Wales and a fellow of the Association of Chartered Certified Accountants. He is also a member of the Institute of Certified Public Accountants of Singapore. In 2004, he was awarded the Public Service Star by the President of the Republic of Singapore.

DAVID ALAN RICK
Non-Executive Director

David Alan Rick has been a Non-Executive Director of Gems TV since July 2001 and is a member of the company's audit, nominating and remuneration committees. David also serves as a Director of Thaigem Global Marketing Limited, a position he has held since 2004.

He is currently the vice president of Lonsdale Capital Pte Ltd, a position he has held since 2003. For the past 30 years, David has been largely self-employed in book and magazine publishing and in real estate investment in Hawaii. From 1981 to 1990, he was the general manager of Editions Limited, a book publisher.

David received a Bachelor of Business Administration in Accounting from the University of Hawaii in 1970.

DAVID SIM
Independent Director

David Sim has been an Independent Director of Gems TV since June 2006. He is the Chairman of the Group's audit committee and member of the nominating committee.

David currently runs his own management services and consulting firm, Offshore Business Services Pte Ltd. Previously, he was with The Hongkong and Shanghai Banking Corporation Limited for 23 years, during which he held various senior positions in Singapore and Hong Kong and several directorships in its subsidiary and associate companies in Singapore. His last held position was Head of Area Financial Control and Operations.

David received a Bachelor of Accountancy from the then University of Singapore in 1976 and completed the Advanced Management Program for Overseas Bankers at the Wharton School, University of Pennsylvania in 1988.

LEONG KA YEW
Independent Director

Leong Ka Yew has been an Independent Director of Gems TV since June 2006. He is the Chairman of Gems TV's nominating committee and a member of the audit and remuneration committees.

In addition, Ka Yew serves as an Independent Director on China Print Power Group Ltd, a company listed on the Singapore Exchange. He has

been a partner and Director at the law firm Aptus Law Corporation (formerly Chui, Sim, Goh & Lim) in Singapore since 2002.

Ka Yew graduated with a Bachelor of Law from the National University of Singapore in 1991.

TONY HILLYER
Chief Executive Officer

Tony Hillyer is Gems TV's Chief Executive Officer, having joined Gems TV in June 2007 as Managing Director of Gems TV (UK) Limited and promoted to Group Chief Operating Officer in February 2008. In January 2009, he assumed the role of Chief Executive Officer and was appointed a member of the Board.

Tony began his career in fast moving branded consumer goods businesses in the beer, soft drinks and food markets. He moved into the gaming industry in 1995 when he joined Littlewoods Leisure as Commercial Director, where he was responsible for branding, marketing and customer service functions. He became the Retail Strategy Director at Littlewoods PLC from 1998 to 1999, overseeing the branding, research and development of consumer offering and retail channels. From 2000 to 2005, he was Commercial Director in the home shopping company Betterware PLC and was Managing Director of Simon Jersey Ltd. Prior to joining Gems TV, Tony was Stanley Casinos' Marketing and Business Development Director.



key management

From left to right:

David Goh
Aruna Kodikara
Diane Schneiderjohn
Kaori Miwa
Robert Lowden



David Goh
Chief Financial Officer

David Goh joined Gems TV in March 2009 as its Chief Financial Officer, having garnered extensive experience managing finance operations for a diverse range of industries.

Previously, David was the Group Financial Controller at Straits Asia Resources Ltd, where he oversaw the financial management and stewardship of the Group. He also worked for SHL Group plc, a UK-based human resource consultancy firm, as the Asia Pacific Financial Controller. David has also worked with The Ascott Group, where he headed up the Group's business process reengineering team. Before that, he held various positions in the General Electric Company, including in Commercial Finance and Financial Planning and Analysis. He began his career with Ernst & Young.

David is a graduate of RMIT University, with a Bachelor of Business in Accountancy.

Aruna Kodikara
Chief Technology Officer

Aruna Kodikara joined Gems TV in April 2007 as its Chief Technology Officer, bringing with him over 20 years of experience in both front-end and back-end information technology operations. He is responsible for overseeing the development and maintenance of Gems TV's IT infrastructure, which consists mainly of proprietary systems.

Prior to joining Gems TV, Aruna was the Head of IT at System Access Ltd, where he concurrently held the post of Head of Asia Pacific Technology Services. Before that, Aruna was involved in project management and consultancy at several IT solutions companies, such as Millennium Information Technologies Ltd in Sri Lanka and Platinum Technology in Singapore.

A native of Sri Lanka, he has been living and working in Singapore since 1991.

Diane Schneiderjohn
*Managing Director,
Gems TV (USA) Limited*

Diane Schneiderjohn joined Gems TV in May 2006 as the Managing Director and first employee of Gems TV (USA) Limited, leading the start-up and successful launch of the US territory in November 2006.

A 25-year veteran of the media and entertainment industry, Diane has held senior management positions at major media companies in the US and abroad. These positions include Senior Vice President, Affiliate Sales and Marketing, for Turner Broadcasting's CNN, TNT & Cartoon Network in the Asia Pacific region; Senior Vice President, Programming and Marketing at Charter Communications; and Vice President, Marketing, Programming and Sales and other key operations and marketing roles while at Viacom, Inc. for 12 years. Additionally, Diane served as Managing Partner for Carlsen Resources' International and New Media Practice.



Diane is a current member and former national Board Director for Cable Television and Marketing Association. She has served as a national board Director for Women and Cable Telecommunications and was named as a "Woman to Watch" by Multichannel News. Diane is a graduate of the University of California, Berkeley, with a Bachelor of Science in Business Administration.

Kaori Miwa
*Managing Director,
GemsLondon Ltd*

Kaori Miwa joined Gems TV as the Managing Director, Japan in April 2006.

Prior to joining Gems TV, she served as President and Director of Grand Bell TV Co. Ltd., a Japanese broadcasting service, from 2004 to 2006. From 1997 to 2004, she worked in various roles for Japanese broadcasting service CS Tokyo Co. Ltd., including as Chief Operations Officer from 2002 to 2004.



Kaori has also served on the Board of Directors of CS Tokyo Co. Ltd. from 2002 to 2004. In addition, Kaori has extensive experience in the jewelry design industry, where she was jewelry designer for Japanese jewelry manufacturers Urban Gold Co. Ltd. and Amemiya Jewelry Co. Ltd., from 1991 to 1997 and 1986 to 1989 respectively.

Robert Lowden
*Managing Director,
NCS Group Co., Ltd*

Robert Lowden joined Gems TV in September 2008 as the Managing Director of Gems TV (UK). He was appointed Managing Director of NCS Group Co. Ltd. in May 2009 and is responsible for spearheading the Group's sourcing, product development and manufacturing operations.

Prior to joining Gems TV, he was a Senior Retail Executive with an extensive range of buying, merchandizing, marketing and



distribution experience gained in blue chip fashion retail companies. He was previously Head of Buying at Littlewoods Shop Direct from 2006 to 2007 and Managing Director of Ravel Shoes Ltd from 2004 to 2006. He also served six years at Brantano UK as Buying & Merchandizing Director from 1998 and three years as Sales Manager at Browning Enterprises Ltd from 1996.



a tapestry of brilliance

Creating a collection of gems can be likened to an art of harmonizing contrasts, to portray both elegance and style. Blending these watercolors of style need not be a difficult task if you start your collection with these classic pieces. We highlight seven extraordinary gems that complete every collection.



1 Emerald

The Emerald has long been treasured as a symbol of eternal spring and immortality, having a deep green fire that is unparalleled in the gem kingdom. Considered one of the world's most valuable gemstones, the Emerald is known more than any other precious gemstone as an ornament of power and politics, having created legends and shaped world history.

2 Diamond

Celebrated as "a girl's best friend", Diamonds exude an incontestably lasting sense of femininity and magnificence. Suited for any occasion, the breathtaking splendor of the Diamond transcends the limitations of language, culture and continent to inspire an appreciation for the wondrous ability of nature to create beauty out of the most unexpected sources.



3 Tourmaline

Tourmalines are nature's unique color miracles, being found in green, red, blue, yellow and even black variations. Extracted from deposits in Madagascar and Nigeria, the Tourmaline has taken the jewelry world by storm in recent years with its versatility as an everyday gem.



Did you know?

The colored gem industry supply chain is far longer than the diamond supply chain. It is not uncommon for a gemstone to pass through seven intermediaries from the mine to the customer.

4 Ruby

The Ruby possesses an intense, almost electric red effect in daylight due to fluorescence and also displays an intense, rich deep crimson color. The beauty, historical mystery and rarity of the ruby has enchanted many civilizations to associate the gem with elements of passion, love and romance.



6 Jade

Known as the "stone from heaven" in ancient China, Jade remains highly prized as one of the toughest gems, with an ability to produce a range of colors from deep green to variations of light cream, yellow, red, brown and lavender. Today, Jade is revived with a modern touch, with many jewelers pairing this traditional gem with modern gold and sterling silver designs, giving the traditionally oriental gem an edgy twist.



5 Sapphire

Brimming with rich velvety blue hues that radiate calmness and loyalty, the Sapphire was, for hundreds of years, a classic choice for engagement and wedding rings. Ancient belief has it that Sapphires were a chip from the pedestal that supported the earth and reflections from the unique gem gave the sky its captivating hues of soothing colors.



7 Aquamarine

The sparkling color of Aquamarine reflects the near perfect clarity and transparency of the ocean, making the gem famous for its calming and serene effect. With its pastel blue to light green luster, the Aquamarine is popular with both the collector and wearer of fine jewelry.



glowing reviews

A word of thanks, said in a myriad of ways. Hear it straight from the heart of our satisfied customers.



Brooke
Presenter



Hi Brooke!

I just wanted to give a testimonial to something you said in your earlier show. You commented that Paraiba Tourmalines get the highest appraisals from jewelers, and you asked for viewers to email you on that. Well, from my experience you are absolutely right!



I'm relatively new to GEMS TV and I took a Demantoid Garnet, AA Tanzanite, Zultanite, and Paraiba Tourmaline in for appraisals, all at the same time. And while the Garnet, Tanzanite and Zultanite all were appraised for more than what I paid for them, it was the Paraiba Tourmaline that received the most praise and highest appraisal! I was pleasantly surprised because I actually thought the Demantoid Garnet or Zultanite would appraise higher. The jeweler just couldn't stop talking about the Paraiba Tourmaline, and he heaped tons of praise on the quality and craftsmanship of all 4 rings! Keep up the GREAT work GEMS TV and all you presenters--I just LOVE you all! By the way, the Paraiba Tourmaline appraised for \$1,000 more than I paid for it!! SMILE

Best wishes,
Jerome (Jerri) Knight



I recently had my pendant valued which I paid £299 for and was amazed when the value came back at £1800 for insurance!

I have to say I was looking for a special piece in memory of, but didn't realize it would be quite so special in price. I love it even more now and rarely take it off.

I will have all my purchases valued in future no matter how much I pay for them.

Glad I found you,
Jill Yvette

I have just received my order from you and I just have to tell you how pleased I am with it. I ordered a Rubellite ring (exquisite) some maracotta Ambligonite earrings. I didn't wear earrings but I do now. I shall have to keep my eyes open for some more! I also purchased a magnolia Morganite ring of 2cts for only £47. All I can say is wow wow wow! And all of them in your clearance sales. What a snip! My husband is going to have palpitations as I am totally addicted and my order arrived so quick.

Thank you so much,
Jane



Did you know?

Pearls are one of the oldest known gems and for centuries considered the most valuable.

Hello,

I just received my UPS package which completed my suite of sky blue Topaz. I now own a 5c. antique cushion pendant, 6c oval ring and 2.8c octagon earrings.

I LOVE THEM!!!! I've taken the ring to a variety of jewelers, they all say about \$700-800 dollars, I paid under \$50. And I received so many compliments on the pendant already only having it a week.

I can't wait for my husband to come home and see the new earrings. I love watching you and Gems TV... Thanks for making it affordable to own quality gemstone jewelry.

Regards,
Vivian



Hi Guys,

I think you're doin a fab job and I'm buying loads of great deals on the net.....I have already confessed to my partner who pays my credit card bill but he is happy for

me to keep on spending with you because he could not buy me better quality jewelry else where for any where near the cost!

Keep on lowering those prices!!!

A. xx

Hello,

I have just received my first purchase from Gems TV, now that you are delivering to Southern Ireland. It was a Brazilian Fire Opal ring, purchased as a birthday present for a friend.

Her reaction to the gift was all anyone could have hoped for and I have to say that I agreed with her. The robustness of the metal together with the beauty of the gem combined to stunning effect.

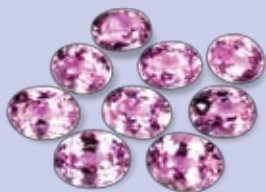
To have access to such an unusual gem (one I have never seen in a jewelry shop) in such an exquisite setting for such an affordable price is truly fantastic.

Best regards,
Pat



「やった!やった!
やったあ~!!!」

さっきムーンライトトパーズリクエストした子コちゃんです! 5回目にしてゲット出来ました! もう今手が震えてます(T_T)感動です(T_T)おっしゃって下さった通りこれって運命ですよね(T_T)ありがとうございますm(____)m



Take a trip down memory lane and discover the rich heritage of Gems TV as we bring you the highlights of the journey.

A PARTNER BECOMES A MEMBER

Eagle Road began operations in January 2002 as a UK television home shopping company operating three home shopping channels, one of which used the "Snatch IT" format that is currently the reverse auction system we use in our television programs. In 2004, we went from supplying jewelry to Eagle Road to working as partners to launch the Gems TV shopping channel on one of Eagle Road's existing channels on BskyB. Within a year, Eagle Road shut down its "Snatch IT" channel and relaunched it as GemsTV2. In the same year, Thaigem Holdings Limited acquired Eagle Road in an all-share acquisition to become a television subsidiary. One month later, Thaigem Holdings Limited changed its name to Gems TV Holdings Limited and Eagle Road became Gems TV Limited.

IT ALL STARTED WITH A SIMPLE IDEA

Our company started with the entrepreneurial instinct of one of our founders, who recognized a potential in the gemstone business and started purchasing loose gemstones from merchants in Chanthaburi, Thailand. He resold them to local and international dealers in the local markets during the late 1980s, marketing them through simple advertisements in trade magazines. By 1998 the loose colored gemstones were sold over the internet through the website www.thaigem.com from which a worldwide customer base was cultivated.



ON THE MOVE

The success of thaigem.com attracted strong investor interest. In 2001, Mr Jason Choo made an investment in the company and reorganized it into Thaigem Holdings Limited. Within two years, we opened our first gemstone jewelry handcrafting workshop, expanding our product range to include colored gemstone jewelry. We also ventured into selling our gems on other internet auction sites such as eBay and Amazon. With a solid reputation behind us, we went on to supply television home shopping networks such as QVC, the Home Shopping Network, Ideal Shopping UK and Eagle Road.

BRANCHING OUT AND STEPPING FORTH

Our company continued to grow as we developed new strategies and replicated successful sales channels in major jewelry markets. In August 2006, we signed a satellite carriage contract with DirecTV in the US which resulted in the birth of our US operations. We also started identifying numerous opportunities which we were later able to invest in as a result of our IPO, raising \$140.3 million on the Singapore Exchange on November 10, 2006. In November 2006, we launched our TV channel in the US, which was followed by a launch in Japan a year later.

Today, we own and operate fully integrated jewelry production facilities in Chanthaburi, Thailand, offering over 170 gemstone varieties originating from over 45 different countries. Gems TV UK's two jewelry home shopping TV channels now broadcast live on and a Full-Time Equivalent ("FTE") basis to more than 14.3 million subscribers. In addition, Gems TV broadcasts to approximately 37 million FTE subscribers in the US and 3.2 million FTE viewers in Japan.





