

GEMS TV

Holdings Limited

www.gemstv.com VOL 1 2007

ANNUAL REPORT

Events
Calendar

"The Business
Look"

What to wear
to your next
board meeting

Fan Mail
Discerning
critics on
Gems TV



Bling It On!

Gems TV invades America

Registration No:



Plus: CHAIRMAN'S STATEMENT // BOARD OF DIRECTORS // MANAGEMENT
TEAM // CORPORATE INFORMATION

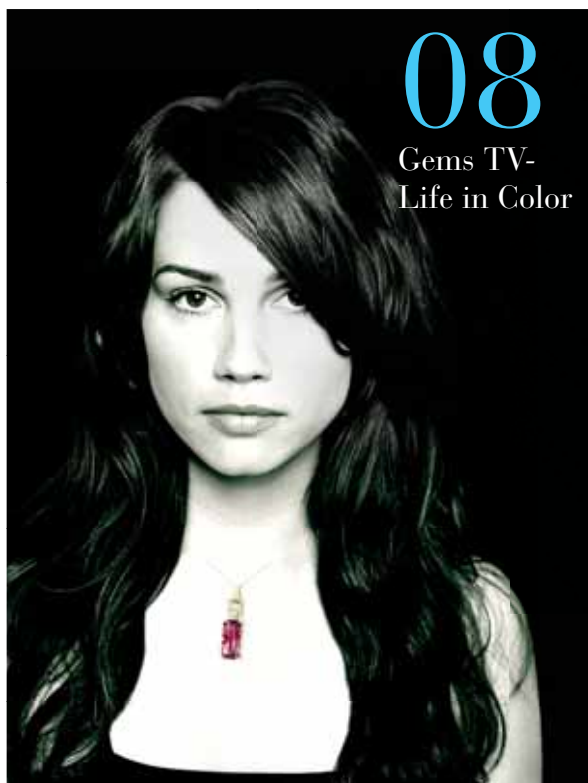
The World Is Watching

Our products are available through our dedicated television home shopping channels in the USA, the UK (Sky Guide Channel 646 & 660 and Virgin TV Channel 755 & 756) and Germany. Our products are also available online in the USA at www.gemstv.com, in the UK at www.gemstv.co.uk and in Germany at www.gemstv.de.



Gems TV™

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Gems TV-
Life in Color



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PROGRAM HIGHLIGHTS

Gems TV Holdings Limited was formed through the merger of Thaigem Holdings Limited and Eagle Road Studios Limited in June 2005

1998
October
Established the brand Thaigem

2001
February
Launch of website www.thaigem.com



2005
August
Jason Choo became CEO of Gems TV

2005
October
Launch of Gems TV on Ntl

2005
December
Launch of Gems TV on Telewest



2007
March
Gems TV's Thailand subsidiary received 8 years' tax exemption incentive from Board of Investment of Thailand

2007
March
Establishment of GemsAsia Pte Ltd in Singapore

2007
March
Gems TV signs Option to acquire 40% of Gems TV Deutschland GMBH



2001
May

NCS Group Co., Ltd was established

THAIGEM.COM®
Discover the Secret™

2002
January

Eagle Road Studios Limited was established and "Snatch It" was launched



2003
April

Gemstone jewelry production workshop opened in Chanthaburi, Thailand



2004
October

Launch of the first home shopping channel on BskyB, Gems TV, as a joint venture between Thaigem and Eagle Road Studios



2005
May

Launch of the second home shopping channel Gems TV2 on BskyB



2005
June

Acquisition of Eagle Road Studios to form Gems TV Holdings Limited



2006
May

Second factory in Chanthaburi began operations



2006
June

Launch of Gems TV2 on Ntl and Telewest in UK



2006
October

Launch of Gems TV Germany



2006
November

IPO on the Singapore Stock Exchange



2006
November

Launch of Gems TV on DirecTV in US



2007
January

Establishment of Gems (Beijing) Trading Co., Ltd



2007
April

Japan subsidiary, GemsLondon Ltd, obtained broadcasting rights from the Japanese Ministry of Internal Affairs and Communications

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2007
June

Gems TV appointed as the Exclusive Global Outlet for Zultanite, a new and exciting color change gemstone



2007
August

Japan subsidiary, GemsLondon Ltd, signed broadcast agreement with Japan's Sky Perfect Television



2007
August

Gems TV (USA) Limited signed multi-year agreement to increase subscriber base to 45 million

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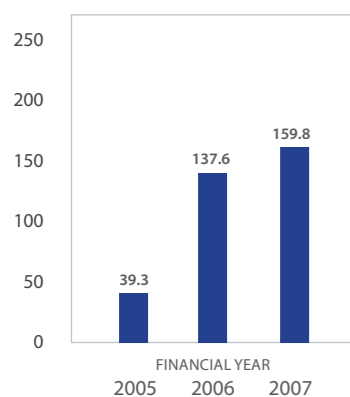


Hasty Highlights

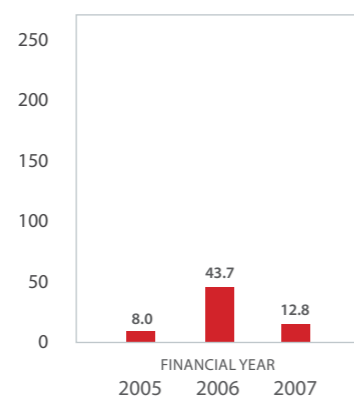
FINANCIAL HIGHLIGHTS

As at 30 June 2007

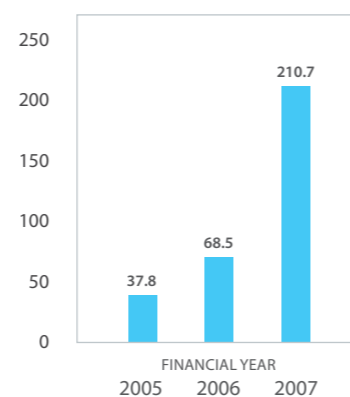
TOTAL REVENUE
US\$M



**OPERATING PROFIT BEFORE
INTEREST, TAX DEPRECIATION
AND AMORTISATION**
US\$M



TOTAL ASSETS
US\$M



	FY2005	FY2006	FY2007
Profit & Loss Account Statements (US\$M)			
Total Revenue	39.3	137.6	159.8
Operating Profit Before Interest, Tax Depreciation and Amortisation	8.0	43.7	12.8
Depreciation and Amortisation	0.5	1.9	2.8
Profit Before Interest and Tax	7.5	41.8	10.0
Interest Expenses	0.0	0.1	0.1
Profit Before Tax	7.5	41.7	9.9
Income Tax Expense	2.2	12.9	2.2
Profit After Tax Attributable to Shareholders	5.3	28.8	7.7
Balance Sheets (US\$M)			
Cash and Cash Equivalent	4.9	11.7	117.8
Inventories	16.9	34.2	57.4
Total Assets	37.8	68.5	210.7
Total Equity	14.0	36.5	168.1
Financial Ratios (%)			
Return on Average Shareholders' Equity	76	114	8
Return on Average Total Assets	28	54	6
Operating Data			
Total number of customers (cumulative)	337,330	511,017	715,914
No of Items Sold			
Gems TV (UK) Limited ⁽¹⁾	66,264	1,485,035	1,307,871
Gems TV (USA) Limited ⁽²⁾	-	-	225,299
thaigem.com ⁽³⁾	2,489,688	1,710,791	602,458
Networks/TV ⁽⁴⁾	589,551	(184)	64,644
Average Selling Price (ASP) (US\$)			
Gems TV (UK) Limited ⁽¹⁾	52.25	83.45	90.23
Gems TV (USA) Limited ⁽²⁾	-	-	109.24
thaigem.com ⁽³⁾	3.02	1.78	2.36
Networks/TV ⁽⁴⁾	43.42	80.70	66.91

1. Consists of sales over our two television channels, GemsTV and GemsTV2, and all sales over the gemstv.co.uk website, including sales from online games and from the web-streaming of our television programs.
2. Consists of sales in Gems TV (USA) and all sales over the gemstv.com website, including sales from online games and from web-streaming of our television programs.
3. Consists of sales over our website thaigem.com, as well as sales over third-party websites, such as eBay.
4. Consists of sale to third-party television home shopping networks including our German partner, Gems TV Deutschland GmbH. The negative number of items for FY2006 represents returns.



DEAR SHAREHOLDERS

Our top line financial results this year clearly show which way we are heading and that our expansion plans have been successful to date.

It is my privilege to present to you Gems TV's inaugural Annual Report, covering financial year 2007.

Gems TV had an exciting year as we grew and entered new geographic territories, representing some of the largest and most exciting jewelry and home shopping markets around the world. During the year, we achieved many milestones such as: our listing on the Singapore Exchange where we raised the capital we require to invest in our future growth; launching in the world's largest market – the US; being awarded an 8-year tax holiday in Thailand for our manufacturing subsidiary; obtaining the necessary licenses to begin broadcasting in Japan; and receiving our retail license in China.

Financial year 2007 represented a transitional year during which we invested in our future. Net profit for the group was lower than the previous year due to additional costs related to our global expansion. If we were to exclude the start-up losses incurred in the US, Japan and China - the key markets we began to invest in - our net profit after tax would have been comparable to financial year 2006, despite the tough competitive environment we experienced in the UK. In the longer term, the investments made this year will

allow us to capitalize on enormous opportunities as we gain traction and establish ourselves as leading providers of genuine gemstone jewelry in key jewelry markets around the world, replicating our success in the UK.

Our top line financial results this year clearly demonstrated the direction which we are heading and that our expansion plans have been successful to date. This year, our revenue grew 16% to US\$159.8 million as we grew our customer base by 40% to 715,914.

As Gems TV continues to expand, we will soon be launching our TV channel in Japan, the second largest jewelry market in the world. In China, we have already launched our online business and continue to carefully consider various TV opportunities. Our partnership in Germany, where we sell our products exclusively through GemsTV Deutschland, also presents significant opportunities in this well-established TV home shopping market.

We continue to be excited about our future. Our key competitive advantages are well intact: being entertaining and educational when compared to traditional TV home shopping; providing value for money for our customers, gained through control of practically our entire supply chain; and a first mover advantage while remaining a leader in the UK market. Above all, we are passionate about the products we sell and are committed to educating our customers about genuine gemstone jewelry and to 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, our customers for their loyalty, support and enthusiasm, and you – our shareholders – for your continued confidence and trust in Gems TV.