Every gem from Gems TV is presented with a story of its journey from origination, to how it was made and crafted into a unique piece of jewelry. Our customers can rest assured that every gem is of superior quality.



financial highlights

	FY2007 \$'m	FY2008 \$'m	FY2009 \$'m
Profit and Loss Statements			
Total Revenue	159.8	236.1	162.2
Operating Profit / (Loss) Before Interest, Tax, Depreciation, Amortization and Exceptional items	12.8	(23.7)	(44.1)
Depreciation and Amortization	2.8	5.2	5.7
Exceptional Items	–	–	9.8
Profit/(Loss) Before Tax	9.9	(28.9)	(59.7)
Income Tax Expense	2.2	0.8	0.1
Profit / (Loss) After Tax Attributable to Shareholders	7.7	(29.7)	(59.8)
Balance Sheets			
Cash and Cash Equivalents	120.9	73.8	51.9
Inventories	57.4	59.5	50.5
Total Assets	210.7	170.7	123.4
Total Equity	168.1	139.1	76.7
Net Asset Value per Share	16.3	13.5	7.4
Total number of customers (cumulative)	715,914	985,517	1,146,709
No of Items Sold			
Gems TV (UK) Limited ⁽¹⁾	1,307,871	1,156,646	658,149
Gems TV (USA) Limited ⁽²⁾	225,299	1,138,709	1,129,611
GemsLondon Limited (Japan) ⁽³⁾	–	32,512	93,410
Others ⁽⁴⁾	667,102	498,241	132,199
Average Selling Price			
Gems TV (UK) Limited ⁽¹⁾	90.2	79.9	63.1
Gems TV (USA) Limited ⁽²⁾	109.2	103.7	84.6
GemsLondon Limited (Japan) ⁽³⁾	–	136.3	124.3
Others ⁽⁴⁾	34.6	25.2	24.7

⁽¹⁾ Consists of sales over GemsTV and GemsTV2 and sales from www.gemstv.co.uk, including online games and web-streaming of our television programs.

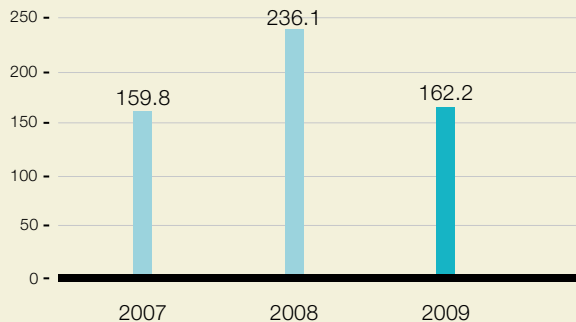
⁽²⁾ Consists of sales made over US TV channels and sales from www.gemstv.com, including online games and web-streaming of our television programs.

⁽³⁾ Consists of sales made over Japan TV channels and sales from www.gemstv.jp.

⁽⁴⁾ Consists of sales made over www.thaigem.com, third-party websites (such as eBay) and third-party television home shopping networks.

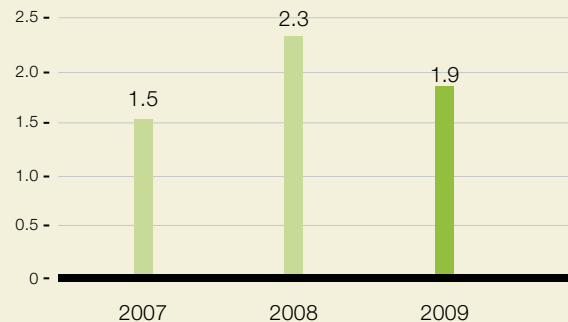
Total Revenue

(US\$m)



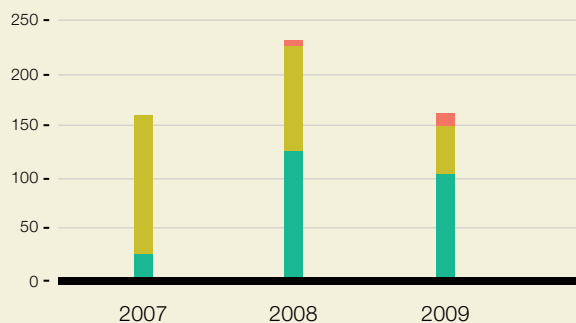
Number of Items Sold

(Million)



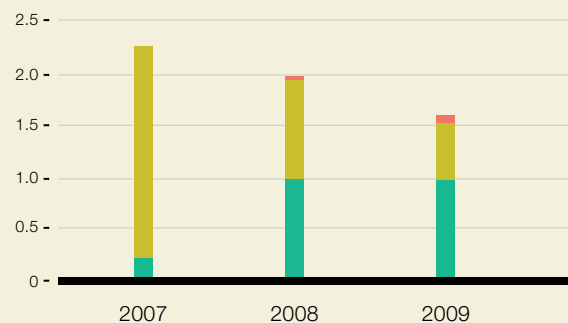
Revenue by Country

(US\$m)



Items by Country

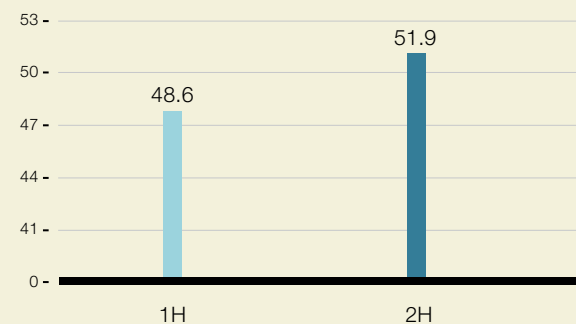
(Million)



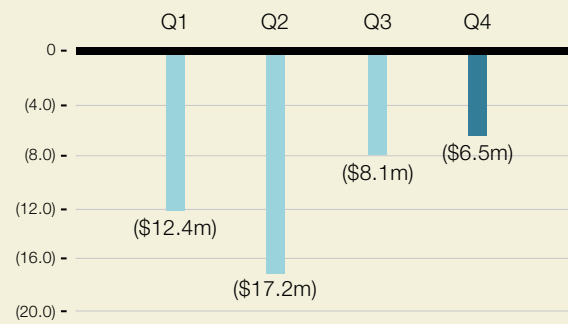
■ United States of America
 ■ United Kingdom
 ■ Japan

FY2009 Cash and Cash Equivalents

(US\$m)



FY2009 Operating Loss before Interest, Tax, Depreciation, Amortization and Exceptional Items



2009 in retrospect



CHALLENGING MARKETS CONTINUED.....

2009 proved to be a continuation of the global downturn that we experienced in 2008. Our customers around the world continued to experience many pressures on their disposable income, further reducing their spending on discretionary items such as jewelry. Gold prices remained high, which also impacted on our margins.

In total, we reduced the size of our workforce by some 41%, or 717 people across all our areas of operation during the financial year. This was necessary in order to improve efficiency and reduce costs in line with reduced global demand. In addition, we reviewed and made improvements

to all aspects of our logistics and supply chain, with particular emphasis on improving the terms we received from our suppliers.

We made every effort to treat everyone who was affected by this downsizing in a fair and reasonable manner, recognizing the impact that the loss of a job can have on someone's self and family.

In last year's report, we quoted the UK Assay Office hallmarking figures, showing that between January and June 2008 the number of 9k gold items hallmarked (all items must be hallmarked by law in the UK) declined by 31% compared to the same period the year before. Silver had also shown sharp declines. To illustrate how the



We finished the financial year free of bank debt, with a positive cash balance of \$52 million. This compares to a first half of 2009 financial year position of \$48 million.

market has continued to struggle, the figures for 9k gold hallmarked in May 2009 compared to July 2008 showed a decrease of 49%.

The challenging economic environment impacted all of our markets, and revenue for FY2009 declined by 32% to \$150.3 million, with 2.0132 million items sold at an Average Selling Price ("ASP") of \$74.7. This decline was primarily caused by continued declines in our original UK business, and a recessionary climate in the US. We continued to build our new business in Japan, which showed an increase of 166%.

The adverse conditions in the US market showed no sign of improving during the financial year. A combination of high personal debt, increasing unemployment, and regular bouts of bad news about the economy had a very negative effect on consumer confidence. This resulted in downward pressure on sales and margins. Revenues decreased 17% to \$104.6 million, while total units sold declined 1% to 1.1 million, at an ASP of \$84.6.

We did not stand still in the face of such a difficult situation of course, and thanks to the dedication and hard work of the team in Reno, Nevada we were able to substantially reduce our costs, both in terms of carriage (our airtime charges) and our employment charges. Between the first and second

half of the year total costs reduced by 30%. This reduction was achieved without any fall off in our audience numbers (our Full Time Equivalent ("FTE") subscriber base is 37 million), and has put us in position to compete successfully in the current financial year, even if the current economic conditions continue to prevail.

In addition to the focus on costs, we have continued to improve the quality of our output by training and recruiting the highest quality hosts and ensuring that the design and quality of the jewelry they have to sell is second to none.

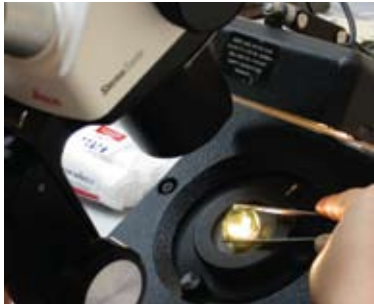
In the UK we continued to broadcast on the Sky and Virgin platforms, along with the emerging Freesat. We did not renew our Freeview contracts however, which were providing us with a lower than anticipated return. Despite this we continue to broadcast to over 14 million FTE subscribers. In the face of stiff competition from the two 'look-alike' competitors, as well as the other major home shopping players, it is pleasing to report that we have held our market share at around 7% of the TV Home Shopping market. We continue to offer market leading quality and value in our original market.

Overall costs in the UK reduced by 8%. We took action earlier than our competitors to ensure that we were operating from as low a base as possible because we anticipated, correctly, that there would be no significant pick up in the market for Christmas 2008. We continue to focus on our operational efficiencies to ensure that we are providing excellent customer service and quality at least cost.

Following the launch of our Japanese operation in November 2007, we continued to successfully build the business throughout the financial year. Our sales increased to ¥1.17 billion, with a total of 93 thousand items sold. We added our own website: www.gemstv.jp in the last quarter of the financial year, and are focusing on building revenues and profits in this area during the year ahead. We also became a key vendor on the recently launched jewelry section within Amazon's business in Japan, a recognition by a major retailer of our



From the end of last summer we focused on maintaining our cash position, both by reducing our cost base and through reducing our inventory levels.



success in bringing high quality, good value jewelry to the market. We broadcast to approximately 3.2 million subscribers on the Skyperfect platform, and will continue to build our subscriber base whenever suitably priced opportunities arise.

During the financial year, we took the decision to withdraw from the Chinese market, and closed our retail site and website. We took this decision based on the fact that the risks associated with expanding our retail base were increased by the rapidly worsening economic conditions, and the prospects for payback on the investment required to reach critical mass in such a diverse territory were reduced.

We continued to improve the efficiency and effectiveness of our operations in Thailand. The modular manufacturing approach, introduced last year, bedded in well and has as expected increased our flexibility and skillbase allowing us to better adapt to the rapidly changing demands from consumers around the world. We also reviewed our global logistics process, making

improvements and generating savings. Similarly, we re-negotiated terms with all our outsource suppliers during the year, ensuring that we continued to get the best unit costs possible for both gemstones and other raw materials, as well as finished jewelry.

From the end of last summer we focused on maintaining our cash position, both by reducing our cost base and through reducing our inventory levels. Total stock reduced from \$59 million to \$50 million, and we were able to write back \$6 million of provisions because we cleared significant amounts of older stock as part of this process.

Overall we finished the financial year free of bank debt, with positive cash balances of \$51 million. This compares to a 2008 financial year end position of \$73 million. We increased our cash reserves between the end of Q1 and Q3 (from \$48 million to \$53 million), and have seen the normal seasonal decline in Q4 as we began to commit to new stock for the latter part of this calendar year.

Gross profit margin fell from 40% in FY2008 to 33% in FY2009, as gold prices remained high and discounting continued to be a key feature of competition in all our markets.

Selling expenses fell by \$21.3 million from \$93.5 million to \$72.2 million as a result of our cost cutting initiatives and administrative expenses declined to \$30.8 million from \$36.9 million.



We recorded a operating loss before exceptional items for FY2009 of \$49.8 million, compared to \$28.9 million in FY2008. The majority of this loss was recorded in the first half of the year, \$32.3 million – our cost reduction measures began to have an impact in the second half, and losses significantly reduced, \$17.5 million. When corrected for redundancy costs and provisions relating to obsolete stock, selling expenses were \$71 million compared to \$93 million in FY2008.

This year we have experienced the most challenging trading conditions possible. We have taken many important steps to ensure that our business is able to maintain its competitive edge, particularly focusing on cash management and cost reduction. We have also continued to improve and update our product offer and the entertainment value of our programming. Our unique focus, selling only natural gemstone jewelry through our exciting reverse auction TV programs allied with our substantial vertical integration continues to give us a strong position in our markets for the future.



BOARD OF DIRECTORS

Jason Choo Choon Wai
Non-Executive Chairman

Anthony Richard Hillyer
Chief Executive Officer and
Executive Director

David Alan Rick
Non-Executive Director

Ng Boon Yew
Independent Director

David Sim Cheok Leng
Independent Director

Leong Ka Yew
Independent Director

AUDIT COMMITTEE

David Sim Cheok Leng
Chairman

Ng Boon Yew
Member

David Alan Rick
Member

Leong Ka Yew
Member

REMUNERATION COMMITTEE

Ng Boon Yew
Chairman

David Alan Rick
Member

Leong Ka Yew
Member

NOMINATING COMMITTEE

Leong Ka Yew
Chairman

David Alan Rick
Member

David Sim Cheok Leng
Member

JOINT COMPANY SECRETARIES

Chan Shok Hing
David Goh Hong Chuan

REGISTERED OFFICE

Scotia Centre, 4th Floor
P.O. Box 2804, George Town
Grand Cayman, Cayman Islands
Telephone number: +1 345 949 2648
Facsimile number: +1 345 945 7388
Contact: Mr Toni Rombough

CAYMAN ISLAND SHARE REGISTRAR

Codan Trust Company
(Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
Grand Cayman KY1-1111
Cayman Islands
Facsimile number: +1 345 945 7388

SHARE TRANSFER AGENT

Boardroom Corporate & Advisory
Services Pte Ltd
3 Church Street #08-01
Samsung Hub
Singapore 049483

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge
Liew Choon Wai
(Since financial year 2007)

PRINCIPAL BANKER

Credit Suisse
23/F Three Exchange Square
8 Connaught Place Central
Hong Kong

CORPORATE GOVERNANCE

Gems TV Holdings Limited is committed to ensuring a high standard of corporate governance within the Group to protect the interests of its Shareholders and enhance long-term Shareholder value.

The Company has adopted the corporate governance practices in accordance with the Code of Corporate Governance (“the Code”) and are set out in the following sections.

BOARD’S CONDUCT OF AFFAIRS

Principle 1: *Effective Board to lead and control the company*

The Board’s mission is to create a long-term value for Shareholders. The Board provides leadership and guidance to management on matters of corporate strategy, business direction, acquisitions and divestments, risk policy and the implementation of corporate objectives. The Board is supported in its tasks by Board Committees, which have been established to focus on the key areas of corporate governance.

THE BOARD’S PRIMARY FUNCTIONS INCLUDE:

- 1) Approving policies, strategies, structure and direction of the Group;
- 2) Overseeing and monitoring managerial and organizational performance and the achievement of strategic goals and objectives; and
- 3) Ensuring that there are in place appropriate and adequate systems of internal controls and risk management, and effective processes for financial reporting and compliance; approving the annual budget, major capital expenditures, funding proposals, investment and divestment proposals;

The Board meets every quarter and in addition to scheduled Board meetings, ad hoc meetings are convened as and when circumstances require. The Board met nine times during the financial year. The Company’s Article of Association provides for Directors to participate in Board meetings by conference telephone and similar communications equipment, and for Board resolutions to be passed in writing, including by electronic means.