Ng Boon Yew
Chairman/Independent Director

Reverse Auction

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.

REVERSE AUCTION - GEMS TV'S INGENIOUS WAY OF SELLING

Gems TV's innovative way of selling engages its audience with dynamic programming to motivate viewers into action.



Gems TV-
Life in Color

Find out more on www.gemstv.co.uk or www.gemstv.com

SCENE & HEARD



Gems TV's performance in FY2007 reflected a transitional year as we began to execute our growth strategy by investing in establishing new sales channels in key jewelry markets globally.

Revenue for financial year 2007 grew 16% to US\$159.8 million. This growth in revenue was mainly due to our successful expansion into the US market. Higher costs due to the execution of our global expansion plans brought our Group profit after tax down to US\$7.6 million from US\$28.8 million a year earlier. However, the investments made in our current cost structure will allow us to capitalize on the enormous opportunities in key global jewelry markets over the longer term.

A SOLID PLATFORM

Born as an online gemstone wholesaler out of rural Thailand, Gems TV has grown to be a leading colored gemstone and jewelry home shopping retailer with operations in Thailand, the UK, the US, Japan, China, Germany and Singapore. From sourcing loose gemstones to manufacturing our own jewelry to selling our products direct to consumers, we control substantially our entire supply chain, allowing us to provide incredible value to our customers.

We began selling our products online in 1998 and on TV in the UK in 2004. From our success in the UK, we developed our growth strategy of replicating our successful sales channels in other major jewelry markets, either on our own or with strategic local partners. On November 10th 2006, through an IPO on the Singapore Exchange, we raised S\$222.5 million to invest in our expansion plans. By the end of November 2006, we achieved a critical milestone in our growth when we launched our TV channel in the largest jewelry market in the world – the US.

In February 2007, the Thailand Government recognized our potential to help grow and upgrade the skills in the Thai jewelry industry by granting us an 8-year tax holiday under

the Board of Investments' Skills, Training and Innovation or STI scheme. Over the next 3 years, Gems TV will be investing 150mn Baht (around US\$4.4 million) to upgrade the skills of jewelers in and around Chanthaburi province in Thailand. This is an opportunity we take seriously, and we have already begun recruiting masters in the jewelry trade from countries such as France, Italy and Canada to transfer their knowledge, skills and technology.

GROWING GLOBALLY

The strategy in the US is to replicate our successful UK sales channels and grow the business by aggressively increasing the cable and satellite subscriber base to which we broadcast. We launched our TV channel on DirecTV to about 15 million subscribers and began taking orders and acquiring new customers almost immediately. By the end of FY2007, in the US, we had acquired 67,968 new customers, sold 225,299 products, generated revenues of US\$26.5 million and increased our viewer subscriber base to about 31 million homes.

Entering a new market is not without significant challenges. Fine tuning the product mix and ramping up production are two key areas which require keen attention. During the year, we learned what our US customers demand in terms of product designs, which turned out to be much more stone-intensive than our UK products. This caused temporary challenges in our workshops in Thailand as our capacity output dropped significantly. By June 2007, however, our workshops had more than doubled their capacity to 43,000 units per week to meet demand.

Our successful UK business came under competitive pressure this financial year, which affected our revenues, ending flat compared to last year at US\$132.6 million. In response to this pressure, we began to differentiate our product mix and are in the process of realigning our current brand to enhance the buying experience for our existing loyal customers while appealing to a slightly wider demographic. We also appointed a new Managing Director in the UK, who brings a wealth of direct selling and home shopping experience to our global team. Although we can expect companies to continue to try and copy our success



OPERATIONS REVIEW



in the UK, we remain the leader in the UK market, thanks to our commitment to innovation, product variety, first-class customer service and providing value for money.

In April 2007, our Japanese subsidiary GemsLondon Ltd received approval from the Japanese Ministry of Internal Affairs and Communications to be registered as a broadcaster for telecommunication services. With this approval in hand, we are moving quickly and have begun renovations of our studio, warehouse, call center and office. We plan to launch our Japanese TV shopping program in November 2007. Japan is the second largest jewelry market in the world after the US and we believe our unique reverse-auction selling format on TV will provide a popular alternative to traditional home shopping channels for the Japanese consumer, as it has done in the UK and the US. We also intend to sell our products through mobile networks as we believe our products are ideal for the mobile platform, as we can display life-sized pictures of our products on handsets. Mobile commerce in Japan is an established and fast growing commercial sales platform.

Our subsidiary in China, Gems (Beijing) Trading Co., Ltd. received its retail license in March 2007. By many third-party estimates, China may soon be the largest jewelry market in the world. Jewelry is already the third most purchased item after homes and automobiles. Our strategy is to enter the market early and establish our brand as a knowledgeable and trusted source for genuine gemstone jewelry, as we have done in other countries. We will offer our products online and on TV, appealing to the younger demographic who are quickly becoming as fashion-orientated as their counterparts in our Western markets.

In Germany, we recently signed an option to acquire 40% of our German partners who are exclusively selling our products in Germany under the name "GemsTV Deutschland". Our German partners are young entrepreneurs who are as passionate about our business as

we are. Germany has well-established TV home shopping and jewelry industries, and our growth there will depend on the ongoing digitization of the country's cable networks. We started with 3 million subscribers in October 2006 and are now at about 6 million subscribers and still growing.

A TRUSTED SOURCE

In June, Gems TV was appointed the exclusive distributor of Zultanite, a new and exciting color changing gemstone, found only in one mine in Turkey. This is a bold move by the promoters of Zultanite, recognizing Gems TV as a trusted and knowledgeable distribution channel for gemstones not only for our customers, but also for our industry peers. The promoters of Zultanite know that Gems TV is committed to the education of our growing worldwide customer base concerning genuine gemstone jewelry.

FOCUS

The management of Gems TV has three key areas of focus:

Cash Flow – We measure our performance by the cash we can generate from our operations every year.

Education and Entertainment – Our main distribution channel is via television and we compete with other television programs for our viewers. Educating and entertaining our customers ensures they watch our channels every day.

Being Fair – to our customers, our employees and our shareholders: our customers will receive value and quality products with timely and friendly customer service; our employees will work in a comfortable and safe environment conducive to creative thought and productivity; and we will continue to be as transparent to our shareholders as we can, without it being a competitive disadvantage to us.

INVESTING FOR TOMORROW

During the past financial year, we began to execute our global expansion strategy, making significant investments in our cost structure. We believe that these investments have developed a strong operational base from which we will be able to extend the leadership we currently enjoy in the UK to some of the largest jewelry and home shopping markets in the world.

BOARD OF DIRECTORS



Jason Choo



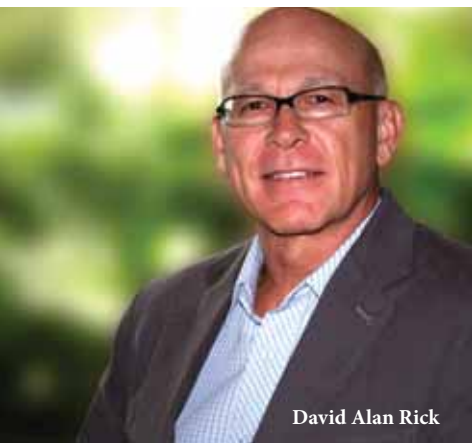
Ng Boon Yew



Don Rene Kogen

THE BUSINESS LOOK

What to wear to your
next Board Meeting



David Alan Rick



David Sim



Leong Ka Yew



Ng Boon Yew
Chairman and Independent Director

He has been the Chairman of our Board of Directors and an independent Director of our Company since June 1, 2006. He is also chairman of our remuneration committee as well as a member of the audit committee. He is a certified public accountant and a non-practising fellow of the Institute of Certified Public Accountants of Singapore, with more than 20 years of accounting and auditing experience in both the private and public sectors. Since May 2006, he has served as chief executive officer of Emaar Education LLC. Since 2004, he has served as chairman of Raffles Campus Pte. Ltd., a regional educational and training organization. From 2002 to 2004, he served as group chief financial officer of Singapore Technologies Pte. Ltd. From 2000 until 2002, he served as a consultant to Singapore Technologies Pte. Ltd. From 1984 to 2000, he was a partner with KPMG. Mr Ng is a member of a number of UK-based professional organizations, including associate member of the Institute of Chartered Accountants in England & Wales and a fellow of the Association of Chartered Certified Accountants. He is a member of the Securities Industry Council. Mr Ng currently serves as a director of various listed companies in Singapore, viz., Datapulse Technology Limited, Fischer Tech Ltd. and RSH Limited. He is also a director of the National Kidney Foundation, JAB Foundation Limited and Pek Tiong Seng Foundation Limited. He was a director of United Overseas Bank Limited. Mr Ng was awarded the Public Service Star by the President of the Republic of Singapore in 2004.

Jason Choo
Executive Director

Jason is our Chief Executive Officer. He is currently responsible for overseeing all aspects of the Group's business, including television and online sales, production and logistics. Jason has served as a director of Gems TV Holdings Limited, Thaigem Global Marketing Limited and Gems TV (UK) Limited since 2004. In addition, Jason is 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 SGX-ST. From 1997 to 2002, he served as a director of Visionics Corporation, a company listed on Nasdaq National market. Jason received a Bachelor of Arts degree in Economics from Colorado College in 1994.

Don Rene Kogen
Executive Director

He is our President of Manufacturing and Gemstones. Don started trading gemstones in Thailand in the early 1990's and has over 15 years of experience in the gemstone industry. From 1990 to 1998, he worked as a self-employed gemstone wholesaler based in Chanthaburi, and in 1999 he was one of the co-founders of Nuntiya Care Stone Co., Ltd., the former owner of the assets of our Thai gemstone trading and jewelry manufacturing business. He is founder

of Thaigem Global Marketing Limited. He has served as a director of Thaigem Global Marketing and NCS Group Co., Ltd. since 2001. He has also served as chairman and chief executive officer of DBH Co., Ltd, a Thai property company since 2003 and is chairman of Eagle Eye Associates Limited since 2005 and a director of Ace River Holdings Limited since 2007. He is a professional member of the International Colored Gemstone Association. Don has also represented Thailand at the Gem Industry Lab Committee on several occasions and was formerly the ambassador for the Chanthaburi Gem & Jewelry Association.