In the discharge of its functions, the Board has established 3 committees namely the Audit Committee (“AC”), the Remuneration Committee (“RC”) and the Nominating Committee (“NC”). Each committee has its own defined scope of duties and terms of reference setting out the manner in which it should operate and the functions for achieving its stated objectives.

BOARD COMPOSITION AND GUIDANCE

Principle 2: *Strong and independent element on the Board*

At the end of the financial year 2009, the Board had six members, consisting of three Independent Non-Executive Directors, two Non-Executive Directors and one Executive Director.

The independent Non-Executive members of the Board comprise professionals with management, financial, accounting and legal backgrounds. This enables the Executive Director and management to benefit from the external and objective perspectives of issues that are brought before the Board.

The Board is of the view that its current composition comprises persons who, as a group, provides the necessary core competencies and that the current Board size is appropriate, taking into consideration the nature and scope of the Group’s operations. Key information on the Board members is provided under the section “Board of Directors” in the Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *Chairman and Chief Executive Officer to be separate persons to ensure appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making*

The roles of the Chairman and Chief Executive Officer (“CEO”) are separate and their responsibilities are clearly defined to ensure a balance of power and authority within the Company.

The Chairman monitors the translation of the Board’s decisions into executive action and approves the agendas for Board committee meetings, and exercises control over the quality, quantity and timeliness of information flow between the Board and management.

The CEO manages the business of the Company and implements the Board’s decisions and is responsible for the day-to-day operation and administration of the Company.

BOARD MEMBERSHIP

Principle 4: *Formal and transparent process for the appointment of new Directors to the Board*

The NC is primarily responsible for implementing a formal, transparent and objective procedure for appointing Board members and for assessing the effectiveness of the Board as a whole and contributions by each individual Director. The NC is responsible for reviewing the composition of the Board regularly and identifying and selecting suitable candidates for the Board. The Committee also reviews the retirement and re-election of Directors.

The NC comprises entirely Non-Executive Directors, of which, two out of three (including the Chairman) are independent.

During the year, the NC met once to review and affirm whether or not a Director is independent and review the composition of the Board. The NC is also responsible for reviewing annually the Directors who are due for retirement and having satisfied itself that these individual Directors are competent to continue. The NC would recommend to the Board for consideration, the re-election of the retiring Directors at the forthcoming Annual General Meeting (“AGM”).

Pursuant to Article 86(1) of the Company’s Articles of Association, each Director shall retire at least once every 3 years. In addition, pursuant to Article 85(6), new Directors appointed during the year shall retire at the next AGM. Accordingly, Mr Ng Boon Yew, Mr David Alan Rick and Mr Anthony Richard Hillyer will retire. The NC has reviewed their contributions and recommends their re-election at the Company’s forthcoming AGM.

For FY2009, the Directors’ attendances at Board and Committee meetings are as follows:

DIRECTOR	BOARD MEETINGS		AC MEETINGS		NC MEETINGS		RC MEETINGS	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Jason Choo Choon Wai	9	9	NA	NA	NA	NA	NA	NA
Ng Boon Yew	9	6	5	3	NA	NA	1	1
David Sim Cheok Leng	9	9	5	5	1	1	NA	NA
Leong Ka Yew	9	9	5	5	1	1	1	1
David Alan Rick	9	9	5	5	1	1	1	1
Anthony Richard Hillyer*	9	3	NA	NA	NA	NA	NA	NA

* Anthony Richard Hillyer joined the Board on 1 January 2009.

BOARD PERFORMANCE

Principle 5: *Formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board*

The NC is primarily responsible for implementing a formal process for assessing the effectiveness of the Board as a whole and, the contribution by each individual Director to the effectiveness of the Board.

The assessment exercise provided an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes allowed him to discharge his duties effectively and the changes which should be made to enhance the effectiveness of the Board as a whole.

ACCESS TO INFORMATION

Principle 6: *Board members to have complete, adequate and timely information*

The Board has unrestricted access to the CEO, the Chief Financial Officer, management and the Company Secretary as well as the internal and external auditors.

In general, proposals to the Board for decision for mandate sought by management are in the form of memos that provide the background, facts, resources required, conclusions and recommendations. Draft agendas for Board and Board Committee meetings are circulated in advance to the Board and Board Committee Chairman respectively, to review the appropriateness and approve additional items to the agenda if required. In addition, analyst reports on the Company are forwarded to the Board regularly for Directors to keep abreast of analysts' view on the Group's performance.

REMUNERATION MATTERS

Principle 7: *Formal and transparent procedure for developing policy on executive remunerations and for fixing remuneration packages for individual Directors*

Principle 8: *Remuneration of Directors should be adequate but not excessive*

Principle 9: *Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration*

REMUNERATION COMMITTEE

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors and senior management. The RC recommends to the Board for endorsement a framework of remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, share grants and benefits in kind) and the specific remuneration packages for each Director. The RC also reviews the remuneration of senior management and administers the Restricted Stock Plan and Performance Share Plan.

The RC comprises entirely Non-Executive Directors, of which, two out of three (including the Chairman) are independent.

ANNUAL REMUNERATION REPORT

Policy in respect of Non-Executive Directors' remuneration

The Non-Executive Directors are paid Directors' fees, the amount of which is dependent on their level of responsibilities. Each Non-Executive Director is paid a basic fee. In addition, Non-Executive Directors who perform additional services through Board Committees are paid an additional fee for such services. The amount of Directors' fees payable to Non-Executive Directors is subject to Shareholders' approval at the Company's AGM.

Remuneration policy in respect of Executive Directors and other Key Executives

The Company advocates a performance-based remuneration system for its business unit and individual employee's performance, both that are highly flexible and responsive to the market practice.

The total remuneration mix comprises three key components, annual fixed cash, annual performance incentive and share based payment. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the Company, business unit and individual employee's performance. Long-term incentive in the form of share grant helps to align employee compensation with Shareholder value creation.

Level and mix of remuneration of Directors and Key Executive (who are not also Directors) for the year ended 30 June 2009

The level and mix of remuneration of each of the Directors of the Company, and that of each of the Key Executives (who are not also Directors of the Company), in bands of US\$250,000.

	Base / Fixed Salary	Variable or Performance Related Bonus	Directors' Fee	Benefits-in-kind	RSP ¹	Total
REMUNERATION BAND & NAME OF DIRECTOR						
US\$250,000 to US\$500,000						
Jason Choo Choon Wai*	95%		5%			100%
Anthony Richard Hillyer	95%			1%	4%	100%
Below US\$250,000						
Ng Boon Yew			100%			100%
David Alan Rick			100%			100%
David Sim Cheok Leng			100%			100%
Leong Ka Yew			100%			100%

* Jason Choo ceased to be the CEO and assumed the role of Non-Executive Chairman on 1 January 2009

	Base / Fixed Salary	Variable or Performance Related Bonus	Directors' Fee	Benefits-in-kind	RSP ¹	Total
REMUNERATION BAND & NAME OF KEY EXECUTIVES						
US\$250,000 to US\$500,000						
Diane Schneiderjohn	97%			1%	2%	100%
Chow Foong Yew	86%			10%	4%	100%
Below US\$250,000						
Loretta Castoro (resigned on 26 March 2009)	86%			13%	1%	100%
Kaori Miwa	96%				4%	100%
Aruna Sudarshan Kodikara	95%				5%	100%

¹ RSP refers to the Restricted Stock Plan

Remuneration of employees who are immediate family member of a Director or the Chief Executive officer

No key officer or employee of the Company and its subsidiaries during the financial year 2009 was an immediate family member of a Director or the CEO.

Details of Performance Share Plan and Restricted Stock Plan

The Performance Share Plan and Restricted Stock Plan are administered by the RC. Please refer to pages 70 for details of the Plans.

ACCOUNTABILITY AND AUDIT

Principle 10: *The Board should present a balanced and understandable assessment of the Company's performance, position and prospects*

Principle 11: *Establishment of Audit Committee with written terms of reference*

The Board provides Shareholders with quarterly and annual financial reports.

Audit Committee

The AC comprises of Non-Executive Directors, of which, three out of four (including the Chairman) are independent.

The terms of reference of AC includes the review of the Company's financial and operating results and accounting policies, including the Company's financial statements and consolidated financial statements as well as the external auditor's reports before submission to the Board.

The AC has full authority to commission and review findings of internal investigations into matters where fraud or impropriety is suspected, or where there is a failure of internal controls or infringement of any Singapore law, rule or regulation which is likely to have a material impact on the Group.

During the year, the AC has performed independent reviews of the financial statements of the Company and recommended to the Board the release of the quarterly and full year financial statements. The AC also reviewed and approved the financial year 2009 audit plan and the financial year 2009 Internal Audit Plan, including reviewing the internal control procedures and Interested Person Transactions.

The AC has undertaken a review of all non-audit services provided by the external auditors during the financial year, and is of the view that they would not affect the independence of the external auditors.

INTERNAL CONTROL AND RISK MANAGEMENT

Principle 12: *Internal controls*

The Board considers that the Group's framework of internal controls and procedures is adequate to provide reasonable assurance of the integrity, confidentiality and availability of critical information and the effectiveness and efficiency of operations, safeguarding of assets and compliance with rules and regulations. It is also satisfied that problems are identified on a timely basis and that there is in place a process for follow-up actions to be taken promptly to minimize unnecessary lapses and maximize best practices, and for the identification and containment of business risks.

INTERNAL AUDIT

Principle 13: *Independent internal audit function*

The Company's internal audit function is outsourced to KPMG. The Internal Auditor ("IA") reports to the Chairman of the AC.

By end financial year 2009, the IA has completed the internal audit exercises of the Group's significant subsidiaries.

The Group Internal Audit reports are submitted to the AC for deliberation with copies of these reports extended to the CEO and the relevant senior management officers.

The Board is of the view that the Company has in place an adequate system of internal controls.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: *Regular, effective and fair communication with Shareholders*

Principle 15: *Greater Shareholder participation at Annual General Meetings*

The Company adopts the practice of communicating on a timely basis on the major developments in its businesses through SGXNET and, where appropriate, also direct to Shareholders, other investors, analysts and the media. The Company also maintains a regularly updated website, which provides a chronology of the latest press releases and highlights of the corporate events.

Shareholders are informed of Shareholders' meetings through notices published in the newspapers and reports or circulars. During financial year 2009, the Company had hosted a conference call with the public to provide updates on the Company's financial results and operational performance.

SECURITIES TRANSACTIONS**Insider Trading Policy**

The Company has a formal Insider Trading Policy on dealings in the securities of the Company and its subsidiaries. The policy has been distributed to the Group's Directors and officers. It has also adopted the Best Practice Guide on Dealings in Securities issued by the SGX. The Company has issued circulars to its Directors and officers informing its officers that they are prohibited from dealing in listed securities of the Company one month before the release of the full-year results and two weeks before the release of quarterly results, and if they are in possession of unpublished price-sensitive information.

Material Contracts

There were no material contracts entered into by the Company or any of its subsidiary companies involving the interests of the CEO or any Director or substantial Shareholder.

Interested Person Transactions Policy

The Group has established procedures for recording, reporting and reviewing and approving interested person transactions.

Whistle Blowing Policy

The Group has implemented a whistle blowing policy by which staff of the Group, may in confidence, raise concerns about possible improprieties in financial or other matters and that arrangements are in place for independent investigation of such matters and for appropriate follow up action.

USE OF INITIAL PUBLIC OFFERING (“IPO”) PROCEEDS

The Company successfully raised S\$222.5 million (US\$140.3 million based on exchange rate listed on page 39 of the Prospectus dated 3 November 2006) from the issuance of 206.06 million new ordinary shares of par value US\$0.001 each on 10 November 2006 pursuant to the IPO of the Company. As at 30 June 2009, US\$110.9 million of the net IPO proceeds of US\$133.7 million (after deducting IPO expenses of US\$6.6 million) had been used in the following manner:

	US\$ million
Expansion into United States, including acquisition and expansion, acquisition of inventory, carriage costs and working capital	50.0
Expansion into Japan, including acquisition and expansion, acquisition of inventory, carriage costs and working capital	18.0
Expansion into People's Republic of China, including acquisition and expansion, acquisition of inventory, carriage costs and working capital	1.6
Expand manufacturing and related facilities in Chanthaburi, Thailand	4.6
Expand operations in Germany	5.0
Upgrade existing facilities in the United Kingdom	2.0
General corporate and working capital purpose	29.7
TOTAL	110.9

INTERESTED PERSON TRANSACTIONS

Name of Interested Person	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all Interested Person transactions conducted under the shareholder's mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	Group for Financial Year Ended		Group for Financial Year Ended	
	30 June 2009 US\$ '000	30 June 2008 US\$ '000	30 June 2009 US\$ '000	30 June 2008 US\$ '000
Transactions with Live Art International (S) Pte Ltd. Creation, production and directing services for television programming	0	70	0	0

financial report

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DIRECTOR'S REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Gems TV Holdings Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2009.

DIRECTORS

The Directors of the Company in office at the date of this Report are:

Jason Choo Choon Wai
Anthony Richard Hillyer
David Alan Rick
Ng Boon Yew
David Sim Cheok Leng
Leong Ka Yew

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in this Report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors of the Company who held office at the end of the financial year had, an interest in the shares of the Company, as stated below:

Name of Director	Direct interest		Deemed interest	
	At 1.7.2008	At 30.6.2009	At 1.7.2008	At 30.6.2009
Gems TV Holdings Limited (Number of ordinary shares of US\$0.001 each)				
Jason Choo Choon Wai	–	–	211,438,440	231,438,440
Ng Boon Yew	1,270,000	1,270,000	–	–
David Alan Rick	4,120,000*	4,120,000*	–	–
David Sim Cheok Leng	2,110,000	2,260,000*	138,000	138,000
Anthony Richard Hillyer	–	96,000	–	–

* held in the name of nominee.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Name of Director	Direct Interest	
	1.7.2008	30.6.2009
Award of restricted stocks		
Anthony Richard Hillyer	–	288,000

The number of shares represents those shares registered in the Director's name.

Save as disclosed above, there were no changes in the above mentioned interests between the end of the financial year and 21 July 2009.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, either at the beginning or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

SHARE-BASED INCENTIVE SCHEMES

The Company grants share awards to its executives and executive Directors of the Group pursuant to the following share plans:

- (i) Performance Share Plan ("PSP")
- (ii) Restricted Stock Plan ("RSP")

The PSP contemplates the award of fully-paid shares, their equivalent cash value or combinations there-of, free of charge to (a) employees of the Group, (b) Directors and (c) employees of the associated companies, if any, who achieve prescribed performance target(s) set by the Remuneration Committee. Performance shares are only released at the end of the performance period and when the predetermined targets are achieved. The total number of shares which may be issued under this Plan, when added to the number of new shares issued or issuable in respect of all awards granted shall not exceed 10% of the issued share capital of the Company on the day preceding the relevant date of award. There were no share grants at the beginning and throughout the financial year.

The RSP contemplates the award of fully-paid shares, their equivalent cash value or combinations thereof, free of charge to participants to serve as an additional motivational tool to attract and retain talented local and international executives. Awards granted under the RSP vest only after the satisfactory completion of time-based service conditions. The total number of shares which may be issued under this Plan, when added to the number of new shares issued or issuable in respect of all awards granted shall not exceed 10% of the issued share capital of the Company on the day preceding the relevant date of award.

DIRECTOR'S REPORT

SHARE-BASED INCENTIVE SCHEMES (CONT'D)

The details of the shares granted under RSP during the financial year were as follows:

Awards granted in financial year	Balance as at 1 July 2008	Conditional shares granted during the year	Conditional shares issued	Aggregate conditional shares lapsed/ cancelled	Aggregate conditional shares outstanding as at 30 June 2009
Key executives of the subsidiary					
Restricted Stock Plan	–	10,349,000	(2,413,250)	(1,677,750)	6,258,000

During the current financial year:

- No shares have been granted to the controlling shareholders of the Company and their associates; and
- No participants have received 5% or more of the total shares available under the plan.

AUDITORS

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors,

Jason Choo Choon Wai

Director

Anthony Richard Hillyer

Director

Singapore
31 August 2009

We, Jason Choo Choon Wai and Anthony Richard Hillyer, being two of the Directors of Gems TV Holdings Limited, do hereby state that, in the opinion of the Directors:

- (i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated statement of cash flow together with the notes thereto, are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2009; and of the financial performance, changes in equity and cash flow of the Group and changes in equity of the Company for the financial year then ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Jason Choo Choon Wai

Director

Anthony Richard Hillyer

Director

Singapore

31 August 2009

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Gems TV Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 35 to 80, which comprise the balance sheets of the Group and the Company as at 30 June 2009, the statements of changes in equity of the Group and the Company, and the consolidated profit and loss account and consolidated statement of cash flow of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company, present fairly in all material respects, the financial position of the Group and of the Company as at 30 June 2009 and the financial performance, changes in equity and cash flow of the Group and the changes in equity of the Company for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG LLP

Public Accountants and Certified Public Accountants

Singapore

31 August 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Financial Year ended 30 June 2009

	Note	2009 US\$'000	2008 US\$'000
Revenue	3		
Sale of goods		150,327	221,932
Shipping and handling services		11,833	14,145
Total revenue		162,160	236,077
Cost of goods sold		(109,125)	(141,606)
Gross profit		53,035	94,471
Other operating income	4	1,328	7,067
Selling expenses		(72,229)	(93,489)
Administrative expenses		(41,792)	(36,945)
Loss before taxation	5	(59,658)	(28,896)
Taxation	6	(146)	(811)
Net loss attributable to equity holders of the parent		(59,804)	(29,707)
Loss per share (cents)			
Basic LPS	7	(5.79)	(2.88)
Diluted LPS	7	(5.76)	(2.88)

The accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 30 June 2009

	Note	Group		Company	
		2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Non-current assets					
Property, plant and equipment	8	9,629	16,357	–	–
Intangible assets	9	1,637	9,443	473	922
Investment in subsidiary companies	10	–	–	2,975	15,970
Long term deposits	23	6,177	4,868	–	–
Deferred tax assets	6	105	156	–	–
Current assets					
Inventories	11	50,470	59,531	–	–
Prepayments	12	4,386	6,520	25	27
Trade receivables	13	2,963	1,818	–	–
Other receivables and deposits	14	2,241	3,112	70	568
Amounts due from subsidiary companies	15	–	–	–	66,952
Short term deposits	23	35,654	62,649	32,475	58,613
Cash at bank	23	10,093	6,242	228	83
		105,807	139,872	32,798	126,243
Current liabilities					
Trade payables	16	23,812	9,648	–	–
Other payables	17	3,205	4,379	–	275
Advances from customers	18	862	406	–	–
Accruals and provisions	19	5,130	3,601	502	645
Amounts due to subsidiary companies	15	–	–	3,702	2,700
Income tax payable		12,983	12,898	–	–
Defined benefit obligation	24	256	243	–	–
		46,248	31,175	4,204	3,620
Net current assets		59,559	108,697	28,594	122,623
Non-current liabilities					
Deferred tax liabilities	6	(362)	(423)	–	–
Net assets		76,745	139,098	32,042	139,515
Equity attributable to equity holders					
Share capital	20	1,033	1,031	1,033	1,031
Share premium	21	152,133	152,024	152,133	152,024
Share plan reserve	22	231	–	231	–
Accumulated losses		(77,643)	(17,839)	(121,355)	(13,540)
Foreign currency translation reserve	22	648	3,539	–	–
Other reserve	22	343	343	–	–
Total equity		76,745	139,098	32,042	139,515

The accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year ended 30 June 2009

Group	Share capital	Share premium	Share plan reserve	Accumulated losses	Foreign currency translation reserve	Other reserve	Total
	(Note 20) US\$'000	(Note 21) US\$'000	(Note 22) US\$'000	US\$'000	(Note 22) US\$'000	(Note 22) US\$'000	US\$'000
Balance at 30 June 2008	1,031	152,024	–	(17,839)	3,539	343	139,098
Translation adjustments	–	–	–	–	(2,891)	–	(2,891)
Total income and expense for the year recognized directly in equity	–	–	–	–	(2,891)	–	(2,891)
Net loss for the year	–	–	–	(59,804)	–	–	(59,804)
Total recognized loss for the year	–	–	–	(59,804)	(2,891)	–	(62,695)
Grant of share award to employees (Note 24)	–	–	342	–	–	–	342
Issuance of shares under share plans	2	109	(111)	–	–	–	–
Balance at 30 June 2009	1,033	152,133	231	(77,643)	648	343	76,745
Balance at 30 June 2007	1,030	151,854	220	11,868	2,742	343	168,057
Translation adjustments	–	–	–	–	797	–	797
Total income and expense for the year recognized directly in equity	–	–	–	–	797	–	797
Net loss for the year	–	–	–	(29,707)	–	–	(29,707)
Total recognized loss for the year	–	–	–	(29,707)	797	–	(28,910)
Grant of share award to employees (Note 24)	–	–	82	–	–	–	82
Issuance of shares under share plans	1	170	(171)	–	–	–	–
Writeback of share plan expenses (Note 24)	–	–	(131)	–	–	–	(131)
Balance at 30 June 2008	1,031	152,024	–	(17,839)	3,539	343	139,098

The accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year ended 30 June 2009

Company	Share capital (Note 20) US\$'000	Share premium (Note 21) US\$'000	Share plan reserve (Note 22) US\$'000	Accumulated losses US\$'000	Total US\$'000
Balance at 30 June 2008	1,031	152,024	–	(13,540)	139,515
Grant of share awards to employees (Note 24)	–	–	342	–	342
Issuance of shares under share plans	2	109	(111)	–	–
Net loss for the year representing total recognized income and expenses for the year	–	–	–	(107,815)	(107,815)
Balance at 30 June 2009	1,033	152,133	231	(121,355)	32,042
Balance at 30 June 2007	1,030	151,854	220	9,866	162,970
Grant of share awards to employees (Note 24)	–	–	82	–	82
Issuance of shares under share plans	1	170	(171)	–	–
Writeback of share plan expenses	–	–	(131)	–	(131)
Net loss for the year representing total recognized income and expenses for the year	–	–	–	(23,406)	(23,406)
Balance at 30 June 2008	1,031	152,024	–	(13,540)	139,515

The accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

For the Financial Year ended 30 June 2009

	2009	2008
	US\$'000	US\$'000
Cash flow from operating activities:		
Loss before taxation	(59,658)	(28,896)
Adjustments for:		
(Writeback of)/allowance for doubtful debts	(62)	4,822
Allowance for inventories	8,046	7,677
Write back of allowance for inventories	(6,327)	(452)
Provision for sales return, net	(384)	771
Depreciation of property, plant and equipment	4,914	4,507
Amortization of intangible assets	810	704
Property, plant and equipment written off	132	15
Intangible assets written off	78	-
Bad debts written off directly to profit and loss	-	20
Loss on disposal of property, plant and equipment	68	81
Impairment loss on property, plant and equipment	2,204	-
Impairment loss on intangible assets	5,632	-
Provision for foreseeable loss on non-cancellable contract	1,986	-
Interest income	(673)	(3,496)
Share-based payment expense/(write back)	342	(49)
Translation adjustments	(907)	289
Operating cash flow before reinvestment in working capital	(43,799)	(14,007)
Trade and other receivables	1,506	(3,636)
Inventories	7,594	(9,375)
Trade and other payables	13,628	(11,358)
Cash used in operating activities	(21,071)	(38,376)
Income tax paid	(72)	(581)
Interest received	1,183	3,714
Interest paid	-	-
Net cash used in operating activities	(19,960)	(35,243)
Cash flow from investing activities:		
Purchase of intangible assets	(147)	(2,958)
Purchase of property, plant and equipment	(1,540)	(9,625)
Proceeds from disposal of property, plant and equipment	24	265
Net cash used in investing activities	(1,663)	(12,318)
Cash flow from financing activity:		
Decrease/(increase) in deposits pledged	724	(3,928)
Net cash generated from/(used in) financing activity	724	(3,928)
Net decrease in cash and cash equivalents	(20,899)	(51,489)
Cash and cash equivalents at beginning of year	66,691	117,751
Effect of exchange rate changes on opening cash	(212)	429
Cash and cash equivalents at end of year (Note 23)	45,580	66,691

The accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2009

1. CORPORATE INFORMATION

Gems TV Holdings Limited (the "Company") is an exempt company incorporated in the Cayman Islands with limited liability. Its registered office is at Offshore Incorporation (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are those of manufacturing, trading of jewelry, gemstones, handicrafts, carved collectibles, valuable metals and other related products and retailing of jewelry through TV channels and the Internet. Details of the subsidiary companies and their principal activities are set out in Note 10. There have been no significant changes in the nature of these activities during the financial year under review.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in United States Dollars (USD or US\$). All amounts are rounded to the nearest thousand (US\$'000) except when otherwise indicated.

2.2 Future changes in accounting policies

The Group has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

<i>Reference</i>	<i>Description</i>	<i>Effective for annual period beginning on or after</i>
IAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
IAS 23 (Revised)	Borrowing Costs	1 January 2009
IAS 27	Consolidated and Separate Financial Statements – Amendments Relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
IAS 32 and IAS 1	Amendments to IAS 32: Financial Instruments: Presentation and IAS 1: Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement – Amendments Relating to Eligible Hedged Items	1 July 2009
IFRS 1	First-time Adoption of International Financial Reporting Standards – Revised	1 July 2009
IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendments Relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.2 Future changes in accounting policies (cont'd)**

<i>Reference</i>	<i>Description</i>	<i>Effective for annual period beginning on or after</i>
IFRS 2	Share-Based Payments – Amendments Relating to Vesting Conditions and Cancellations	1 January 2009
IFRS 2	Amendments to IFRS 2 Share-based Payment-Group cash-settled Share-based Payment Transactions	1 January 2010
2008 Improvements to IFRS		1 January 2009
2009 Improvements to IFRS*		1 January 2010
IFRS 3 (Revised)	Business Combinations	1 July 2009
IFRS 7	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfer of Assets from customers	Effective for transfers of assets from customers received on or after 1 July 2009

* Includes 2009 improvements to IFRS - IAS 18 which is effective for financial period ending on or after 23 June 2009.

The Group expects that adoption of the pronouncements listed above will have no significant impact on the Group's financial statements in the period of initial application, except for IAS 1 (Revised) as indicated below.

IAS 1 (Revised) - Presentation of Financial Statements

The revised IAS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

2.3 Significant accounting estimates and judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

30 June 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 *Significant accounting estimates and judgments (cont'd)*

Key sources of estimation uncertainty and critical judgments made in applying accounting policies

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The critical judgments made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognized in the financial statements are also discussed below.

Revenue recognition

Judgment is made by management in the recognition of revenue for goods sold subject to the customer's right of return which ranges from 8 days to 30 days upon delivery to the customers.

In the previous financial year, the Company changed its accounting estimate from full deferral of revenue in respect of sales covered under the Group's refund policy to that of provision for sales return. The provision for sales return has been disclosed in Note 19 to the financial statements.

Taxation

The Group has exposure to income and other taxes (such as value added tax and customs duties) in a number of jurisdictions. Significant judgment is involved in determining the group-wide provision for income and other taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income, deferred and other tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax payables and deferred tax liabilities at the balance sheet date were US\$12,983,000 (2008: US\$12,898,000) and US\$362,000 (2008: US\$423,000) respectively.

Net realizable value of inventories

The Group estimates the net realizable value of inventories in applying its accounting policy for inventories, namely, to carry the inventories at the lower of cost and net realizable value. This requires an estimation of the net realizable value based on past experience, condition of inventories and current market conditions. Changes in consumer sentiment, preference and fashion trends could also affect the saleability of the inventories and, therefore, the net realizable value. In estimating net realizable value, management takes into account items that have been returned under warranty which cannot be repaired or for which there are no identical items in stock and items which have been assessed by management not to be saleable. For such items, the Group then melts down the items to use the gemstones and raw materials in the production of new items. A write-down on the costs of these inventories is required in order to account for gemstones or raw materials lost or damaged during the melt-down and recovery process. The carrying amount of the Group's inventories as at 30 June 2009 was approximately US\$50,470,000 (2008: US\$59,531,000) and has been presented net of allowance for obsolescence and defective inventories amounting to approximately US\$8,209,000 (2008: US\$8,111,000). See Note 11 for details.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 *Significant accounting estimates and judgments (cont'd)*

Key sources of estimation uncertainty and critical judgments made in applying accounting policies (cont'd)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill and intangible assets, are detailed in Note 9 to the financial statements.

Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the balance sheet date is disclosed in Note 13 to the financial statements.

2.4 **Functional and foreign currency**

(a) Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be USD. Major operating expenses are primarily influenced by fluctuations in USD.

(b) Foreign currency

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognized in the profit and loss account.

Assets and liabilities of foreign operations are translated into USD equivalents at exchange rates ruling at balance sheet date. Revenue and expenses are translated into USD at average exchange rates for the year, which approximates the exchange rates of the dates of the transactions. All resultant exchange differences are recognized in a separate component of equity, which is the foreign currency translation reserve. On disposal of a foreign operations, accumulated exchange differences deferred in equity relating to that foreign operations are recognized in the profit and loss account as a component of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 *Subsidiary companies*

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from the activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses.

2.6 *Principles of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. The financial statements of the subsidiary companies are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiary companies are accounted for using the purchase method. Subsidiary companies are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.7 *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred.

Depreciation is calculated on the straight-line method over their estimated useful lives as follows:

Freehold building	-	20 years
Leasehold improvements	-	5 years
Machinery	-	5 years
Furniture, fixtures and equipment	-	3 to 5 years
Utilities systems	-	5 years
Motor vehicles	-	3 to 5 years

Freehold land has an unlimited useful life and therefore is not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognized.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Intangibles

(a) Goodwill on consolidation

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(b) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortized on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortization expense on intangible assets with finite lives is recognized in the profit and loss account in both the selling and administrative expenses line items.

Amortization is provided on a straight line basis over their estimated useful lives as follows:

Television channel rights	-	8 to 20 years
Intellectual properties	-	10 to 20 years
Computer software	-	5 years

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flow are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount. Impairment losses are recognized in the profit and loss account.

30 June 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 *Impairment of non-financial assets (cont'd)*

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses recognized for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Reversal of an impairment loss is recognized in the profit and loss account. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognized for goodwill.

2.10 *Financial assets*

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognized on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The Group's financial assets are classified as loans and receivables.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit and loss account when the loans and receivables are derecognized or impaired, as well as through the amortization process.

2.11 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits.

Cash and bank balances carried in the balance sheets are classified and accounted for as loans and receivables under IAS 39. The accounting policy for this category of financial assets is stated in Note 2.10.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 *Receivables*

Trade and other receivables including amounts due from subsidiary companies are classified and accounted for as loans and receivables under IAS 39. The accounting policy for this category of financial assets is stated in Note 2.10.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.13 below.

2.13 *Impairment of financial assets*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

2.14 *Inventories*

Inventories represent raw materials, work-in-progress, finished goods and factory supplies are valued at the lower of cost and net realizable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials – purchase cost at weighted average method;
- Finished goods and work-in-progress – costs of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. These costs are assigned on a first-in first-out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 *Financial liabilities*

Financial liabilities include trade and other payables, which are settled on 30-90 day terms, and payables to subsidiary companies are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Financial liabilities are recognized on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Gains and losses are recognized in the profit and loss account when the liabilities are derecognized as well as through the amortization process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Derecognition of financial assets and liabilities

(a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The contractual rights to receive cash flow from the asset have expired;
- The Group retains the contractual rights to receive cash flow from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flow from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flow from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognized directly in equity is recognized in the profit and loss account.

(b) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit and loss account.

2.17 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognized as an expense in the period in which the related service is performed.

(b) Defined benefit plans

The Group operates an unfunded defined benefit pension plan for eligible employees in Thailand. The cost of providing benefits under the defined benefit plan is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately.

Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognised immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Employee benefits (cont'd)

(c) Employee leave entitlements

Employee entitlements to annual leave are recognized as a liability when they accrue to employees. The estimated liability for leave is recognized for services rendered by employees up to balance sheet date.

(d) Share-based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the equity instruments are granted.

The cost of equity-settled transactions is recognized, together with a corresponding increase in the share plan reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. When the shares are issued under the share plan scheme, the share plan reserve is transferred to share capital if new shares are issued.

2.19 Leases

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

2.20 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Revenue recognition (cont'd)

Sale of goods

Revenue is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer, which generally coincides with delivery of goods and acceptance of the goods sold. Provisions for discounts to customers and provisions for sales returns are recorded in the same period in which the related sales are recorded. Such provisions are based on management's best estimate, taking into account historical experience and other relevant factors.

Revenue is not recognized where there are significant uncertainties regarding recovery of the consideration due and associated costs.

Shipping and handling services

Revenue from provision of shipping and handling services is recognized upon services being rendered and invoiced.

Interest income

Interest income is recognized using the effective interest method.

2.21 Taxation

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Taxation (cont'd)

(b) Deferred tax (cont'd)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3. REVENUE

Revenue from sale of goods represents the invoiced value of goods supplied, less trade discounts and net of sales returns.

Revenue from shipping and handling services represents the invoiced value of services rendered.

4. OTHER OPERATING INCOME, NET

	Group	
	2009	2008
	US\$'000	US\$'000
Interest income	673	3,496
Foreign exchange gain, net	–	3,027
Mark-up on insurance charges	79	122
Miscellaneous income	343	189
Insurance compensation claim	233	233
	<u>1,328</u>	<u>7,067</u>

5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting) the following:

	Group	
	2009	2008
	US\$'000	US\$'000
Non-audit fees paid to the auditors of the Company	55	159
Cost of inventory sold	109,392	144,165
Amortization of intangible assets	810	704
Cable or satellite carriage expenses [^]	40,855	48,130
Depreciation	4,914	4,507
Directors' fees	164	166
Impairment loss on property, plant and equipment	2,204	–
Impairment loss on intangible assets	5,632	–
Foreign exchange loss, net	1,197	–
Provision for foreseeable loss on non-cancellable contract	1,986	–
Loss on disposal of property, plant and equipment	68	81
Intangible assets written off	78	–
Property, plant and equipment written-off	132	15
(Writeback of allowance)/allowance for doubtful debts	(62)	4,822
Bad debts written off directly against profit and loss	–	20
Allowance for inventory	8,046	7,677
Write back of allowance for inventory	(6,327)	(452)
Provision for sales return	13	858
Writeback of provision for sales return	(397)	(87)
Rental of premises	2,093	1,975
Shipping and handling charges [#]	10,263	13,299
Employee benefits		
Salaries, wages and other related costs	27,305	36,678
Contributions to defined contribution plans	1,117	1,232
Share-based payment expense	342	(49)
Pension costs* (Note 24(b))	16	55
Retrenchment benefits	1,012	679

[^] Relate to carriage costs associated with delivering the television programs to subscribers.

[#] Relate to expenses incurred to earn revenue from shipping and handling services. These expenses were included in the line "Selling expenses" in the consolidated profit and loss account.

* These expenses were included in the line "Administrative expenses" in the consolidated profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2009

6. TAXATION

(a) Major components of income tax expense

	Group	
	2009	2008
	US\$'000	US\$'000
In respect of results for the year:		
Current tax	92	14
Deferred tax	(11)	613
	81	627
Underprovision in respect of prior years:		
Current tax	65	1
Deferred tax	–	183
	65	184
Taxation	146	811
The reconciliation of the tax expense and the product of accounting loss multiplied by the applicable corporate tax rate is as follows:		
Loss before taxation	(59,658)	(28,896)
Tax at the domestic rates applicable to profits in the countries where the Group operates ⁽¹⁾	(19,620)	(3,197)
Income not subject to tax	(5,226)	(13,120)
Effect of expenses not deductible for tax purposes	5,080	600
Effect of deferred tax benefits not recognized	19,571	15,969
Under provision in respect of prior years	65	184
Others	276	375
	146	811

⁽¹⁾ The reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

6. TAXATION (CONT'D)**(b) Deferred taxation**

Deferred taxation relates to the following:

	Group	
	2009	2008
	US\$'000	US\$'000
Deferred tax assets:		
Differences in inventories	78	48
Others	27	108
	<u>105</u>	<u>156</u>
Deferred tax liabilities:		
Difference in valuation of freehold land ⁽¹⁾	–	19
Difference in valuation of building ⁽¹⁾	127	115
Difference in valuation of intangible assets ⁽¹⁾	223	277
Difference in valuation of other assets	12	12
	<u>362</u>	<u>423</u>

⁽¹⁾ These differences arose as a result of purchase price allocation relating to the acquisition of Gems TV (UK) Limited and subsidiaries in prior years.

A subsidiary company was granted various tax privileges for the production of jewelry by the Board of Investments in Thailand on 17 December 2003 ("first BOI grant"). Privileges include exemption from corporate income tax on profits from the promoted activities, for a period of 8 years from the date income is first derived from such activities. The income tax exemption is approximately US\$285,000, equivalent to the maximum of the total investments made (excluding land cost and working capital), and is subject to conditions stipulated in the grant. The first BOI grant lapsed voluntarily in 8 August 2007.

A second grant ("second BOI grant") was approved by the Board of Investments in Thailand on 26 April 2006. The areas covered under this grant includes exemption from corporate taxes on profits derived from the production of jewelry and ornament for 8 years and on the dividends declared out of these profits. Import duties on raw materials for the production of jewelry for export, new machinery and for items that are imported for re-export, are exempted for 5 years, subject to conditions stipulated by the grant. The income tax exemption under this second BOI grant is capped at Thai Baht 32,097,000 (approximately US\$929,000).

The subsidiary was granted additional rights and privileges under the policy which supports investments in the development of skills, technology and innovation ("STI grant") by the Board of Investment in Thailand on 1 March 2007. Under the STI grant, the subsidiary would be entitled to an exemption from income tax for 8 years without a cap on the amount of corporate income tax exemption. This is subject to conditions stipulated under the grant, one of which is that the subsidiary must have investments or incurs expenditure in research and development or design, advance technology training, and in supporting an educational or research institution. These expenditure commitments have been included in Note 26 (c).

NOTES TO THE FINANCIAL STATEMENTS

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6. TAXATION (CONT'D)

(b) *Deferred taxation (cont'd)*

The Group has tax losses of approximately US\$107.9 million (2008: US\$67.6 million) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognized due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

As at balance sheet date, tax losses of approximately US\$76 million (2008: US\$50 million) expire over various periods from 2026 onwards.

7. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares during the year. Fully diluted loss per share is calculated after adjusting for those shares not yet issued under the Group's Performance Share Plan and Restricted Stock Plan (Note 24).

	2009	Group	2008
	US\$'000		US\$'000
Net loss attributable to ordinary shareholders for basic and diluted loss per share (US\$'000)	(59,804)		(29,707)
Weighted average number of ordinary shares for basic loss per share computation	1,032,295,693		1,030,729,912
Effect of dilution:			
Share grants	5,188,656		-
Weighted average number of shares for diluted loss per share computation	1,037,484,349		1,030,729,912

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Freehold building	Leasehold improvements	Machinery	Furniture, fixtures and equipment	Utilities systems	Motor vehicles	Construction- in-progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost									
At 30 June 2007	1,083	2,121	1,418	1,191	9,736	358	448	–	16,355
Additions	–	–	1,267	623	7,211	190	106	228	9,625
Disposals	–	–	–	(386)	(1,129)	(8)	(210)	–	(1,733)
Write off	–	–	(82)	–	(10)	–	–	–	(92)
Translation adjustments	(8)	(24)	25	33	125	9	15	(2)	173
At 30 June 2008	1,075	2,097	2,628	1,461	15,933	549	359	226	24,328
Additions	–	–	821	61	492	21	–	145	1,540
Disposals	–	–	(11)	(4)	(592)	–	(23)	–	(630)
Transfers	–	–	45	134	118	66	–	(363)	–
Write off	–	–	(113)	(59)	(129)	(32)	–	–	(333)
Translation adjustments	(173)	(328)	(1)	(17)	(783)	(6)	(5)	(8)	(1,321)
At 30 June 2009	902	1,769	3,369	1,576	15,039	598	331	–	23,584
Accumulated depreciation and impairment									
At 30 June 2007	–	280	346	321	3,728	70	127	–	4,872
Depreciation for the year	–	160	693	274	3,221	81	78	–	4,507
Disposals	–	–	–	(287)	(969)	(5)	(126)	–	(1,387)
Write off	–	–	(72)	–	(5)	–	–	–	(77)
Translation adjustments	–	(7)	10	11	36	2	4	–	56
At 30 June 2008	–	433	977	319	6,011	148	83	–	7,971
Depreciation for the year	–	129	1,155	308	3,135	120	67	–	4,914
Impairment loss	–	–	98	18	2,088	–	–	–	2,204
Disposals	–	–	(10)	(2)	(510)	–	(16)	–	(538)
Write off	–	–	(107)	–	(79)	(15)	–	–	(201)
Translation adjustments	–	(58)	11	2	(350)	–	–	–	(395)
At 30 June 2009	–	504	2,124	645	10,295	253	134	–	13,955
Net book value									
At 30 June 2008	1,075	1,664	1,651	1,142	9,922	401	276	226	16,357
At 30 June 2009	902	1,265	1,245	931	4,744	345	197	–	9,629

The freehold land and building is pledged to the bank for the banking facilities.

The property, plant and equipment assessed for impairment relate mainly to the Group's operations in the United Kingdom which were loss-making. The recoverable amount was determined based on a value-in-use calculation using cash flow projection based on 1 year budget approved by the Board and financial forecast consistent with the weighted average remaining useful lives of the property, plant and equipment. The discount rate used in the value-in-use calculation was 9.82%. Impairment losses amounting to approximately US\$2,204,000 (2008: US\$Nil) had been included in the line "Administrative expenses" in the consolidated profit and loss account.

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9. INTANGIBLE ASSETS

Group	Television channel rights				Total
	Goodwill	channel rights	Intellectual properties	Computer software	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost					
At 30 June 2007	3,704	2,212	293	2,124	8,333
Additions	-	2,111	-	847	2,958
Write off	-	(10)	-	-	(10)
Reclassification	-	10	(10)	-	-
Translation adjustments	(29)	(60)	-	33	(56)
At 30 June 2008	3,675	4,263	283	3,004	11,225
Additions	-	-	-	147	147
Write off	-	-	-	(317)	(317)
Translation adjustments	(593)	(588)	-	55	(1,126)
At 30 June 2009	3,082	3,675	283	2,889	9,929
Accumulated amortization					
At 30 June 2007	-	542	97	442	1,081
Amortization for the period	-	247	14	443	704
Write off *	-	(10)	-	-	(10)
Reclassification	-	9	(9)	-	-
Translation adjustments	-	(3)	-	10	7
At 30 June 2008	-	785	102	895	1,782
Amortization for the period	-	282	14	514	810
Impairment loss	3,082	2,550	-	-	5,632
Translation adjustments	-	58	-	10	68
At 30 June 2009	3,082	3,675	116	1,419	8,292
Net book value					
At 30 June 2008	3,675	3,478	181	2,109	9,443
At 30 June 2009	-	-	167	1,470	1,637
Remaining amortization period at 30 June 2008					
	NA	5 to 20 years	13 years	1 to 4.5 years	NA
Remaining amortization period at 30 June 2009					
	NA	4 to 20 years	12 years	1 to 3.5 years	NA

* Computer software written off during the financial year comprised US\$78,000 which was written off to the profit and loss and an amount of US\$239,000 which was accrued in previous year and reversed from other payables account during the current financial year.

9. INTANGIBLE ASSETS (CONT'D)

Television channel rights refer to the broadcasting licences and channels owned by one of the subsidiaries for broadcasting of programs.

Intellectual property refer to all the rights, benefits, title and interests in and to the copyrights, trademarks, service marks, tradenames, domain names, patents, patent registration rights, trade secrets, and confidential and/or proprietary information relating to one of the subsidiaries.

Amortization of intellectual property, television channel rights and computer software of US\$282,000 (2008: US\$247,000) and US\$528,000 (2008: US\$457,000) have been included in the lines "Selling expenses" and "Administrative expenses" in the consolidated profit and loss account, respectively.

Company	Television channel rights US\$'000	Intellectual property US\$'000	Computer Software US\$'000	Total US\$'000
Cost				
At 30 June 2007	10	283	1,016	1,309
Write off	(10)	–	–	(10)
At 30 June 2008	–	283	1,016	1,299
Write off	–	–	(317)	(317)
At 30 June 2009	–	283	699	982
Accumulated amortization				
At 30 June 2007	10	87	126	223
Amortization for the year	–	14	150	164
Write off	(10)	–	–	(10)
At 30 June 2008	–	101	276	377
Amortization for the year	–	14	118	132
At 30 June 2009	–	115	394	509
Net book value				
At 30 June 2008	–	182	740	922
At 30 June 2009	–	168	305	473
Remaining amortization period at 30 June 2008	NA	13 years	1 to 3.5 years	NA
Remaining amortization period at 30 June 2009	NA	12 years	1 to 2.5 years	NA

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9. INTANGIBLE ASSETS (CONT'D)

Impairment testing of intangible assets

For the purpose of impairment testing, goodwill of US\$3.7 million (2008: US\$3.7 million) which has been allocated to Gems TV (UK) Limited which represents the cash generating unit within the Group at which the goodwill is monitored for internal management purposes.

Goodwill and other intangible assets have been assessed for impairment as the Group's operations in the United Kingdom has been loss-making. The recoverable amounts of goodwill and other intangible assets were determined based on a value-in-use calculation using cash flow projections based on a 1-year budget approved by the Board and 4-year financial forecast.

The key assumptions on which management has based its cash flow projections to undertake impairment testing are as follows:

- Discount rate of 9.82% (2008: 12.13%).
- Revenue growth ranging from 8% to 21% per annum.
- Selling and administrative expenses which are budgeted to decrease by 2.7% and 30.8% respectively in the next financial year and to increase between 4% and 4.7% over the remaining forecast period.

Given the cyclical nature of the industry the Group is in, management constantly reviews the growth trends, demand and supply of gemstones and jewelry market trend annually and accordingly, the forecast and projection may require revision to reflect the latest developments in the jewelry industry.

During the financial year, an impairment loss was recognized to write down the carrying amounts of goodwill and television channel rights attributable to the Group's operations in the United Kingdom. The carrying amount of the goodwill and other intangible assets was determined to be higher than its recoverable amount and an impairment loss of US\$5,632,000 (2008: US\$ Nil) has been recognized in the line "Administrative expenses" in the consolidated profit and loss account.

10. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2009	2008
	US\$'000	US\$'000
Unquoted shares at cost	15,970	15,970
Impairment allowance	(12,995)	–
Unquoted shares at cost, net	<u>2,975</u>	<u>15,970</u>

10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name (Country of incorporation and place of business)	Principal activities	Percentage of equity held by the Group at financial year-end	
		2009 %	2008 %
Gems TV (UK) Limited ⁽¹⁾ (England)	Retailing of jewelry through TV channels and the Internet	100.00	100.00
NCS Group Co., Ltd. ⁽²⁾ (Thailand)	Manufacturing of jewelry, gemstones, handicrafts, carved collectibles, valuable metals and other related products	99.99	99.99
Thaigem Global Marketing Limited [®] (Cayman Islands)	Trading of jewelry, gemstones, handicrafts, carved collectibles, valuable metals and other related products	100.00	100.00
GemsLondon Ltd. [#] (Japan)	Retailing of jewelry and jewelry products via television, the Internet and mail order	100.00	100.00
Gems (Beijing) Trading Co., Ltd.* (People's Republic of China)	Import and export, retail and wholesale of gemstones, jewelries, watches and auxiliary products with after sales and related consultancy services (Dormant during the year)	100.00	100.00
GemsAsia Pte Ltd ⁽³⁾ (Singapore)	Management consultancy, investment holding and trading services	100.00	100.00
Subsidiary held by NCS Group Co., Ltd.:			
Gems TV (USA) Limited [#] (USA)	Retailing of jewelry through TV and the Internet	100.00	100.00
Subsidiary held by Gems TV (UK) Limited:			
Factory Outlet TV Limited [®] (England)	Dormant since 10 June 2005	100.00	100.00
Subsidiary held by Factory Outlet TV Limited:			
Gems TV Ltd (formerly Eagle Road Studios Limited) [®] (England)	Dormant since 10 June 2005	100.00	100.00

⁽¹⁾ Audited by Ernst & Young LLP, UK.⁽²⁾ Audited by Ernst & Young Office Limited.⁽³⁾ Audited by Ernst & Young LLP, Singapore[®] Not required to be audited by law in its country of incorporation.[#] Audited by Ernst & Young LLP, Singapore for purpose of consolidation.