David Alan Rick
Non-Executive Director

He has been a Non-Executive Director of our Company since July 21, 2001. He is also a member of our audit, nominating and remuneration committees. He is currently 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. He has served as a director of our Group company Thaigem Global Marketing Limited since 2004. He received a Bachelor of Business Administration in Accounting from the University of Hawaii in 1970.

David Sim Cheok Leng
Independent Director

He has been an independent Director of our Company since June 1, 2006 and serves as chairman of our audit committee and is also a member of our nominating committee. He currently runs his own management services and consulting firm. Previously, he was with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") for 23 years during which he held various senior positions in Singapore and Hong Kong and several directorships in HSBC subsidiary and associate companies in Singapore. His last held position at HSBC was Head of Area Financial Control and Operations. He 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.

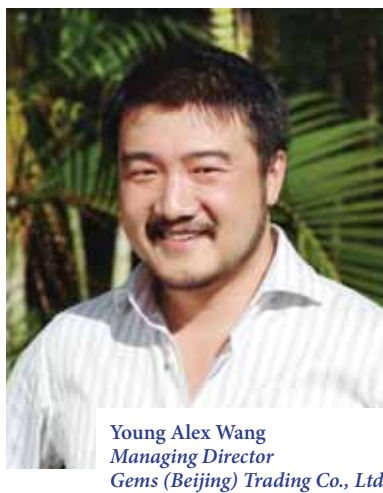
Leong Ka Yew
Independent Director

He has been an independent Director of our Company since June 1, 2006 and serves as Chairman of our nominating committee and is also a member of our audit and remuneration committees. He is also an independent Director of China Print Power Group Limited, a company listed on the SGX-ST. He has been a partner and director at the law firm Aptus Law Corporation (formerly Chui, Sim, Goh & Lim) in Singapore since 2002. He graduated with a Bachelor of Law degree from the National University of Singapore in 1991.

MANAGEMENT TEAM



MORE
STYLES
FOR
THE
SEASON



Wong Lai Kuen
Chief Financial Officer

Wong Lai Kuen joined Gems TV on August 1, 2006. Prior to joining Gems TV, from September 2004 to December 2005, she served as chief financial officer and senior vice president of Raffles Holdings Limited, a hospitality and real estate company listed on the SGX-ST. She was also a member of the management committee responsible for charting Raffles Holdings Limited's growth and development strategies. From 1991 to 2004, she served in various functions for the GT Group, a conglomerate involved in various businesses in Asia, Australia and the United States. Her roles included as general manager for finance and accounting from 2002 to 2004 at Tuan Sing Holdings Limited, a property, technology and industrial services company listed on the SGX-ST and as director of finance, administration and IT from 1999 to 2002 at Habitat Properties Pte. Ltd. She began her career with KPMG Peat Marwick from 1986 to 1991. She graduated from the National University of Singapore in 1986 with a Bachelor's degree in Accountancy (Honors), and she is a fellow of the Institute of Certified Public Accountants of Singapore.

Aruna Kodikara
Chief Technology Officer

Aruna Kodikara joined Gems TV on April 2 2007 as Chief Technology Officer, bringing with him 19 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 infrastructure, which consists mainly of proprietary systems. Prior to joining Gems TV, Aruna was Head of IT at System Access Limited in Singapore, where he concurrently held the post of Head of Asia Pacific Technology Services. He also has vast experience in project management and consultancy, having managed large-scale enterprise resource planning systems spanning the manufacturing and transportation sector. Aruna has been living and working in Singapore since 1991.

Loretta Castoro
Chief Merchandising Officer

Loretta brings more than 20 years' merchandising and gemstone industry experience to her role as Chief Merchandising Officer. Prior to her current appointment, Loretta managed her own company, Loretta Castoro Inc., providing gemstone consultancy and exquisite jewelry design services for private clients. From 1999 to 2004, Loretta worked in various merchandising roles for Pluczenik Group, Mouawad and Mondera.com, each time overseeing the successful marketing and merchandising of exclusive jewelry lines, including that of Escada Fine Jewelry Collection. Loretta also spent 10 years with Tiffany & Co. from 1989 to 1999, where she held several titles including, Director of Gem Acquisition and Senior Appraiser. She managed the procurement of Estate Jewelry for brokerage, auction and the Tiffany Permanent Collection. As Director of Gem Acquisition she developed a global vendor base and led a team of gemologists tasked with procuring colored gemstones for the renowned jeweler's world-wide business. Loretta began her career in merchandising with H. Stern Jewelers as buyer for their US operation.

Her industry credits include:

Qualified as a Fellow of the Gemmological Association of Great Britain, London; received an Advanced Scientific Gemology Certificate from the Swiss Gemmological Institute, Basel, Switzerland; A Graduate Gemologist in residence with the Gemological Institute of America, New York; Comprehensive Jewelry Manufacturing, Studio Jewelers, New York City.

Diane Louie Schneiderjohn
Managing Director
Gems TV (USA) Limited

Diane Schneiderjohn joined Gems TV on May 18, 2006 as Managing Director of Gems TV (USA) Limited. Prior to joining Gems TV, Ms. Schneiderjohn held senior management positions within major media companies in the U.S. and abroad. With over 25 years' experience,

MANAGEMENT TEAM

Ms. Schneiderjohn's prior positions include Senior Vice President, Programming and Marketing at Charter Communications; Managing Partner, Carlsen Resources and Senior Vice President, Affiliate Sales and Marketing for Turner Broadcasting Systems (HK). Additionally, Ms. Schneiderjohn was with Viacom, Inc for over 12 years with her final position at Viacom, Inc. as Vice President, Marketing. She is a member of the Cable Television and Marketing Association and was named as a "Woman to Watch" by Multichannel News in 2003. She received a Bachelor of Science degree in Business Administration from the University of California, Berkeley.

Tony Hillyer

*Managing Director
Gems TV (UK) Limited*

Tony Hillyer joined Gems TV on June 11, 2007 as Managing Director of Gems TV (UK) Limited. Mr Hillyer previously served as Stanley Casinos' Marketing and Business Development Director, where he significantly expanded the existing electronic gaming offer, improving its profitability in the process. From 2000 to 2005, he held key management positions in home shopping companies Betterware PLC and Simon Jersey Ltd, and in premiere spa tub manufacturer Spaform Ltd. Prior to these appointments, Mr Hillyer was the Retail Strategy Director at Littlewoods PLC from 1998 to 1999, overseeing the branding, research and development of consumer offering and retail channels. From 1995 to 1998, he served as Commercial Director of its subsidiary Littlewoods Leisure, a UK-based gaming company, where he was responsible for branding, marketing and customer service functions. Mr Hillyer holds a Bachelor in Science (Honours) in Economics and Social History from Loughborough University and a Diploma in Marketing from the Chartered Institute of Marketing in the UK.

Kaori Miwa

*Managing Director
GemsLondon Ltd (Japan)*

Kaori Miwa joined Gems TV as Managing Director, Japan on April 15, 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 CS Tokyo Co., Ltd, also a Japanese broadcasting service, including as chief operations officer from 2002 to 2004. She also served on the board of directors of CS Tokyo Co. Ltd from 2002 to 2004. From 1991 to 1997, she was a jewelry designer for Urban Gold Co., Ltd, a Japanese jewelry manufacturer, and from 1986 to 1989, she was a jewelry designer for Amemiya Jewelry Co., Ltd., also a Japanese jewelry manufacturer. She received a certificate in jewelry design from the Gemological Institute of America in 1990 and a Bachelor of Arts degree from the Joshibi Woman's Junior College of Art and Design in Tokyo in 1986.

Young Alex Wang

*Managing Director
Gems (Beijing) Trading Co., Ltd*

Young Alex Wang joined Gems TV on June 1, 2006 as Managing Director of Gems (Beijing) Trading Co., Ltd. Prior to joining Gems TV, he was deputy general manager and creative director of Shanghai Media Group, Dragon Mobile Media Co., Ltd, a Chinese mobile television company, from 2005 to 2006. From 2004 to 2005, he was chief operating officer of Intelligence Alliance Digital Technology Co. Ltd, a content production company for internet and wireless service providers, which he also co-founded and on whose board of directors he currently serves. From 2003 to 2004, he was the business development director of BAOAO Asia Entertainment Co. Ltd, a Chinese television company. From 2002 to 2003, he was the Beijing office representative of Viacom Inc. and a senior producer for MTV China, and from 1999 to 2001 he was an executive producer and deputy general manager of Pacesetter Pictures International LongTan Advertising Co. He received a Bachelor of Science degree in business from Skidmore College, New York in 1999.

Coming Soon to

Gems TV!



- International expansion through replication of our successful UK sales format in other markets.
- Continue to develop and improve product offerings for our target markets.
- Explore opportunities to increase brand awareness and reach consumers via alternative means.
- Continue to focus on improving the customer experience.
- Enhance profitability via supply chain efficiency and scalable business model.
- Enhance long-term value to shareholders.

Find out more on www.gemstv.co.uk or www.gemstv.com

FAN MAIL

Gems TV reviewed by some of our most discerning critics!