* Financial year end is 31 December. The financial statements as at 30 June 2009 were not audited as it is not significant to the Group in the current financial year.

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10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Impairment testing of investment in subsidiary companies

Management performed impairment test for its investments in subsidiary companies as the subsidiaries were in loss-making positions during the financial year. The recoverable amounts of investment in subsidiaries were determined based on a value-in-use calculation using cash flow projections based on a 1-year budget approved by the Board and 4-year financial forecast. The discount rates used in the cash flow projections ranged between 8.94% and 12.24% (2008: 12.13% and 12.36%).

During the financial year, an impairment loss of US\$12,995,000 (2008: US\$Nil) was recognized to write down the carrying amounts of the Company's investment in subsidiary companies.

11. INVENTORIES

	Group	
	2009	2008
	US\$'000	US\$'000
Raw materials	18,279	10,556
Work-in-progress	1,361	2,746
Finished goods	14,066	22,937
Factory supplies	714	835
Inventories, at cost	34,420	37,074
Raw materials, at net realizable value	610	909
Finished goods, at net realizable value	15,440	21,548
Total inventories at the lower of cost and net realizable value	50,470	59,531

Inventories at net realizable value are stated net of allowance for obsolescence and defective items of US\$8,209,000 (2008: US\$8,111,000).

Allowance for inventory of approximately US\$6,327,000 (2008: US\$452,000) has been written back as a result of the Group selling the inventories at prices above cost in the current financial year.

Movement in allowance for inventory:

At 1 July	8,111	1,621
Charge for the year	8,046	7,677
Written off	(1,369)	(696)
Write back of excess allowance	(6,327)	(452)
Exchange differences	(252)	(39)
At 30 June	8,209	8,111

12. PREPAYMENTS

	Group		Company	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Prepayments for:				
- channel fees	1,408	1,945	-	-
- satellite transmission charges	1,106	1,618	-	-
- renovation	15	130	-	-
- assay and import duties	590	393	-	-
- maintenance and insurance	348	335	19	19
- others	464	545	6	8
Advance payment for inventories	455	1,554	-	-
	<u>4,386</u>	<u>6,520</u>	<u>25</u>	<u>27</u>

13. TRADE RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables	2,963	1,818	-	-
Other receivables and deposits (Note 14)	2,241	3,112	70	568
Amount due from subsidiary companies (Note 15)	-	-	-	66,952
	<u>5,204</u>	<u>4,930</u>	<u>70</u>	<u>67,520</u>
Long term deposits*	6,177	4,868	-	-
Short term deposits*	35,654	62,649	32,475	58,613
Cash at banks*	10,093	6,242	228	83
	<u>57,128</u>	<u>78,689</u>	<u>32,773</u>	<u>126,216</u>

* The Group's short term and long term deposits and cash at banks are disclosed in Note 23 to the financial statements.

Trade receivables are stated net of allowance for doubtful debts of US\$4,246,000 (2008: US\$4,822,000).

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms. They are recognized at their original invoiced amounts which represent their fair values on initial recognition.

Included in the Group's trade receivables are amounts denominated in the following foreign currencies:

	Group	
	2009	2008
	US\$'000	US\$'000
Pound Sterling	702	142
Euro	-	137
Thai Baht	71	-
Japanese Yen	<u>1,778</u>	<u>1,292</u>

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13. TRADE RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US\$131,000 (2008: US\$138,000) that were past due at the balance sheet date but not impaired. These receivables were unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2009	2008
	US\$'000	US\$'000
Trade receivables past due:		
Less than 30 days	52	39
30 to 60 days	–	43
61 to 90 days	71	28
91 to 120 days	–	5
More than 120 days	8	23
	<u>8</u>	<u>23</u>

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movements of the allowance account used to record the impairment are as follows:

	Individually impaired	
	2009	2008
	US\$'000	US\$'000
Trade receivables – nominal amounts	4,631	4,959
Allowance for impairment	(4,246)	(4,822)
	<u>385</u>	<u>137</u>
Movement in allowance account:		
At 1 July	4,822	11
Charge for the year	–	4,822
Written off	–	(11)
Write back of excess allowance	(62)	–
Exchange differences	(514)	–
At 30 June	<u>4,246</u>	<u>4,822</u>

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. Other than US\$4,631,000 (2008: US\$4,959,000) which are secured by the assets of the customer, trade receivables are not secured by any collateral or credit enhancements. However, the Group is unable to ascertain the fair value of the secured assets at the date of this report. Accordingly, in determining the required allowance for impairment, the net realizable value of the secured assets has not been considered.

14. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Deposits	1,559	1,480	-	-
Interest receivable	218	728	70	568
VAT refundable	425	822	-	-
Other receivables	39	82	-	-
	<u>2,241</u>	<u>3,112</u>	<u>70</u>	<u>568</u>

Included in the Group's and Company's deposits and other receivables are amounts denominated in the following foreign currencies:

Pound Sterling	171	245	-	-
Euro	104	114	-	24
Thai Baht	153	286	-	-
Singapore Dollar	144	147	-	-
Japanese Yen	1,335	1,461	-	-
Chinese Renminbi	10	35	-	-
	<u>10</u>	<u>35</u>	<u>-</u>	<u>-</u>

15. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

	Company	
	2009	2008
	US\$'000	US\$'000
Amounts due from subsidiary companies, current:		
Non-trade	22,672	20,115
Short term loans	102,046	77,237
	<u>124,718</u>	<u>97,352</u>
Allowance for impairment	(124,718)	(30,400)
	<u>-</u>	<u>66,952</u>
Movement in allowance for impairment:		
At 1 July	(30,400)	-
Charge for the year	(94,318)	(30,400)
At 30 June	<u>(124,718)</u>	<u>(30,400)</u>

Included in the amounts due from subsidiaries are amounts denominated in the following foreign currencies:

Pound Sterling	10,307	6,330
Thai Baht	16,413	16,731
Japanese Yen	9,519	8,390
	<u>9,519</u>	<u>8,390</u>

Amounts due to subsidiary companies, current:

Non-trade	<u>(3,702)</u>	<u>(2,700)</u>
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NOTES TO THE FINANCIAL STATEMENTS

30 June 2009

15. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES (CONT'D)

The short term loans are unsecured and repayable on demand. Other than a loan of US\$45,430,693 (2008: US\$22,757,325) which is interest-free, loans to subsidiaries bear interest at 1.3% to 5.8% (2008: 3% to 5.8%) per annum.

Amounts due from/(to) subsidiary companies are unsecured, interest-free and are repayable on demand. These amounts are to be settled in cash. The amounts due from subsidiary companies have been assessed to be impaired as these subsidiaries were loss-making during the financial year.

16. TRADE PAYABLES

	Group		Company	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables	23,812	9,648	-	-
Other payables (Note 17)	3,205	4,379	-	275
Advances from customers (Note 18)	862	406	-	-
Accrued expenses (Note 19)	2,611	2,728	502	645
Amounts due to subsidiaries (Note 15)	-	-	3,702	2,700
Defined benefit obligation (Note 24)	256	243	-	-
Total financial liabilities carried at amortized cost	<u>30,746</u>	<u>17,404</u>	<u>4,204</u>	<u>3,620</u>

Included in the Group's trade payables are amounts denominated in the following foreign currencies:

	Group	
	2009	2008
	US\$'000	US\$'000
Pound Sterling	1,956	3,414
Euro	150	-
Thai Baht	1,871	1,666
Japanese Yen	<u>1,026</u>	<u>-</u>

17. OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Payable to carriage providers	1,906	2,813	-	-
Payable to software vendors	13	381	-	275
Social security payables	199	329	-	-
VAT and custom duties payable	55	43	-	-
Salaries payable	130	52	-	-
Credit card payable	169	174	-	-
Factory and office supplies payable	40	181	-	-
Sundry payables	693	406	-	-
	<u>3,205</u>	<u>4,379</u>	<u>-</u>	<u>275</u>

17. OTHER PAYABLES (CONT'D)

Other payables are non-interest bearing and have an average term of 1 (2008: 1) month.

Included in the Group's and Company's payables are amounts denominated in the following foreign currencies:

	Group		Company	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Pound Sterling	173	289	–	–
Thai Baht	181	699	–	275
Singapore Dollar	1	6	–	–
Japanese Yen	503	370	–	–
Chinese Renminbi	–	5	–	–
	<u>–</u>	<u>5</u>	<u>–</u>	<u>–</u>

18. ADVANCES FROM CUSTOMERS

Advances from customers are in relation to advance payments received from customers for the purchase of goods. Such advances include amounts received from customers where there are significant uncertainties regarding management's ability to reliably estimate the amount of future return of goods.

19. ACCRUALS AND PROVISIONS

	Group		Company	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Accrued expenses	2,611	2,728	502	645
Provision for foreseeable loss on non-cancellable contract	2,054	–	–	–
Provision for sales return	465	873	–	–
	<u>5,130</u>	<u>3,601</u>	<u>502</u>	<u>645</u>

In cases where the Group offers a right of return to the customers and the Group is able to reliably estimate future returns, a provision for sales returns is recognized based on historical experience of rates of returns and other relevant factors. The movement of provision for sales return for the financial year ended 30 June 2009 is as follows:

	Group	
	2009	2008
	US\$'000	US\$'000
At 1 July 2008	873	90
Charge for the year	13	858
Write back of excess provision	(397)	(87)
Currency realignment	(24)	12
At 30 June 2009	<u>465</u>	<u>873</u>

Provision for foreseeable loss on non-cancellable contract relates to expected loss on a contract entered into where the costs to be incurred on the contract is expected to exceed the economic benefits to be derived from the contract. The movement of provision for foreseeable loss on non-cancellable contract.

Provision for the year	1,986	–
Currency realignment	68	–
At 30 June	<u>2,054</u>	<u>–</u>

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20. SHARE CAPITAL

Group and Company	Total
	Number of shares
Authorized share capital of US\$0.001 each: Balance at 30 June 2008 and 30 June 2009	<u>16,000,000,000</u>
Issued and fully paid up share capital: Balance at 1 July 2007	1,030,468,535
Issuance of shares under share grant	<u>402,435</u>
Balance at 30 June 2008	1,030,870,970
Issuance of shares under share grant	<u>2,413,250</u>
Balance as at 30 June 2009	<u>1,033,284,220</u>
Group and Company	Total
	US\$'000
Balance at 1 July 2007	1,030
Issuance of shares under share grant	<u>1</u>
Balance at 30 June 2008	1,031
Issuance of shares under share grant	<u>2</u>
Balance at 30 June 2009	<u>1,033</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

21. SHARE PREMIUM

The share premium account may be applied only for the purposes specified in the Cayman Islands Companies Law.

The Cayman Islands Companies Law provides that the share premium account may be applied by the Company subject to the provisions, if any, of its Memorandum and Articles of Association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the Company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Islands Companies Law); (d) writing off the preliminary expenses of the Company; (e) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

22. RESERVES

Share plan reserve

Share plan reserve represents the equity-settled share-based payment expenses granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the equity-settled share grant plans.

22. RESERVES (CONT'D)***Foreign currency translation reserve***

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Other reserve

Other reserve represents a statutory reserve set up by a subsidiary of the Group in accordance with the legislation of the country in connection with the payment of dividends.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flow comprise the following balance sheet amounts:

	Group	
	2009 US\$'000	2008 US\$'000
Long term deposits	6,177	4,868
Short term deposits	35,654	62,649
Cash at bank	10,093	6,242
	<u>51,924</u>	<u>73,759</u>
Long term deposits, secured	(6,177)	(4,868)
Short term deposits, secured	(167)	(2,200)
	<u>45,580</u>	<u>66,691</u>

As at 30 June 2009, certain subsidiary companies have pledged bank deposits of US\$6,344,000 (2008: US\$5,068,000), as collateral to service providers. In addition, in the previous financial year, a subsidiary company pledged a bank deposit of US\$2,000,000 to secure a bank guarantee issued by the bank on behalf of the subsidiary company. The bank deposit pledge was subsequently withdrawn on expiry of the bank guarantee.

Short term deposits are made for periods varying between 1 to 275 days (2008: 1 day and 1 year) depending on the immediate cash requirements of the Group, and earn interest at the respective fixed deposit rates, ranging from 0.02% to 4.09% (2008: 0.5% to 6.17%) per annum. Long term deposits earn interest at the respective fixed deposit rates ranging from 0.13% to 2.75% (2008: 1% to 4.38%) per annum. Cash at bank earns interest at floating rates based on daily bank deposit rates.

Included in the Group's and Company's cash and cash equivalents are amounts denominated in the following foreign currencies:

	Group		Company	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Pound Sterling	49	448	2	-
Euro	432	2,133	391	2,088
Thai Baht	1,605	1,908	-	-
Singapore Dollar	1,402	2,166	54	57
Japanese Yen	1,359	2,141	-	-
Chinese Renminbi	29	205	-	-

30 June 2009

24. EMPLOYEE BENEFITS

Employee benefits include compensation made under the Group's equity compensation plans and defined benefit plans:

(a) Equity compensation plans

The Company grants to its executives and executive Directors of the Group pursuant to the following equity-settled share plans:

- (i) Performance Share Plan ("PSP")
- (ii) Restricted Stock Plan ("RSP")

The PSP contemplates the award of fully-paid shares, their equivalent cash value or combinations thereof, free of charge to (a) employees of the Group, (b) Directors and (c) employees of the associated companies, if any, who achieve prescribed performance target(s) set by the Remuneration Committee. Performance shares are only released at the end of the performance period and when the predetermined targets are achieved. The total number of shares which may be issued under this plan, when added to the number of new shares issued or issuable in respect of all awards granted shall not exceed 10% of the issued share capital of the Company on the day preceding the relevant date of award.

The RSP contemplates the award of fully-paid shares, their equivalent cash value or combinations thereof, free of charge to participants to serve as an additional motivational tool to attract and retain talented local and international executives. Awards granted under the RSP vest only after the satisfactory completion of time-based service conditions. Similar to the PSP, the total number of shares which may be issued under this plan, when added to the number of new shares issued or issuable in respect of all awards granted shall not exceed 10% of the issued share capital of the Company on the day preceding the relevant date of award.

Details of the share plans and the respective share grants existing as at 30 June 2009 are disclosed in the following table:

Group and Company	Number of shares			
	2009	PSP 2008	2009	RSP 2008
Balance at beginning	-	-	-	1,000,000
Granted during the year	-	235,435	10,349,000	-
Issued during the year	-	(235,435)	(2,413,250)	(167,000)
Forfeited during the year	-	-	(1,677,750)	(833,000)
	-	-	6,258,000	-

The weighted average share price at dates of grant during the year was US\$0.06 (2008: US\$0.43) which approximates the market value of the shares at the date of grant. The shares issued under the RSP were granted on 1 August 2008 and 1 October 2008 and are released at various dates up to 30 June 2011.

The total amount recognized in the consolidated profit and loss account for share-based payment transactions with employees approximated US\$342,000 (2008: US\$82,000) during the current financial year. The Group wrote-back approximately US\$Nil (2008: US\$ 131,000) of share-based payment expenses in relation to awards forfeited during the financial year as a result of not fulfilling the vesting conditions.

24. EMPLOYEE BENEFITS (CONT'D)**(b) Defined benefit obligation**

The Group operates an unfunded defined benefit plan for eligible employees in Thailand. Under the Plan, the employees are entitled to Legal Severance Payment benefits ranging from 30 days to 300 days of final salary upon involuntary termination before retirement age or attainment of retirement at age 60. No other post-retirement benefits are provided.

Breakdown of funded status

	Group	
	2009	2008
	US\$'000	US\$'000
Defined benefit obligation	256	243

Reconciliation of the present value of the defined benefit obligation ("DBO")

	Group	
	2009	2008
	US\$'000	US\$'000
Present value of DBO at beginning of the year	243	183
Current service cost	16	55
Exchange difference on foreign plans	(3)	5
Present value of DBO at end of the year	256	243

Analysis of the defined benefit obligation

Amounts arising from funds that are wholly unfunded	256	243
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Reconciliation of assets and liabilities recognised in the balance sheet

Present value of DBO	256	243
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Expense recognised in profit or loss

Current service cost	16	55
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Principal actuarial assumptions at the reporting date

Discount rate	4.8%	6.2%
Expected return on plan assets	NA	NA
Future salary increases	6.0%	6.0%

Expected contribution

Expected employer contributions	903	544
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Movements in the net liability recognised in the balance sheet

Net liability at beginning of the year	243	183
Expense recognized in profit and loss	16	55
Exchange differences on foreign plans	(3)	5
Net liability at end of the year	256	243

30 June 2009

25. SEGMENT REPORTING

The primary reporting segment format is determined to be geographical segments. Secondary information is reported on the basis of business segments. The operating business is organized and managed separately according to the distribution methods.

Geographical segments

The Group's geographical segments are based on the location of the Group's customers. Sales to external customers disclosed in geographical segments are based on geographical location of its customers.

Business segments

The secondary reporting segment format is not separately presented as the Group only has one business segment. The Group is in the business of selling gemstones and jewelry through various sales channels. These sales channels provide the Group with similar risks and rates of return. Similar products sold on different sales channels would achieve substantially similar margins. For this reason, the management and the directors are of the opinion that the Group only has one business segment.

Allocation basis and transfer pricing

For the geographical segments, segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, deferred tax assets and liabilities, deposits as well as related income and expenses.

Transfer prices between geographical segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue includes transfers between segments. These transfers are eliminated on consolidation.

Segment accounting policies are the same as the policies of the Group as described in Note 2. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

25. SEGMENT REPORTING (CONT'D)

The following tables present revenue, capital expenditure and certain asset information regarding the Group's geographical segments for the years ended 30 June 2009 and 2008.

	Asia US\$'000	Europe US\$'000	Americas US\$'000	Elimination US\$'000	Total US\$'000
Year ended 30 June 2009					
Revenue					
Sales to external customers					
Sales of goods	12,528	41,562	96,237	–	150,327
Shipping and handling services	306	2,960	8,567	–	11,833
Inter-segment sales	3,964	22,340	44,443	(70,747)	–
	<u>16,798</u>	<u>66,862</u>	<u>149,247</u>	<u>(70,747)</u>	<u>162,160</u>
Results	(8,194)	(27,333)	(21,578)	(2,029)	(59,134)
Unallocated corporate expenses					(1,197)
Interest income					673
Taxation					<u>(146)</u>
Loss for the year					<u>(59,804)</u>
Other segment information:					
Segment assets	46,414	12,526	22,156	–	81,096
Unallocated assets					<u>42,259</u>
Total assets					<u>123,355</u>
Segment liabilities	14,223	7,455	11,587	–	33,265
Unallocated liabilities					<u>13,345</u>
Total liabilities					<u>46,610</u>
Capital expenditure					
- Property, plant and equipment	1,177	335	28	–	1,540
- Intangible assets	139	–	8	–	147
Depreciation	2,711	1,312	891	–	4,914
Amortization	255	326	229	–	810
Writeback of allowance for doubtful debts	–	(62)	–	–	(62)
Allowance for inventories	4,043	2,773	1,230	–	8,046
Writeback of allowance for inventories	(4,838)	(401)	(1,088)	–	(6,327)
Impairment loss on property, plant and equipment	120	2,084	–	–	2,204
Impairment loss on intangible assets	–	5,632	–	–	5,632
Share-based payment expenses	210	80	52	–	342

NOTES TO THE FINANCIAL STATEMENTS

30 June 2009

25. SEGMENT REPORTING (CONT'D)

	Asia US\$'000	Europe US\$'000	Americas US\$'000	Elimination US\$'000	Total US\$'000
Year ended 30 June 2008					
Revenue					
Sales to external customers					
Sales of goods	4,667	98,254	119,011	–	221,932
Shipping and handling services	147	6,841	7,157	–	14,145
Inter-segment sales	3,190	45,057	52,958	(101,205)	–
	<u>8,004</u>	<u>150,152</u>	<u>179,126</u>	<u>(101,205)</u>	<u>236,077</u>
Results	(4,727)	(3,923)	(24,312)	(2,457)	(35,419)
Unallocated corporate income					3,027
Interest income					3,496
Taxation					<u>(811)</u>
Loss for the year					<u>(29,707)</u>
Other segment information:					
Segment assets	45,366	28,122	28,855	–	102,343
Unallocated assets					<u>68,353</u>
Total assets					<u>170,696</u>
Segment liabilities	6,918	4,214	7,145	–	18,277
Unallocated liabilities					<u>13,321</u>
Total liabilities					<u>31,598</u>
Capital expenditure					
- Property, plant and equipment	6,141	2,489	995	–	9,625
- Intangible assets	612	2,111	235	–	2,958
Depreciation	2,052	1,684	771	–	4,507
Amortization	196	322	186	–	704
Allowance for doubtful debts	24	4,798	–	–	4,822
Allowance for inventories	4,995	1,083	1,599	–	7,677
Writeback of allowance for inventories	–	(234)	(218)	–	(452)
Share-based payment expenses	(131)	–	82	–	(49)

26. COMMITMENTS**(a) Capital commitments**

Capital expenditure contracted for as at balance sheet date but not recognized in the financial statements is as follows:

	Group	
	2009	2008
	US\$'000	US\$'000
Capital commitments in respect of property, plant and equipment	–	871

(b) Operating lease commitments

As at the balance sheet date, the Group had the following minimum lease payments under non-cancellable operating leases on premises, digital encoding and uplinking services under satellite agreements as well as cable and satellite carriage arrangements:

Payable within 1 year	22,944	37,644
Payable later than 1 year but not later than 5 years	25,430	22,971
Payable later than 5 years	273	842
	<u>48,647</u>	<u>61,457</u>

These operating leases typically run for an initial tenure of between 1 to 5 years. Certain leases include options to renew the leases after the expiry of the initial tenure but do not contain any escalation clauses. Lease payments under these leases are usually fixed for the entire initial tenure. There are no restrictions placed upon the lessee by entering into these leases.

(c) Expenditure commitments

Skills development, technology and innovation expenditure	<u>641</u>	<u>3,121</u>
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As disclosed in Note 6, the Group's Thailand subsidiary was granted tax privileges by the Thai Board of Investments. One of the conditions requires the Group to invest Thai Baht 84 million in developing skill, technology and innovation over 8 years beginning 1 March 2007.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2009

27. RELATED PARTY TRANSACTIONS

An entity or individual is considered a related party of the Group for the purpose of the financial statements if it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa or it is subject to common control or common significant influence.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and its related parties took place on terms agreed between the parties:

	Group	
	2009	2008
	US\$'000	US\$'000
Directors of the Company:		
Remuneration	813	891
Contributions to contribution plans	3	6
Share-based payment expenses	15	–
Directors of the subsidiary companies:		
Remuneration	1,097	1,735
Contributions to contribution plans	32	18
Share-based payment expense	45	78
Key executive officers:		
Remuneration	1,028	1,006
Contributions to contribution plans	8	8
Share-based payment expense	30	–
Service fee paid to director-related company	–	70

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash as well as short term and long term deposits. The main purpose of these financial instruments is to finance the Group's operations. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors resolutions with banking mandates which define the permitted financial instruments and facilities limits, approved by the Board of Directors. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is the Group's policy not to trade in derivative financial instruments.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk, credit risk and commodity price risk. The Board reviews and agrees policies for managing each of these risks and they are summarized below:

Foreign currency risk

The Group has transactional currency exposure arising from sales and purchases that are denominated in currencies other than the respective functional currencies of Group entities, primarily Pound Sterling, Thai Baht and Japanese Yen. Loans and amounts due from subsidiaries denominated in foreign currencies comprised 29% (2008: 32%) of the total balance due from subsidiaries.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)***Foreign currency risk (cont'd)***

The Group and the Company also hold cash and cash equivalents denominated in currencies other than their functional currencies for working capital purposes. At the balance sheet date, these balances (in Euros and Singapore Dollars) amounted to US\$1,834,000 (2008: US\$4,299,000) and US\$445,000 (2008: US\$2,145,000) for the Group and the Company respectively.

The Group is also exposed to currency translation risk arising from its net investment in foreign operations, including the United Kingdom (UK), Thailand, Japan and People's Republic of China. The Group's net investment in these foreign subsidiaries is not hedged.

Sensitivity analysis for foreign currency risk

At balance sheet date, if the Group's financial assets and liabilities denominated in foreign currencies (namely the Pound Sterling, Thai Baht, Japanese Yen, Singapore Dollar and Chinese Renminbi) were to strengthen/weaken by 5% (2008: 5%) against the United States Dollar, with all other variables held constant, the Group's net loss after tax would have decreased/increased by US\$1,369,000 (2008: US\$2,341,000).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from short term interest-bearing loans given to subsidiary companies and bank deposits. All the Group's and Company's financial assets are at floating rates and are contractually repriced at intervals of 12 months (2008: 12 months) or less from the balance sheet date.

Surplus funds of the Group are placed with financial institutions as short-term deposits to generate interest income.

Sensitivity analysis for interest rate risk

At the balance sheet date, if the interest rates for the currencies that the Group operate in (namely the United States Dollar, Pound Sterling, Thai Baht, Japanese Yen, Singapore Dollar and Chinese Reminbi) has been 100 (2008: 100) basis points higher/lower with all other variables including tax rates held constant, the Group's net loss after tax would have decreased/increased by US\$327,000 (2008: US\$616,000).

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets. As at balance sheet date, all of the Group's and the Company's financial liabilities mature within a year, based on contractual undiscounted payments.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2009

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts are generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group. The Group controls its credit risk by setting credit limits and ensuring that sales are made to customers with an appropriate credit history.

The carrying amounts of trade and other receivables and cash and cash equivalents represent the Group's maximum exposure to credit risk.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	2009		2008	
	US\$'000	% of total	US\$'000	% of total
By country:				
Germany	–	–	137	8
Thailand	71	2	–	–
Japan	1,778	60	1,292	71
People's Republic of China	–	–	1	–
United Kingdom	702	24	142	8
United States of America	412	14	246	13
	<u>2,963</u>	<u>100</u>	<u>1,818</u>	<u>100</u>

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are credit worthy debtors with good payment record with the Group. Surplus funds are placed with reputable banks.

Commodity price risk

Gold and gemstones make up a significant portion of the Group's raw materials. The Group purchases gold at the spot rate. The Group does not enter into derivative instruments to manage market exposure to adverse price movements in gold. Adverse fluctuations in the price of gold are passed to customers where possible. Gemstone prices are subject to fluctuations attributable to market supply and demand conditions. Certain type of gemstones in the Group's inventories may not be liquidated at the current prices due to the prevailing market conditions. The Group manages such risk through a stringent purchase process of not acquiring gemstones at prices above the normal range based on historical information available and by not overstocking on any particular type of gemstones.

29. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability as a going concern and to maintain an optimal structure so as to support the Group's stability and growth. The Board of Directors monitors the return on capital, which the Group defines as net operating results divided by total shareholders' equity of US\$76,745,000 (2008: US\$139,098,000). The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares or obtain external borrowing to finance the operations of the Group.

The Group has no external borrowings at the end of the financial year. Instead, the immediate focus is to continue to optimize its operations with prudent cash management so as to maximize shareholders' value. The Group will continue to be guided by prudent financial policies.

There was no change to the Group's approach to capital management during the financial years ended 30 June 2008 and 2009.

As disclosed in Note 22, a subsidiary of the Group is required by the Thai Companies Act applicable in Thailand to contribute to and maintain a non-distributable statutory reserve fund in connection with the payment of dividends. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 30 June 2008 and 2009.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of long term deposits, trade and other receivables, amounts due from/(to) subsidiaries, cash and cash equivalents, accrued expenses, trade and other payables, based on their notional amounts, reasonably approximate their fair values due to their short-term nature or are repriced frequently.

31. CONTINGENT LIABILITIES

(a) Legal claim

In FY2007, the Company had entered into a Supply Agreement with a German company. On 27 May 2008, the German company had commenced an action against the Group in respect of alleged lost profits amounting to US\$9.3 million (Eur 5.9 million) arising from the alleged breaches in the Supply Agreement by the Group. As at the balance sheet date, the German company owed the Group approximately US\$4.6 million (Eur 3.0 million) and both parties are still in negotiation. The Group has been advised by its legal counsel that it is possible but not probable, that the action will succeed as the claims are not substantiated and accordingly no provision for any liabilities against the Group has been made in the financial statements.

The legal claim was subsequently settled out-of-court and a Settlement Agreement was entered into by both parties on 31 July 2009. The German company has agreed to cease any further legal action against the Group, settle a partial amount of the outstanding debt currently owed to the Group and return the inventories currently in possession to the Group.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2009

31. CONTINGENT LIABILITIES (CONT'D)

(b) Customs documentation

In 2006, a subsidiary had noted that it may not have obtained or retained appropriate customs documentation in respect of certain export sales and certain imported goods and, consequently, may be liable to penalties levied by the authorities. The exact quantum of the eventual penalties payable could only be determined should the authorities conduct an examination of the subsidiary's records and enter into a process of assessing the amount of the penalties. As such, a reliable estimate of the amount of the obligation could not be made. There have been no further developments at the date of this Report.

32. PRIOR YEAR COMPARATIVES

Comparatives in the financial statements have been changed from the previous financial year to be consistent with the current year presentation. Allowance for inventories which was classified as cost of goods sold in the previous financial year have been reclassified to administrative expenses to conform with current year's presentation.

	Group	
	30.6.2008	30.6.2008
	as	as
	restated	previously
	US\$'000	reported
	US\$'000	US\$'000
Profit and Loss		
Cost of goods sold	139,277	141,606
Administrative expenses	39,274	36,945

33. AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 30 June 2009 was authorized for issue in accordance with a resolution of the directors on 31 August 2009.