"I practically have to force myself away from the computer or TV NOT to watch, it is soooooo addicting....I LOVE GEMS TV" ~ Kimberlee, US



"I stumbled upon Gems TV...I am now hooked, I have bought several pieces since then and still keep watching to see what I can add to my collection. Love it and keep up the good work." ~ Ann Marie, US



"Hi there, Just want to say thank you, not only for the prompt delivery of goods but how pleased I am with the items. Many thanks." ~ Jill, UK



"Just to let you know the diamond ring I contacted you about recently - White gold diamond solitaire - cost £129 - today received a valuation of £650. My son was well pleased." ~ Lucy, UK

"I have been watching the show for a few weeks now and I can't seem to turn the channel!!!!...Keep up the good work!" ~ Emma, TX

"Can I just add my thanks to you and your team - who I think are first class. You certainly know what good customer service is. I love Gems TV, their presenters, their gorgeous gems and also the customer service team who help to make it a pleasure to do business with. Thank you Gems TV!" ~ Lynda, UK



"Do you choose Gems TV over soap operas you have watched for over 30 years? Do you fall asleep watching Gems TV? Do you hate having to sleep because you are sure you are missing out on some fantastic games? Instead of sleeping in on weekends do you get up early so you do not miss 'Caffeine Rush'? If so then you are a Gems TV addict, just like me." ~ Audrey, IL

"Wanted to say thank you and please let everyone know what top quality jewelry you offer. I just received my cherry and white topaz ring and it is BEAUTIFUL. The white topaz is more clear and sparkling than some diamonds I own and the cherry topaz is breath taking." ~ Nancy, US



"I live in Beverly Hills, and I know how to shop well...and shopping with GemsTV is the smartest way to purchase beautiful jewelry. When you say handcrafted...you are not kidding. Beautiful! A customer for life!" ~ Tammy, CA

"Hi, I used to shop on other shopping networks and then YOU came to town!!! I will never shop anywhere else again!! Thank you for your beautiful jewelry and for the education on some of the more obscure pieces!!"
~ Jennifer, VI



"I have just received my 3 rings and wanted to say Thank You! They are beautiful, it is my daughter's 21st in July and she will be really pleased with these she is as precious to me as the gems so Thank You once again." ~ Nicola Green, UK

"Victoria-my wife and I really enjoy your segment...we love the enthusiasm, excitement, and knowledge you bring to the program. That, coupled with your beauty and sense of humor, keeps us coming back for more." ~ Ray, IL



"I absolutely love your channel, I am addicted!!!! I have GemsTV on as background all day long...The funny thing is, my husband watches as well... GemsTV you're awesome." ~ Marie, TX

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ng Boon Yew

Chairman and Independent Director

Jason Choo Choon Wai

Chief Executive Officer and Executive Director

Don Rene Kogen

Executive Director

David Alan Rick

Non-Executive 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

Chartered Secretary (ACIS)

Wong Lai Kuen

Institute of Certified Public Accountants of
Singapore (Fellow)

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

Facsimile number : +1 345 945 7388

Cayman Islands

SHARE TRANSFER AGENT

Lim Associates (Pte) Ltd

3 Church Street #08-01

Samsung Hub

Singapore 049483

AUDITORS

Ernst & Young

One Raffles Quay

North Tower, level 18

Singapore 048583

Partner-in-charge

Liew Choon Wai (Since financial year 2007)

PRINCIPAL BANKERS

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 comprises 7 directors during financial year 2007, namely:

Mr Ng Boon Yew	(appointed on 1 June 2006)
Mr Jason Choo Choon Wai	(appointed on 4 October 2004)
Mr Don Rene Kogen	(appointed on 2 July 2001)
Mr David Alan Rick	(appointed on 2 July 2001)
Mr David Sim Cheok Leng	(appointed on 1 June 2006)
Mr Leong Ka Yew	(appointed on 1 June 2006)
Mr Steve Clifford Bennett	(appointed on 11 June 2005, resigned on 12 June 2007)

The Chairman of the Board is Mr Ng Boon Yew, a non-executive and independent director.

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 seven 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, the Remuneration Committee and Nominating Committee. 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.

CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE

Principle 2 : Strong and independent element on the board

At the end of the financial year 2007, the board had six members, consisting of three independent non-executive directors, one non-executive director and two executive directors.

The independent non-executive members of the Board comprise professionals with management, financial, accounting and legal backgrounds. This enables the executive directors 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.

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 actions 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 Company has established a Nominating Committee ("NC") which 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 comprises entirely non-executive directors, of which, two out of three (including the Chairman) are independent, as follows:

Mr Leong Ka Yew	Chairman
Mr David Alan Rick	Member
Mr David Sim Cheok Leng	Member

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.

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").

CORPORATE GOVERNANCE

Pursuant to Article 86 of the Company's Articles of Association, at each AGM, one third of the directors with the longest term in office are required to retire and submit themselves for re-election. In addition, new directors appointed during the year shall retire at the next AGM. Accordingly, Mr Ng Boon Yew, Mr David Sim Cheok Leng, Mr Leong Ka Yew, Mr David Alan Rick, Mr Jason Choo Choon Wai and Mr Don Rene Kogen will retire. The NC has reviewed their contributions and recommends their re-election at the Company's forthcoming AGM.

For FY2007, 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
Ng Boon Yew	7	7	5	4	NA	NA	3	3
Jason Choo Choon Wai	7	7	NA	NA	NA	NA	NA	NA
Don Rene Kogen	7	5	NA	NA	NA	NA	NA	NA
David Alan Rick	7	7	5	5	1	1	3	3
David Sim Cheok Leng	7	6	5	5	1	1	NA	NA
Leong Ka Yew	7	7	5	5	1	1	3	3
Steve Clifford Bennett	7	6	NA	NA	NA	NA	NA	NA

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.

CORPORATE GOVERNANCE

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 Remuneration Committee (“RC”) comprises entirely non-executive directors, of which, two out of three (including the Chairman) are independent, as follows:

Mr Ng Boon Yew	Chairman
Mr David Alan Rick	Member
Mr Leong Ka Yew	Member

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’ fee, 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.

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 annual general meetings.

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 30th June 2007

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.

CORPORATE GOVERNANCE

	Base / Fixed Salary	Variable or Performance Related Bonus	Directors' Fee	Benefits in kind	PSP/ RSP ⁽¹⁾	Total
Remuneration Band & Name of Directors						
Above US\$250,000						
Jason Choo Choon Wai	100%					100%
Below US\$250,000						
Don Rene Kogen	83%	17%				100%
Ng Boon Yew			100%			100%
David Alan Rick			100%			100%
David Sim Cheok Leng			100%			100%
Leong Ka Yew			100%			100%
Steve Clifford Bennett	67%		33%			100%

⁽¹⁾ PSP refers to the Performance Share Plan and RSP refers to the Restricted Stock Plan.

	Base / Fixed Salary	Variable or Performance Related Bonus	Directors' Fee	Benefits in kind	PSP/ RSP ⁽¹⁾	Total
Remuneration Band & Name of Key Executives						
Above US\$500,000						
Diane Schneiderjohn	40%	39%		2%	19%	100%
Above US\$250,000 to US\$500,000						
Chow Foong Yew	34%	8%		2%	56%	100%
Taratp Vrasarinnop	53%	47%				100%
Wong Lai Kuen	74%	26%				100%
Below US\$250,000						
Deborah Cavill	92%	8%				100%

⁽¹⁾ PSP refers to the Performance Share Plan and 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 2007 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 Remuneration Committee. Please refer to page 67 for details of the Plans.

CORPORATE GOVERNANCE

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 Audit Committee ("AC") comprises the following non-executive directors, of which, three out of four (including the Chairman) are independent, as follows:

Mr David Sim Cheok Leng	Chairman
Mr Ng Boon Yew	Member
Mr David Alan Rick	Member
Mr Leong Ka Yew	Member

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 2007 audit plan and the financial year 2007 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 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.

CORPORATE GOVERNANCE

INTERNAL AUDIT

Principle 13 : Independent internal audit function

The Company's internal audit function is outsourced to KPMG. The internal audit teams follow the KPMG Internal Audit methodology, a global methodology that helps to manage key business risks and opportunities. The Internal Auditor ("IA") reports to the Chairman of the AC.

During financial year 2007, the IA has carried out the first phase of the internal audit exercise and identified the risk areas.

The Group Internal Audit reports are submitted to the Audit Committee 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 2007, the company had hosted four conference calls 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 Chief Executive Officer 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 Company has implemented a whistle blowing policy by which staff of the Company, 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.

CORPORATE GOVERNANCE

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 shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	Group for Financial Year Ended		Group for Financial Year Ended	
	30 June 2007 US\$ '000	30 June 2006 US\$ '000	30 June 2007 US\$ '000	30 June 2006 US\$ '000
(A) Transactions with Sing to the World Limited Lease of warehouse space	-	94	-	-
(B) Transactions with Live Art International (S) Pte Ltd Creative production and directing services for television programming	164	37	-	-

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 3rd November 2006) from the issuance of 206.06 million new ordinary shares of par value US\$0.001 each on 10th November 2006 pursuant to the IPO of the Company. As at 30th June 2007, the total net IPO proceeds of US\$133.7 million from the invitation after deducting IPO expenses of US\$6.6 million were used for the following purposes:

	US\$ million
Expansion into United States, including acquisition and expansion, acquisition of inventory, carriage costs and working capital	34.5
Expansion into Japan, including acquisition and expansion, acquisition of inventory, carriage costs and working capital	1.1
Expansion into PRC, including acquisition and expansion, acquisition of inventory, carriage costs and working capital	0.3
Expand manufacturing and related facilities in Chanthaburi, Thailand	2.2
Upgrade existing facilities in the UK	0.4
General corporate and working capital purpose	3.2
Total	41.7

Statutory And Financial Reports

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DIRECTORS' REPORT

Year ended 30 June 2007

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 2007.

Directors

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

Ng Boon Yew

Jason Choo Choon Wai

Don Rene Kogen

David Alan Rick

David Sim Cheek 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	At	At	At
	1.7.2006	30.6.2007	1.7.2006	30.6.2007
Gems TV Holdings Limited (Number of ordinary shares of US\$0.001 each)				
Ng Boon Yew	1,270,000	1,270,000	-	-
Jason Choo Choon Wai	-	-	211,438,440	211,438,440
Don Rene Kogen	-	-	159,389,700	143,451,700
David Alan Rick	4,120,000	4,120,000	-	-
David Sim Cheek Leng	2,110,000	2,110,000	-	138,000

There was no change in any of the above mentioned interests between the end of the financial year and 21 July 2007.

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.

DIRECTORS' REPORT

Year ended 30 June 2007

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 was approved by the Company during the Annual General Meeting held on 11 October 2006. 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 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 was approved by the Company during the Annual General Meeting held on 11 October 2006. 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.