SHARE CAPITAL AS OF 4 SEPTEMBER 2009

Number of Shares: 1,035,370,220 ordinary shares

Number of Shareholders: 7,696

Class of shares: Ordinary shares ("Shares")

Voting rights: one vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 to 999	10	0.13	816	0.00
1,000 to 10,000	2,789	36.24	19,635,997	1.90
10,001 to 1,000,000	4,849	63.01	355,940,680	34.38
1,000,001 and above	48	0.62	659,792,727	63.72
Total	7,696	100.00	1,035,370,220	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	334,350,247	32.29
2	THE HOUR GLASS LIMITED	41,212,000	3.98
3	DBSN SERVICES PTE LTD	40,035,470	3.87
4	OCBC SECURITIES PRIVATE LTD	35,994,990	3.48
5	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	30,382,250	2.93
6	PHILLIP SECURITIES PTE LTD	21,859,000	2.11
7	CITIBANK NOMINEES SINGAPORE PTE LTD	12,034,560	1.16
8	UOB KAY HIAN PTE LTD	11,255,000	1.09
9	KIM ENG SECURITIES PTE. LTD.	11,211,000	1.08
10	SOCIETE GENERALE SINGAPORE BRANCH	10,000,000	0.97
11	DBS VICKERS SECURITIES (S) PTE LTD	9,565,500	0.92
12	WONG WENG HONG	7,230,080	0.70
13	CHUA CHENG ANN	6,450,000	0.62
14	HONG LEONG FINANCE NOMINEES PTE LTD	6,141,000	0.59
15	WONG WENG LOK	6,000,000	0.58
16	CIMB-GK SECURITIES PTE. LTD.	5,909,000	0.57
17	LIM & TAN SECURITIES PTE LTD	5,274,000	0.51
18	LIM MONG SAM @ LIM AH TEE	5,000,000	0.48
19	TAY LAI HUAT (ZHENG LAIFA)	4,200,000	0.41
20	TANG AH FATT	3,948,000	0.38
	Total	608,052,097	58.72

SUBSTANTIAL SHAREHOLDERS AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 4 SEPTEMBER 2009

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Mounting Holdings Limited ¹	–	–	231,438,440	22.35

⁽¹⁾ Jason Choo, the Non-Executive Chairman of the Company, holds his Shares through Mounting Holdings Limited, a British Virgin Islands investment company which is wholly owned by him. Mounting Holdings Limited directly holds 22.35% of the Shares. Mounting Holdings Limited is managed by an independent Board of Directors. For the purposes of Section 7 of the Companies Act, Chapter 50 of Singapore, Jason Choo is deemed interested in all the Shares held by Mounting Holdings Limited.

PERCENTAGE OF SHAREHOLDINGS IN THE HANDS OF PUBLIC

As of 4 September 2009, approximately 76.89% of the Company's shares are held in the hands of public.

Accordingly, the Company has complied with Rule 723 of the Listing manual of the Singapore Exchange Securities Trading Limited.

GEMS TV HOLDINGS LIMITED

(Company Registration No. CR-109716)

(Incorporated in Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of GEMS TV HOLDINGS LIMITED (the "Company") will be held at RELC International Hotel, 30 Orange Grove Road, Singapore 258352 on Monday, 26 October 2009 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30 June 2009 together with the Auditors' Report thereon.

(Resolution 1)

2. To re-elect the following Directors retiring pursuant to Articles 85(6) and 86(1) of the Company's Articles of Association:

Mr Anthony Richard Hillyer	Retiring under Article 85(6)	
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(Resolution 2)

Mr Ng Boon Yew	Retiring under Article 86(1)	
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(Resolution 3)

Mr David Alan Rick	Retiring under Article 86(1)	
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(Resolution 4)

Mr Ng Boon Yew will, upon re-election as a Director of the Company, remain the Chairman of the Remuneration Committee and a member of the Audit Committee and is considered an Independent Director.

Mr David Alan Rick will, upon re-election as a Director of the Company, remain a member of the Audit Committee, Remuneration Committee and Nominating Committee and is considered a Non-Independent Director.

3. To approve the payment of Directors' fees of S\$238,000.00 for the year ended 30 June 2009. (previous year: S\$253,103.00).

(Resolution 5)

4. To re-appoint Ernst & Young LLP as the Company's Auditors and to authorize the Directors to fix their remuneration.

(Resolution 6)

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. Authority to issue shares of up to one hundred per centum (100%) of the issued share capital of the Company

That pursuant to the Company's Articles of Association and Rule 806 of the listing manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Directors of the Company be empowered to:

- (i) issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments, made or granted pursuant to this Resolution):
 - (A) by way of renounceable rights issues on a *pro rata* basis to Shareholders of the Company (“Renounceable Rights Issues”) shall not exceed one hundred per centum (100%) of the total number of issued Shares in the capital of the Company (as calculated in accordance with sub-paragraph (3) below); and
 - (B) otherwise than by way of Renounceable Rights Issues (“Other Share Issues”) shall not exceed fifty per centum (50%) of the total number of issued Shares in the capital of the Company (as calculated in accordance with sub-paragraph (3) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued Shares in the capital of the Company (as calculated in accordance with sub-paragraph (3) below);
- (2) the Renounceable Rights Issues and the Other Share Issues shall not, in aggregate, exceed one hundred per centum (100%) of the total number of issued Shares in the capital of the Company (as calculated in accordance with sub-paragraph (3) below);
- (3) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraphs (1)(A) and 1(B) above, the percentage of issued Shares shall be based on the total number of issued Shares in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Shares;
- (4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (5) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date (i) by which the next Annual General Meeting of the Company is required to be held, whichever is earlier; or (ii) in the case of Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

See Explanatory Note (i)

(Resolution 7)

7. Authority to fix the issue price for Shares to be issued by way of placement

That, contingent on the passing of Resolution 7 above, authority be and is hereby given to the Directors to fix the issue price for Shares that are to be issued by way of placement pursuant to the twenty per centum (20%) sub-limit for the Other Share Issues on a non *pro rata* basis referred to in Resolution 7 above, at a discount exceeding ten per centum (10%) but not more than twenty per centum (20%) of the price as determined in accordance with the Listing Manual.

See Explanatory Note (ii)

(Resolution 8)

8. Authority to issue Shares under the Gems TV Performance Share Plan and Gems TV Restricted Stock Plan

That approval be and is hereby granted to the Directors of the Company, acting through its Remuneration Committee, to grant awards in accordance with the provisions of the Gems TV Performance Share Plan and/or the Gems TV Restricted Stock Plan (together the "Share Plans"), and to allot and issue from time to time such number of fully paid ordinary Shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of the awards under the Share Plans, provided always that the aggregate number of shares to be allotted and issued pursuant to the Share Plans shall not exceed ten per centum (10%) of the issued Share capital of the Company from time to time.

See Explanatory Note (iii)

(Resolution 9)

9. Renewal of the Share Purchase Mandate

That:

(i) for the purposes of the Listing Manual and pursuant to Article 3(2) of the Articles of Association of the Company, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary Shares of par value US\$0.001 each in the capital of the Company (the "Shares") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(a) market purchase(s) on the SGX-ST transacted through the SGX-ST's trading system and/or any other securities exchange on which the Shares may for the time being be listed and quoted ("Other Exchange"); and/or

(b) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Listing Manual,

and otherwise in accordance with the provisions of the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorized and approved generally and unconditionally (the "Share Purchase Mandate");

(ii) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of: (a) the conclusion of the next Annual General Meeting of the Company; and (b) the date by which the next Annual General Meeting of the Company is required by law to be held;

(iii) in this Resolution:

"Average Closing Price" means the average of the closing market prices of a Share over the last five Market Days, on which the shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the rules of the SGX-ST or, as the case may be, Other Exchange for any corporate action which occurs after the relevant five Market Day period;

"date of the making of the offer" means the date on which the Company makes an offer for the purchase or acquisition of shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the off-market purchase;

NOTICE OF ANNUAL GENERAL MEETING

“**Market Day**” means a day on which the SGX-ST or, as the case may be, Other Exchange is open for trading in securities;

“**Maximum Limit**” means that number of issued Shares representing ten per centum (10%) of the issued Shares as at the date of the passing of this Resolution; and

“**Maximum Price**”, in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed:

- (a) in the case of a market purchase of a Share, one hundred and five per centum (105%) of the Average Closing Price of the Shares; and
- (b) in the case of an off-market purchase of a Share pursuant to an equal access scheme, one hundred and ten per centum (110%) of the Average Closing Price of the Shares; and
- (iv) the Directors and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorized by this Resolution.

See Explanatory Note (iv)

(Resolution 10)

By Order of the Board

David Goh Hong Chuan/Chan Shok Hing

Company Secretaries

Singapore
30 September 2009

EXPLANATORY NOTES:

- (i) The Ordinary Resolution 7 in item 6 above, if passed, will empower the Directors to issue Shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such instruments, up to a number not exceeding (i) one hundred per centum (100%) for Renounceable Rights Issues and (ii) fifty per centum (50%) for the Other Share Issues, of which up to twenty per centum (20%) may be issued other than on a *pro rata* basis to Shareholders, provided that the total number of Shares which may be issued pursuant to (i) and (ii) shall not exceed one hundred per centum (100%) of the issued Shares in the capital of the Company. The aggregate number of Shares which may be issued shall be based on the total number of issued Shares in the capital of the Company at the time that Resolution 7 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share which are outstanding or subsisting at the time that Resolution 7 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of Shares.

The authority for hundred per centum (100%) Renounceable Rights Issues is proposed pursuant to the SGX news release of 19 February 2009 which introduced further measures to accelerate and facilitate listed issuers' fund raising efforts ("SGX News Release").

- (ii) The Ordinary Resolution 8 in item 7, if passed, will authorize the Directors to fix the issue price for Shares that are issued by way of placement pursuant to the twenty per centum (20%) sub-limit for Other Share Issues on a non *pro rata* basis referred to in Resolution 7 at a discount exceeding ten per centum (10%) but not more than twenty per centum (20%) of the price as determined in accordance with the Listing Manual. This Resolution is proposed pursuant to the SGX News Release.
- (iii) The Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company, from the date of this Annual General Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards and to allot and issue Shares in the capital of the Company in accordance with and pursuant to the Gems TV Performance Share Plan and Gems TV Restricted Stock Plan (together, the "Share Plans") provided always that the aggregate number of Shares to be allotted and issued pursuant to the Share Plans shall not exceed ten per centum (10%) of the issued Share capital of the Company from time to time.
- (iv) Ordinary Resolution 10

The Company may use internal sources of funds of the Company and its subsidiaries (the "Group") or external borrowings or a combination of both to finance the purchase or acquisition of its Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired and the price at which such Shares were purchased or acquired.

Based on the existing issued Shares as at 7 September 2009 (the "Latest Practicable Date"), the purchase by the Company of ten per centum (10%) of its issued Shares will result in the purchase or acquisition of 103,537,022 Shares. In the case of market purchases by the Company and assuming that the Company purchases or acquires the 103,537,022 Shares at the Maximum Price of S\$0.094 (US\$0.065 based on the currency exchange rate of US\$1.00 = S\$1.440 as at the Latest Practicable Date) for one Share (being the price equivalent to one hundred and five per centum (105%) of the average of the closing market prices of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 103,537,022 Shares is US\$6,729,906.

NOTICE OF ANNUAL GENERAL MEETING

In the case of off-market purchases by the Company and assuming that the Company purchases or acquires the 103,537,022 Shares at the Maximum Price of S\$0.098 (US\$0.068 based on the currency exchange rate of US\$1.00 = S\$1.440 as at the Latest Practicable Date) for one Share (being the price equivalent to one hundred and ten per centum (110%) of the average of the closing market prices of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 103,537,022 Shares is US\$7,040,517.

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 30 June 2009 based on these assumptions are set out in paragraph 2.6.5 of the letter to Shareholders dated 30 September 2009.

NOTES:

1. A registered Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. If a registered Shareholder is unable to attend the Annual General Meeting and wishes to appoint a proxy to attend and vote at the Annual General Meeting in his stead, then he should complete and sign the relevant Member Proxy Form and deposit the duly completed Member Proxy Form at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte Ltd at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 not later than 48 hours before the time appointed for the Annual General Meeting.
3. A depositor registered and holding Shares through The Central Depository (Pte) Limited ("CDP") who/which is (i) an individual but is unable to attend the Annual General Meeting personally and wishes to appoint a nominee to attend and vote; or (ii) a corporation, must complete, sign and return the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte Ltd at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 not later than 48 hours before the time appointed for the Annual General Meeting.
4. If a depositor who has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members is unable to attend the Annual General Meeting and wishes to appoint a proxy, he should use the Depositor Proxy Form and the Member Proxy Form for, respectively, the Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members.
5. A Depositor who is an individual and who wishes to attend the Annual General Meeting in person need not take any further action and can attend and vote at the Annual General Meeting as CDP's proxy without the lodgment of any proxy form, provided that the Depositor's name is shown in the records of CDP as at a time not earlier than forty-eight (48) hours prior to the time of the Annual General Meeting.

how to play the game and win!



1 Before each game begins, the presenter will explain the attributes of the product such as the design of the product and the starting price of the product, at the beginning of the game and disclose the number of pieces of the product available in the game.

2 When the game begins, viewers can begin placing orders (or "bids") for the product at the starting price by phoning our call center or placing an order over our websites. During the course of a game, we continually reduce the price of the product, and viewers can continue to bid for the product at the then current price, until we have received bids for all of the pieces in the game, at which point the game is stopped. The "reverse auction" format provides each bidder with an incentive to bid the highest price that he or she is willing to pay for a particular product or risk losing the product to other bidders.



3 The game cannot be stopped until all pieces have been bid for.

4 All participants who have successfully placed an order during the game will pay the lowest price, which is the price at which the game is stopped.



ITEM NUMBER:
Relates to the current piece of jewelry.

QUANTITY:
Get in quick before this hits zero!

ITEM DESCRIPTION:
Piece of jewelry currently on air.

Dial this number and press 1 to get involved!

START PRICE:
Number chosen at random to drop the price from.

We accept all major credit cards and you have a 30 day money back guarantee!

CURRENT PRICE:
Continues to fall throughout the game.

Everyone Pays The Lowest Price \$77



The value of a gem lies in its.....



rarity



color



clarity



cut



carat



durability



conflict-free origins



country of origin

choice cuts



Round Cut

While Round is from the Middle English word "rounden", meaning "secret", the popularity of this cut certainly isn't one. Designed for maximum brilliance, the Round was developed for Diamonds, but is today used for all gems.



Oval Cut

For the Oval, the ratio of the length to the width should be approximately 2:1, although this does vary slightly depending on the gem type. A well cut Oval can be nearly as bright as a Round, giving great scintillation and fire.



Baguette Cut

Not to be confused with bread, the Baguette is really only a rectangle. The Baguette best suits gem types whose rough crystals occur in a similar shape, for example Tourmaline. The tapered Baguette variant has one end smaller than the other.



Square Cut

The Square is really only a special oblong shape where the sides are the same length. Most Squares have the facets on the pavilion cut in steps, parallel to the edges, in the manner of a pyramid with its top chopped off.



Triillant Cut

Triillants are based on a triangular shape that creates a spectacular wedge of brilliant fire. Because of their equilateral form, Triillants return lots of light and color. They are considered nearly as brilliant as Rounds.



Pear Cut

A hybrid cut, combining the best of the Oval and the Marquise, it is shaped like a sparkling teardrop. For rings, this cut complements a hand with small or average length fingers. It is particularly beautiful in pendants and earrings.



Octagon Cut

Color plays a very important role in the beauty of Octagons as it is dramatically displayed. This cut is differentiated from the Emerald cut variant by non-equidistant steps on the pavilion (bottom of the gem).



Emerald Cut

While the Emerald cut was developed specifically for Emeralds to protect the gemstone from chipping, as modern cutting techniques make this less important, it is now used for a wide variety of gems.



Marquise Cut

Looking like a long oval that has been stretched out to a point at each end, the Marquise was inspired by the fetching smile of the Marquise de Pompadour. Marquises provide colorful brilliance and are gorgeous as solitaires or when enhanced by accent gems.



Antique Cushion Cut

A marvelously romantic, classic cut first used in Sri Lanka, the Antique Cushion looks like a sofa cushion. The word "Cushion" is typically used in combination with "Antique", but only when the sides are equidistant.



Princess Cut

A variant of the Square, because of the extra faceting Princesses are naturally more brilliant and sparkly. Flattering to a hand with long fingers, it is often embellished with triangular gems at its sides.



Heart Cut

The ultimate symbol of love, Hearts are especially popular around Valentine's Day. As most Hearts are nearly round, they provide beautiful brilliance. Hearts must be extremely well-cut, look for a balanced shape, avoiding extremes.



Briolette Cut

One of the most difficult shapes to cut, the Briolette is a drop or pear shaped gemstone with facets all the way around. There is no table, crown or pavilion. Every Briolette is unique, so look for beauty and lots of brilliance.



Cabochon Cut

Used in some of the most beautiful ancient jewelry, a Cabochon is a polished gemstone with a flat bottom and domed top. Cabochons are traditionally oval, but they can also be fashioned into other shapes.