The details of the shares granted under PSP and RSP during the financial year since the commencement of the Plans were as follows:

	Conditional shares granted during the year	Aggregate conditional shares issued	Aggregate conditional shares released	Aggregate conditional shares lapsed	Aggregate conditional shares outstanding
Key executives of the subsidiary					
Performance Share Plan					
Tranche granted on 14 May 2006	63,525	(63,525)	–	–	–
Restricted Stock Plan					
Tranche granted on 3 November 2006	105,000	(105,000)	–	–	–
Tranche granted on 1 December 2006	200,000	–	–	–	200,000
Tranche granted on 1 December 2006	300,000	–	–	–	300,000
Tranche granted on 1 December 2006	500,000	–	–	–	500,000
	1,168,525	(168,525)	–	–	1,000,000

Since the commencement of the PSP and RSP till the end of the financial year:

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

DIRECTORS' REPORT

Year ended 30 June 2007

Auditors

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

On behalf of the Board of Directors,

Ng Boon Yew

Director

Jason Choo Choon Wai

Director

Singapore

5 September 2007

STATEMENT BY DIRECTORS

Year ended 30 June 2007

We, Ng Boon Yew and Jason Choo Choon Wai, 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 2007; 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,

Ng Boon Yew

Director

Jason Choo Choon Wai

Director

Singapore

5 September 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GEMS TV HOLDINGS LIMITED

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 77, which comprise the balance sheets of the Group and the Company as at 30 June 2007, the statements of changes in equity of the Group and the Company, and the profit and loss account and statement of cash flow of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the 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 directors, 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, give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2007 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

Certified Public Accountants

Singapore

5 September 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 June 2007

	Note	2007 US\$'000	2006 US\$'000
Revenue	3		
Sale of goods		149,062	128,332
Shipping and handling services		10,750	9,230
Total revenue		159,812	137,562
Cost of goods sold		(86,530)	(66,174)
Gross profit		73,282	71,388
Other operating income	4	7,025	3,175
Selling expenses		(47,883)	(22,402)
Administrative expenses		(22,461)	(10,331)
Interest expense	5	(96)	(126)
Profit before taxation	6	9,867	41,704
Taxation	7	(2,219)	(12,904)
Net profit attributable to equity holders of the parent		7,648	28,800
Earnings per share (cents)			
Basic EPS	8	0.80	34.94
Diluted EPS	8	0.80	34.94

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

BALANCE SHEETS

As at 30 June 2007

	Note	Group		Company	
		2007 US\$'000	2006 US\$'000 (Restated)	2007 US\$'000	2006 US\$'000
Non-current assets					
Property, plant and equipment	9	11,483	6,851	2	–
Intangible assets	10	7,252	6,198	1,086	858
Investment in subsidiaries	11	–	–	14,793	11,081
Long term deposits	26	3,139	–	–	–
Deferred tax assets	7	990	1,931	–	–
Current assets					
Inventories	12	57,381	34,196	–	–
Prepayments	13	6,283	2,326	19	767
Trade receivables	14	2,498	473	2,077	–
Deposits and other receivables	15	4,064	1,844	876	–
Amounts due from subsidiaries	16	–	–	41,070	–
Short term deposits	26	109,806	3,186	104,007	–
Cash at bank	26	7,945	11,477	28	41
		187,977	53,502	148,077	808
Current liabilities					
Trade payables	17	9,126	4,843	–	–
Other payables	18	4,939	2,343	370	325
Advances from customers	19	12,281	5,305	–	–
Lease payables – current portion	20	–	44	–	–
Bank loan (secured) – current portion	21	–	30	–	–
Accruals and provisions	22	2,335	2,116	618	5
Amounts due to subsidiaries	16	–	–	–	253
Income tax payable		13,434	15,495	–	–
Employee benefit liability	27	183	–	–	–
		42,298	30,176	988	583
Net current assets		145,679	23,326	147,089	225
Non-current liabilities					
Lease payables – non-current portion	20	–	(48)	–	–
Bank loan (secured) – non-current portion	21	–	(1,152)	–	–
Deferred tax liabilities	7	(486)	(561)	–	–
		(486)	(1,761)	–	–
Net assets		168,057	36,545	162,970	12,164
Equity attributable to equity holders					
Share capital	23	1,030	824	1,030	824
Share premium	24	151,854	14,827	151,854	14,827
Share plan reserve	25	220	–	220	–
Retained earnings/(accumulated losses)		11,868	20,018	9,866	(3,487)
Foreign currency translation reserve	25	2,742	876	–	–
Other reserve	25	343	–	–	–
Total equity		168,057	36,545	162,970	12,164

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 2007

Group	Share capital	Share premium	Share plan reserve	Retained earnings/ losses	Foreign currency translation reserve	Other reserve	Total
	(Note 23) US\$'000	(Note 24) US\$'000	(Note 25) US\$'000	(accumulated losses) US\$'000	(Note 25) US\$'000	(Note 25) US\$'000	US\$'000
Balance at 30 June 2006	824	14,827	–	20,018	876	–	36,545
Translation adjustments	–	–	–	–	1,866	–	1,866
Total income and expense for the year recognized directly in equity	–	–	–	–	1,866	–	1,866
Issuance of ordinary shares in connection with initial public offer	206	142,850	–	–	–	–	143,056
Expenses incurred in connection with initial public offer	–	(5,915)	–	–	–	–	(5,915)
Grant of share award to employees (Note 27)	–	–	312	–	–	–	312
Issuance of shares under share plan schemes (Note 27)	– [#]	92	(92)	–	–	–	–
Net profit for the year	–	–	–	7,648	–	–	7,648
Dividends (Note 33)	–	–	–	(15,455)	–	–	(15,455)
Transfer to statutory reserve	–	–	–	(343)	–	343	–
Balance at 30 June 2007	1,030	151,854	220	11,868	2,742	343	168,057
Balance at 30 June 2005	824	14,827	–	(1,776)	79	–	13,954
Translation adjustments	–	–	–	–	797	–	797
Total income and expense for the year recognized directly in equity	–	–	–	–	797	–	797
Net profit for the year	–	–	–	28,800	–	–	28,800
Dividends (Note 33)	–	–	–	(7,006)	–	–	(7,006)
Balance at 30 June 2006	824	14,827	–	20,018	876	–	36,545

[#] The issued share capital was increased by US\$169 with the issue of shares under the Performance Share Plan and Restricted Stock Plan.

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 2007

Company	Share capital (Note 23) US\$'000	Share premium (Note 24) US\$'000	Share plan reserve (Note 25) US\$'000	Retained earnings/ (accumulated losses) US\$'000	Total US\$'000
Balance at 30 June 2006	824	14,827	–	(3,487)	12,164
Issuance of ordinary shares in connection with initial public offer	206	142,850	–	–	143,056
Expenses incurred in connection with initial public offer expenses	–	(5,915)	–	–	(5,915)
Grant of share awards to employees (Note 27)	–	–	312	–	312
Issuance of shares under share plan schemes (Note 27)	– [#]	92	(92)	–	–
Net profit for the year	–	–	–	28,808	28,808
Dividends (Note 33)	–	–	–	(15,455)	(15,455)
Balance at 30 June 2007	1,030	151,854	220	9,866	162,970
Balance at 30 June 2005	824	14,827	–	(9,514)	6,137
Net profit for the year	–	–	–	13,033	13,033
Dividends (Note 33)	–	–	–	(7,006)	(7,006)
Balance at 30 June 2006	824	14,827	–	(3,487)	12,164

The issued share capital was increased by US\$169 with the issue of shares under the Performance Share Plan and Restricted Stock Plan.

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 2007

	2007 US\$'000	2006 US\$'000 (Restated)
Cash flow from operating activities:		
Profit before taxation	9,867	41,704
Adjustments for:		
Allowance for doubtful debts	224	43
Allowance for inventory obsolescence	1,466	241
Write back of allowance for inventory obsolescence	(570)	–
Writeback of allowance for inventory returns	(30)	(17)
Depreciation of property, plant and equipment	2,265	1,582
Amortization of intangible assets	532	318
Property, plant and equipment written off	44	22
Inventories written off	9	56
Bad debts written off	–	26
Loss on disposal of property, plant and equipment	26	143
Impairment loss on property, plant and equipment	33	–
Interest income	(4,630)	(430)
Interest expense	96	126
Share-based payment expenses	312	–
Translation adjustments	642	522
Operating cash flow before reinvestment in working capital	10,286	44,336
Trade and other receivables	(7,450)	(1,995)
Inventories	(24,090)	(17,592)
Trade and other payables	14,257	4,259
Cash (used in)/generated from operating activities	(6,997)	29,008
Income tax paid	(3,577)	(2,841)
Interest income	3,684	430
Interest expenses	(96)	(126)
Net cash (used in)/generated from operating activities	(6,986)	26,471
Cash flow from investing activities:		
Proceeds from sale of investments	–	47
Purchase of intangible assets	(1,053)	(816)
Purchase of property, plant and equipment	(6,449)	(1,739)
Proceeds from sale of property, plant and equipment	68	12
Proceeds from sale of channel rights	–	479
Net cash used in investing activities	(7,434)	(2,017)
Cash flow from financing activities:		
Proceeds from share issuance	143,056	–
Payment of listing expenses	(5,915)	–
Repayment of bank loans	(1,261)	(98)
Repayment of financial lease payables	(92)	(105)
Redemption of preference shares	–	(1,613)
Dividends paid	(15,455)	(13,012)
Increase in deposits pledged	(140)	(2,994)
Net cash generated from/(used in) financing activities	120,193	(17,822)
Net increase in cash and cash equivalents	105,773	6,632
Cash and cash equivalents at beginning of year (Note 26)	11,664	4,922
Effect of exchange rate changes on opening cash	314	110
Cash and cash equivalents at end of year (Note 26)	117,751	11,664

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

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 11. 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 in the tables are rounded to the nearest thousand (US\$’000) and all amounts in the narratives are rounded to the nearest dollar (US\$), except when otherwise indicated.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial years.

2.2 IFRSs and IFRIC Interpretations not yet effective

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

IFRS 7	:	Financial Instruments: Disclosures
IFRS 8	:	Operating Segments
IFRIC Interpretation 11	:	IFRS 2 - Group and Treasury Share Transactions
IFRIC Interpretation 12	:	Service Concession Arrangements
IFRIC Interpretation 13	:	Customer Loyalty Programmes
IFRIC Interpretation 14	:	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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 IFRS 7 as indicated below.

IFRS 7, Financial Instruments: Disclosures

IFRS 7 introduces new disclosures to improve the information on financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The Group will apply IFRS 7 from financial period beginning 1 July 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

2. Significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgments

Estimates, assumptions concerning the future and judgements 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.

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

Judgments are made by management in the recognition of revenue for goods sold subject to the customer's right of return. The Group has deferred recognition of approximately US\$11,688,000 (2006: US\$5,062,000) of sales made through the TV and internet shopping channels operated by a subsidiary in the UK and through the home shopping TV networks in the USA. These sales have been deferred because the customer's right of return has not expired as at the financial year-end and there were significant uncertainties regarding management's ability to reliably estimate the amount of future returns of goods. On the other hand, the Group has recognized revenue amounting to US\$72,000 (2006: US\$113,000) for sales through its *Thaigem.com* and other websites, although the customer's right of return has not expired as at the financial year-end. This is because, based on past experience, the management is able to make reliable estimate of the provision for sales returns in the same period in which the related sales are recorded. Details of the provision are disclosed in Note 22.

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.

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. For such items, a full refund or credit is given to the customer and 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 the returned 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 2007 was approximately US\$57,381,000 (2006: US\$34,196,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

2. Significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgments (cont'd)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flow from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2007 was US\$3,704,000 (2006: US\$3,362,000). See Note 10 for more details.

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

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.

(c) Foreign currency translation

Assets and liabilities of foreign entities 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, foreign currency translation reserve. On disposal of a foreign entity, accumulated exchange differences deferred in equity relating to that foreign entity are recognized in the profit and loss account as a component of the gain or loss on disposal.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

2. Significant accounting policies (cont'd)

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 - 5 years
Utilities systems	-	5 years
Motor vehicles	-	3 to 5 years

Construction-in-progress and freehold land are 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

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 amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised 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 amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the profit and loss account in both the selling and administrative expenses line item.

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

Television channel rights	-	8 years (being the remaining period of the broadcasting licence at acquisition date)
Intellectual properties	-	10 - 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

2. Significant accounting policies (cont'd)

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, demand deposits and short term highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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.

2.12 Receivables

Trade and other debtors 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

2. Significant accounting policies (cont'd)

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 – weighted average method;
- Finished goods and work-in-progress – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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 creditors, which are settled on 30-90 day terms, and payables to related parties 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. Financial liabilities are initially recognized at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the profit and loss account when the liabilities are derecognized as well as through the amortization process. The liabilities are derecognized when the obligation under the liability is discharged or cancelled or expired.

2.16 Interest bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

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

Borrowing costs are recognized as an expense when incurred.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

2. Significant accounting policies (cont'd)

2.17 Derecognition of financial assets and liabilities (cont'd)

(a) Financial assets (cont'd)

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.

2.18 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.

If the effect of the time value of money is material, provision for liability is discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

2. Significant accounting policies (cont'd)

2.19 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 recognized 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

2. Significant accounting policies (cont'd)

2.19 Employee benefits (cont'd)

(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 other 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.

2.20 Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

2.21 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: -

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 and rebates 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 management's ability to reliably estimate the amount of future returns of goods. Amounts received from customers are recorded as part of advances from customers. These amounts are recognized as revenue after the customer's right of returns has expired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

2. Significant accounting policies (cont'd)

2.21 Revenue recognition (cont'd)

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 as interest accrues (using the effective interest method) unless collectibility is in doubt.

2.22 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

2. Significant accounting policies (cont'd)

2.22 Taxation (cont'd)

(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.

2.23 Listing expenses

Transactions costs incurred by the Company in connection with the listing of its own equity instruments on the stock exchange were allocated between the existing shares listed and the new shares issued as part of the listing exercise. Expenses allocated to the listing of new shares were deducted against equity and costs apportioned to the listing of existing shares were accounted for as an expense in the profit and loss account.

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

	Group	
	2007	2006
	US\$'000	US\$'000
Interest income	4,630	430
Foreign exchange gain	2,074	2,171
Mark-up on insurance charges	214	79
Miscellaneous income	107	495
	<u>7,025</u>	<u>3,175</u>

5. Interest expense

	Group	
	2007	2006
	US\$'000	US\$'000
Interest expense from: -		
Bank overdraft	-	2
Term loan	89	117
Lease payables	7	7
	<u>96</u>	<u>126</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

6. Profit before taxation

	Group	
	2007 US\$'000	2006 US\$'000
Profit before taxation is stated after charging/(crediting) the following:		
Non-audit fees paid to the auditors of the Company	169	804
Amortization of intangible assets	532	318
Bad debts written off	–	26
Cable or satellite carriage expenses [^]	20,139	3,569
Depreciation	2,265	1,582
Directors' fees	203	23
Impairment loss on property, plant and equipment	33	–
Inventories written off	9	56
Loss on disposal of property, plant and equipment	26	143
Property, plant and equipment written-off	44	22
Allowance for doubtful debts	224	43
Allowance for inventory obsolescence	1,466	241
Write back of allowance for inventory obsolescence	(570)	–
Write back of allowances for inventory returns	(30)	(17)
Rental of premises	699	321
Listing expenses charged against profit and loss	662	–
Shipping and handling charges [#]	8,555	7,450
Staff costs		
Salaries, wages and other related costs (Note 27)	27,939	12,965
Contributions to defined contribution plans (Note 27)	707	111
Share-based payment expenses (Note 27)	312	–
Retrenchment benefits	–	54
Pension costs * (Note 27)	217	–

[^] 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.

7. Taxation

(a) Major components of income tax expense

	Group	
	2007 US\$'000	2006 US\$'000
In respect of profit for the year: -		
Current tax	1,179	14,566
Deferred tax	866	(1,678)
	2,045	12,888
Underprovision in respect of prior years: -		
Current tax	174	16
Taxation	2,219	12,904

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

7. Taxation (cont'd)

a) Major components of income tax expense (cont'd)

The reconciliation of the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate is as follows: -

	Group	
	2007	2006
	US\$'000	US\$'000
Profit before taxation	9,867	41,704
Tax at the domestic rates applicable to profits in the countries where the Group operates ⁽¹⁾	1,705	12,718
Income not subject to tax	(7,028)	-
Effect of expenses not deductible for tax purposes	348	186
Effect of deferred tax benefits not recognized on tax losses	6,865	-
Under provision in respect of prior years	174	16
Others	155	(16)
	2,219	12,904

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

(b) Deferred taxation

Deferred taxation relates to the following:

	Group	
	2007	2006
	US\$'000	US\$'000
Deferred tax assets: -		
Differences in inventories	787	1,931
Accruals	10	-
Fixed assets	150	-
Others	43	-
	990	1,931
Deferred tax liabilities: -		
Difference in valuation of freehold land ⁽¹⁾	20	20
Difference in valuation of building ⁽¹⁾	123	141
Difference in valuation of intangible assets ⁽¹⁾	343	400
	486	561

⁽¹⁾ Difference 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. During the financial year, the first BOI grant expired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

7. Taxation (cont'd)

(b) Deferred taxation (cont'd)

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. As at the date of this report, due to the early application of this new grant, the subsidiary is in the process of seeking clarifications on certain sales transactions that may qualify for the related tax relief.

The Group has tax losses of approximately US\$20.1 million (2006 : US\$Nil) 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.

8. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares during the year. Fully diluted earnings per share is calculated after adjusting for those shares not yet issued under the Group's Performance Share Plan and Restricted Stock Plan (Note 27).

	Group	
	2007	2006
Net profit attributable to ordinary shareholders for basic and diluted earnings per share (US\$'000)	7,648	28,800
Weighted average number of ordinary shares applicable to basic earnings per share	955,784,760	82,424,001
Effect of dilution :		
Share grants	1,000,000	—
	<u>956,784,760</u>	<u>82,424,001</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

9. Property, plant and equipment

Group	Freehold land US\$'000	Freehold building US\$'000	Leasehold improvements US\$'000	Machinery US\$'000	Furniture, fixtures and equipment US\$'000	Utilities systems US\$'000	Motor vehicles US\$'000	Construction in progress US\$'000	Total US\$'000
Cost									
At 30 June 2005	968	1,695	336	2,235	1,982	48	303	-	7,567
Additions	-	-	168	685	801	49	-	36	1,739
Transfers	-	-	-	-	-	36	-	(36)	-
Disposals	-	-	(24)	(144)	(43)	-	(31)	-	(242)
Write off	-	-	-	-	(41)	-	-	-	(41)
Translation adjustments	30	53	15	87	141	7	20	-	353
At 30 June 2006	998	1,748	495	2,863	2,840	140	292	-	9,376
Additions	-	226	874	1,196	3,708	195	214	36	6,449
Disposals	-	-	-	(166)	(64)	-	(93)	-	(323)
Write off	-	-	-	(12)	(16)	-	-	(36)	(64)
Translation adjustments	85	147	49	273	305	23	35	-	917
At 30 June 2007	1,083	2,121	1,418	4,154	6,773	358	448	-	16,355
Accumulated depreciation									
At 30 June 2005	-	2	37	114	720	10	35	-	918
Depreciation for the year	-	153	96	734	508	15	76	-	1,582
Disposals	-	-	(6)	(32)	(30)	-	(19)	-	(87)
Write off	-	-	-	-	(19)	-	-	-	(19)
Translation adjustments	-	5	6	35	79	1	5	-	131
At 30 June 2006	-	160	133	851	1,258	26	97	-	2,525
Depreciation for the year	-	103	195	902	963	40	62	-	2,265
Impairment loss	-	-	-	13	20	-	-	-	33
Disposals	-	-	-	(156)	(30)	-	(43)	-	(229)
Write off	-	-	-	(7)	(13)	-	-	-	(20)
Translation adjustments	-	17	18	97	151	4	11	-	298
At 30 June 2007	-	280	346	1,700	2,349	70	127	-	4,872
Net book value									
At 30 June 2006	998	1,588	362	2,012	1,582	114	195	-	6,851
At 30 June 2007	1,083	1,841	1,072	2,454	4,424	288	321	-	11,483

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

9. Property, plant and equipment (cont'd)

Company	Furniture, fixtures and equipment US\$'000
Additions during the year, representing cost and net book value at 30 June 2007	2

During the financial year, the Group repaid the finance leases relating to motor vehicles and equipment. Leased assets that were pledged as security for the related finance lease liabilities were discharged. The freehold land and building which was previously pledged to the bank as security for the bank loan as disclosed in Note 21 to the financial statements as well as other banking facilities is currently pledged only for the banking facilities with the repayment of loan during the financial year.

Impairment losses amounting to approximately US\$33,000 (2006: \$Nil) had been included in the line "Administrative expenses" in the consolidated profit and loss account.

10. Intangible assets

Group	Goodwill US\$'000	Television channel rights US\$'000	Intellectual properties US\$'000	Computer software US\$'000	Total US\$'000
Cost					
At 30 June 2005	3,362	2,423	293	192	6,270
Additions	–	–	–	816	816
Disposals	–	(484)	–	–	(484)
Translation adjustments	–	60	–	20	80
At 30 June 2006	3,362	1,999	293	1,028	6,682
Additions	–	–	–	1,053	1,053
Translation adjustments	342	213	–	43	598
At 30 June 2007	3,704	2,212	293	2,124	8,333
Accumulated amortization					
At 30 June 2005	–	23	66	63	152
Amortization for the period	–	226	15	77	318
Disposals	–	(5)	–	–	(5)
Translation adjustments	–	13	–	6	19
At 30 June 2006	–	257	81	146	484
Amortization for the period	–	237	16	279	532
Translation adjustments	–	48	–	17	65
At 30 June 2007	–	542	97	442	1,081
Net book value					
At 30 June 2006	3,362	1,742	212	882	6,198
At 30 June 2007	3,704	1,670	196	1,682	7,252
Remaining amortization period at 30 June 2006					
	NA	7 years	1 to 15 years	0.75 to 4.4 years	NA
Remaining amortization period at 30 June 2007					
	NA	6 years	14 years	1 to 4.5 years	NA

Included in computer software are costs amounting to US\$267,000 (2006: US\$639,000) relating to implementation in progress of a management information system, for which amortization has not commenced as at 30 June 2007.

Amortization of intellectual properties, copyrights and computer software are included in the line "Selling and administrative expenses" in the consolidated profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

10. Intangible assets (cont'd)

Company	Television channel rights US\$'000	Intellectual properties US\$'000	Computer software US\$'000	Total US\$'000
Cost				
At 30 June 2005	10	283	12	305
Additions	–	–	639	639
At 30 June 2006	10	283	651	944
Additions	–	–	535	535
Transfer to intercompany	–	–	(170)	(170)
At 30 June 2007	10	283	1,016	1,309
Accumulated amortization				
At 30 June 2005	6	57	5	68
Amortization for the period	1	15	2	18
At 30 June 2006	7	72	7	86
Amortization for the period	3	15	119	137
At 30 June 2007	10	87	126	223
Net book value				
At 30 June 2006	3	211	644	858
At 30 June 2007	–	196	890	1,086
Remaining amortization period at 30 June 2006				
	1 years	1 to 15 years	2 to 4.4 years	NA
Remaining amortization period at 30 June 2007				
	NA	14 years	1 to 4.5 years	NA

Impairment testing of goodwill

For the purpose of impairment testing, goodwill of US\$3.7 million (2006: \$3.4 million) has been allocated to Gems TV (UK) Limited which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of goodwill was determined based on a value-in-use calculation using cash flow projections based on a 1-year budget approved by management and 5-year financial forecast. The weighted average cost of capital of 17.34% (2006 : 25.8%) has been applied by the Group to the projected cash flow. There are no extrapolations of cash flow beyond the 5-year forecast period.

The key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill is a budgeted gross margin of 26.7% (2006 : 20%), which approximates the average gross margin achieved in the year immediately before the budgeted year, adjusted for the effects of a re-branding exercise.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

10. Intangible assets (cont'd)

With regard to the assessment of the value in use of the cash generating unit, management believes that no reasonable changes in any above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

11. Investment in subsidiary companies

	Company	
	2007	2006
	US\$'000	US\$'000
Unquoted shares at cost	14,793	11,081

Name (Country of incorporation and place of business)	Principal activities	Percentage of equity held by the Group at financial year-end	
		2007	2006
		%	%
⁽¹⁾ Gems TV (UK) Limited (England)	Retailing of jewelry through TV channels and the Internet	100.00	100.00
⁽²⁾ NCS Group Co.,Ltd. (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 Limited (Japan)	Trading of jewelry and jewelry products and mail order sale in jewelry and jewelry products via television and the Internet	100.00	-
# Gems (Beijing) Trading Co.,Ltd. (People's Republic of China)	Import and export, wholesale of gemstones, jewelries, watches and auxiliary products with after sales and related consultancy services	100.00	-
# GemsAsia Pte Ltd (Singapore)	Management consultancy, investment holding and trading services	100.00	-
Subsidiary held by NCS Group Company Limited:			
⁽³⁾ Gems TV (USA) Limited (USA)	Retailing of jewelry through TV and the Internet	100.00	100.00
Subsidiaries held by Gems TV (UK) Limited:			
@ Factory Outlet TV Limited (England)	Dormant since 10 June 2005	100.00	100.00
@ CoMost Limited* (England)	Dormant since 10 June 2005	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

11. 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	
		2007 %	2006 %

Subsidiaries held by Factory Outlet TV Limited :

@ Eagle Road Studios Limited (Previously known as Gems TV (UK) Limited) (England)	Dormant since 10 June 2005	100.00	100.00
@ London Diamond Company Limited (England)	Dormant since 10 June 2005	100.00	100.00

⁽¹⁾ Audited by Ernst & Young, UK.

⁽²⁾ Audited by Ernst & Young Company Limited, Thailand.

⁽³⁾ Audited by Ernst & Young, USA.

@ Not required to be audited by law in its country of incorporation.

Incorporated during the financial year and not due for audit.

* Dissolved under members' voluntary liquidation subsequent to the financial year on 24 July 2007.

12. Inventories

	Group	
	2007 US\$'000	2006 US\$'000
Raw materials	10,901	8,452
Work-in-progress	3,567	4,506
Finished goods	41,021	20,621
Factory supplies	320	54
Inventories, at cost	55,809	33,633
Finished goods, at net realizable value	1,572	563
Total inventories at the lower of cost and net realizable value	57,381	34,196

Inventories at net realizable value are stated net of allowance for obsolescence of US\$1,621,000(2006: US\$813,000).

Allowance for inventory obsolescence of approximately US\$570,000 (2006: \$Nil) has been written back as a result of the Group selling the inventories at prices above cost in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

13. Prepayments

	Group		Company	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
Prepayments for: -				
- legal and professional fees for listing exercise	-	767	-	767
- channel fees	1,929	-	-	-
- satellite transmission charges	1,421	1,209	-	-
- others	598	350	19	-
Advance payment for inventory	2,335	-	-	-
	6,283	2,326	19	767

14. Trade receivables

Trade receivables are stated net of allowance for doubtful debts of US\$11,000 (2006: US\$15,000).

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 and Company's trade receivables are amounts denominated in the following foreign currencies: -

	Group		Company	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
Pound Sterling	2,096	7	2,077	-
Euro	402	-	-	-
Thai Baht	-	464	-	-

15. Deposits and other receivables

	Group		Company	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
Deposits	1,287	365	-	-
Credit card receivables	1,540	1,039	-	-
Interest receivable	946	-	876	-
VAT refundable	59	365	-	-
Other receivables	232	75	-	-
	4,064	1,844	876	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

15. Deposits and other receivables (cont'd)

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

	Group		Company	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
Pound Sterling	52	1,400	-	-
Euro	91	-	-	-
Thai Baht	103	444	-	-
Singapore Dollar	237	-	-	-
Japanese Yen	808	-	-	-

16. Amounts due from/(to) subsidiaries

	Company	
	2007	2006
	US\$'000	US\$'000
Amounts due from subsidiary companies, current: -		
Non-trade	21,279	-
Short term loan	19,791	-
	<u>41,070</u>	<u>-</u>

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

Pound Sterling	3,928	-
Thai Baht	15,134	-
Japanese Yen	145	-

Amounts due to subsidiary companies, current: -

Non-trade	-	(253)
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The short term loans are unsecured and repayable on demand. Other than a loan of US\$5,000,000 (2006 : US\$Nil), loans to subsidiaries bear interest at 5% (2006US\$: Nil) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

17. Trade payables

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

	Group	
	2007	2006
	US\$'000	US\$'000
Pound Sterling	3,467	3,157
Thai Baht	1,065	1,394

18. Other payables

	Group		Company	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
VAT payable	846	220	-	-
Customs duties payable	322	1,265	-	-
Social security payables	43	25	-	-
Salaries payable	39	-	-	-
Payables to carriage providers	2,428	-	-	-
Payables to software vendors	370	325	370	325
Refunds payable	-	5	-	-
Sundry payables	891	503	-	-
	4,939	2,343	370	325

Other payables are non-interest bearing and have an average term of 1 (2006: 1) month.

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

Pound Sterling	1,133	1,741	-	-
Thai Baht	825	584	370	325

19. 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 returns of goods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

20. Lease payables

In the previous financial year, the Group had finance leases for certain motor vehicles and equipment.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	2007		2006	
	Minimum lease payments US\$'000	Present value of payments US\$'000	Minimum lease payments US\$'000	Present value of payments US\$'000
Within 1 year	–	–	53	44
After 1 year but not later than 5 years	–	–	47	48
	–	–	100	92
Amounts representing finance charges	–	–	(8)	–
Present value of minimum lease payments	–	–	92	92

The interest rates for the lease creditors are fixed upon entering into the lease agreements and are therefore not subjected to fluctuations in market interest rates. The finance leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debts or entering into other leasing agreements. The effective interest rates implicit in the leases ranged from 2.1% to 6.0% in the previous financial year.

These obligations, secured by a charge over the leased assets were fully repaid during the financial year.

21. Bank loan (secured)

	Group	
	2007	2006
	US\$'000	US\$'000
Current	–	30
Non-current	–	1,152
	–	1,182

The bank loan was denominated in Pound Sterling and was secured over a mortgage over a subsidiary company's freehold land and building. The bank loan carried effective interest rate of 6.5% per annum (2006: 6.5%) computed at the bank's base rate plus 1.75% per annum. The bank loan was fully repaid during the financial year.

22. Accruals and provisions

	Group		Company	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
Accrued expenses	2,245	1,997	618	5
Provision for sales returns	90	119	–	–
	2,335	2,116	618	5

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

23. Share capital

	Number of shares			Total
	Unclassified	Class A	Class B	
Authorized share capital: -				
Balance at 30 June 2005 and 30 June 2006 [@]	1,490,000,000	100,000,000	10,000,000	1,600,000,000
Restructuring of authorized share capital	110,000,000	(100,000,000)	(10,000,000)	-
Share split	14,400,000,000	-	-	14,400,000,000
Balance at 30 June 2007 ^{@@}	16,000,000,000	-	-	16,000,000,000
Issued and fully paid up share capital: -				
Balance at 30 June 2005 and 30 June 2006 [@]	-	72,424,001	10,000,000	82,424,001
Restructuring of issued share capital	82,424,001	(72,424,001)	(10,000,000)	-
Share split	741,816,009	-	-	741,816,009
Issuance of shares in connection with initial public offer	206,060,000	-	-	206,060,000
Issuance of shares under share grant	168,525	-	-	168,525
Balance at 30 June 2007 ^{@@}	1,030,468,535	-	-	1,030,468,535

[@] Authorized share capital of US\$0.01 each.

^{@@} Authorized share capital of US\$0.001 each.

	Unclassified	Class A	Class B	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Issued and fully paid up share capital: -				
Balance at 30 June 2005 and 30 June 2006	-	724	100	824
Restructuring of issued share capital	824	(724)	(100)	-
Issuance of shares in connection with initial public offer	206	-	-	206
Issuance of shares under share grant	- [#]	-	-	-
Balance at 30 June 2007	1,030	-	-	1,030

[#] The issued capital was increased by US\$169 with the issue of shares under the Performance Share Plan and Restricted Stock Plans (Note 27).

The Company was incorporated on 23 April 2001 with an authorised share capital of US\$16,000,000 divided into 1,600,000,000 ordinary shares of US\$0.01 each.

In the previous financial year, the Class A and Class B ordinary shares entitled the holders of each fully paid shares to equal voting rights and to receive dividend as and when declared by the Company.

The Class B ordinary shares have liquidation preference of up to US\$4 million over and in priority to the Class A ordinary shares until the listing of the Company's shares on any reputable stock exchanges, whereupon the liquidation preference of the Class B ordinary shares over Class A ordinary shares shall cease and be of no effect.

Class B ordinary shares shall, save for the liquidation preference, rank pari passu in all respects with the Class A ordinary shares including without limitation, equal voting rights as Class A ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

23. Share capital (cont'd)

On 1st July 2006, the share capital was restructured as follows:

- (i) the authorized capital of US\$16,000,000 divided into 100,000,000 Class A Ordinary shares of US\$0.01 each, 10,000,000 Class B Ordinary shares of US\$0.01 each and 1,490,000,000 unclassified shares of US\$0.01 each were reclassified into 1,600,000,000 ordinary shares of US\$0.01 each;
- (ii) the issued capital of US\$824,240.01 divided into 72,424,001 Class A Ordinary shares of US\$0.01 each and 10,000,000 Class B Ordinary shares of US\$0.01 each were reclassified into 82,424,001 ordinary shares of US\$0.01 each; and
- (iii) each reclassified ordinary share shall rank *pari passu* in all respects with the other reclassified ordinary shares in the share capital of the Company and shall have the same rights and restrictions contained in the amended Memorandum and Articles of Association of the Company, which was adopted and came into effect on 1st July 2006.

Subsequent to the restructuring of its share capital, a share split of 1 share into 10 shares reducing the par value per share from US\$0.01 to US\$0.001 was effected pursuant to an Extraordinary General Meeting on 11 October 2006.

A total of 206,060,000 shares was issued pursuant to the initial public offering of the Company.

24. 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.

During the financial year ended 30 June 2007, premium amounting to US\$142,850,000 (2006 US\$Nil) arose from the issuance of 206,060,000 (2006 : Nil) ordinary shares at Singapore dollars \$1.08 (equivalent to US\$0.694) (2006 : US\$Nil) each in connection with the initial public offering. Expenses in connection with this offering amounting to US\$5,915,000 (2006 : US\$Nil) was applied to the account.

25. Reserves

Share plan reserve

Share plan reserve represents the equity-settled share-based payment expenses granted to employees (Note 27). 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

25. Reserves (cont'd)

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.

26. Cash and cash equivalents

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

	Group	
	2007	2006
	US\$'000	US\$'000
Long term deposits	3,139	–
Short term deposits	109,806	3,186
Cash and bank balances	7,945	11,477
	120,890	14,663
Long term deposits, secured	(3,139)	–
Short term deposits, secured	–	(2,999)
	117,751	11,664

As at 30 June 2007, a subsidiary company pledged a deposit at bank of US\$Nil (2006: US\$16,000) to secure a bank guarantee issued by a bank on behalf of the subsidiary company. In addition, other subsidiary companies pledged deposits at bank of \$3,139,000 (2006: US\$2,999,000) as at 30 June 2007, as collateral to service providers.

As at 30 June 2007, cash at bank of a subsidiary company amounting to US\$Nil (2006: US\$937,000) was held in bank accounts held in trust by officers of the subsidiary company.

Short term deposits are made for periods varying between 7 days and 1 year depending on the immediate cash requirements of the Group, and earn interest at the respective fixed deposit rates, ranging from 1.75% to 5.45% (2006: 2.25% to 4.25%) per annum. Long term deposits earn interest at the respective fixed deposit rates ranging from 2.00% to 4.25% (2006: Nil).

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

	Group		Company	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
Pound Sterling	1,988	3,493	–	1
Thai Baht	3,924	1,760	5	15
Japanese Yen	1,537	–	–	–
Chinese Renminbi	327	–	–	–
Singapore Dollar	277	–	182	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

27. Employee benefits

	Group	
	2007 US\$'000	2006 US\$'000
Employee benefits expense (including executive directors):		
Salaries, wages and other related costs	27,939	12,965
Contributions to defined contribution plans	707	111
Share-based payment expense	312	-
Pension costs	217	-
Retrenchment benefits	-	54
	29,175	13,130

Equity compensation plans

The Company grants 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 was approved by the Company during the Annual General Meeting held on 11 October 2006. 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 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 was approved by the Company during the Annual General Meeting held on 11 October 2006. 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.

As at 30 June 2007, awards issued under the Company's share plans over ordinary shares of US\$0.001 each in the Company were as follows: -

	Group and Company	
	Number of shares	Vesting date
Performance Share Plans		
- Tranche granted on 14 May 2006	63,525	-
Restricted Stock Plan		
- Tranche granted on 3 November 2006	105,000	10 May 2007
- Tranche granted on 1 December 2006	200,000	1 December 2007
- Tranche granted on 1 December 2006	300,000	1 December 2008
- Tranche granted on 1 December 2006	500,000	1 December 2009

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

27. Employee benefits (cont'd)

Equity compensation plans (cont'd)

The weighted average fair value of awards granted during the year, estimated using the Black-Scholes option pricing model was US\$0.43 (S\$0.68), US\$0.61 (S\$0.96) and US\$0.89 (S\$1.36) respectively. The fair value of the share awards was estimated on the date of grant based on the following weighted average assumptions.

	2007 PSP	2007 RSP
Expected volatility (%)	89.5-107.0	89.1-107.0
Risk-free interest rate (%)	2.75-3.20	2.82-2.92
Expected life of option (years)	1-3	0.5-3
Weighted average share price (S\$)	0.68	0.96-1.36

Defined benefit plans

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	
	2007 US\$'000	2006 US\$'000
Defined benefit obligation	183	-
Plan assets	-	-
	183	-

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

Present value of DBO at beginning of the year	-	-
Current service cost	217	-
Benefits paid	(41)	-
Exchange difference on foreign plans	7	-
Present value of DBO at end of the year	183	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

27. Employee benefits (cont'd)

Defined benefit plans (cont'd)

Analysis of the defined benefit obligation

	Group	
	2007	2006
	US\$'000	US\$'000
Amounts arising from funds that are wholly unfunded	183	–
<i>Reconciliation of assets and liabilities recognised in the balance sheet</i>		
Present value of DBO	183	–
Fair value of plan assets at end of year	–	–
Net liability/(asset) recognized in balance sheet	183	–
<i>Expense recognised in profit or loss</i>		
Current service cost	217	–
<i>Principal actuarial assumptions at the reporting date</i>		
Discount rate	5.1%	–
Expected return on plan assets	NA	NA
Future salary increases	5%	–
<i>Expected contribution</i>		
Expected employer contributions	41	–
<i>Movements in the net liability recognised in the balance sheet</i>		
Net liability at beginning of the year	–	–
Expense recognized in profit and loss	217	–
Benefits paid	(41)	–
Exchange differences on foreign plans	7	–
Net liability at end of the year	183	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

28. 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. In the previous financial year, the Group has identified the primary reporting segment format to be business segments. With the Group's global expansion and changes in internal organization, management structure and its system of financial reporting to the Board of Directors and Chief Executive Officer, the primary sector has been re-assessed to be geographical segments.

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 returns. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

28. Segment information (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 2007 and 2006.

Geographical segments

	Asia US\$'000	Europe US\$'000	Americas US\$'000	Elimination US\$'000	Total US\$'000
Year ended 30 June 2007					
Revenue					
Sales to external customers					
Sales of goods	1,197	122,072	25,793	–	149,062
Shipping and handling services	28	8,813	1,909	–	10,750
Inter-segment sales	1,602	59,159	15,040	(75,801)	–
	<u>2,827</u>	<u>190,044</u>	<u>42,742</u>	<u>(75,801)</u>	<u>159,812</u>
Results	829	8,802	(12,855)	6,483	3,259
Unallocated corporate income					2,074
Interest income					4,630
Interest expense					(96)
Taxation					(2,219)
Profit for the year					<u>7,648</u>
Other segment information:					
Segment assets	64,950	23,116	13,512	–	101,578
Unallocated assets					109,263
Total assets					<u>210,841</u>
Segment liabilities	4,359	9,734	14,153	–	28,246
Unallocated liabilities					14,538
Total liabilities					<u>42,784</u>
Capital expenditure					
- Property, plant and equipment	2,088	1,235	3,126	–	6,449
- Intangibles	152	–	901	–	1,053
Depreciation	618	1,394	253	–	2,265
Amortization	101	312	119	–	532
Allowance for doubtful debts	–	224	–	–	224
Allowance for stock obsolescence	660	523	283	–	1,466
Share-based payment expenses	197	–	115	–	312

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

28. Segment information (cont'd)

Geographical segments

	Asia US\$'000	Europe US\$'000	Americas US\$'000	Elimination US\$'000	Total US\$'000
Year ended 30 June 2006					
Revenue					
Sales to external customers					
Sales of goods	1,744	123,891	2,697	–	128,332
Shipping and handling services	72	8,868	290	–	9,230
Inter-segment sales	559	96,349	65,138	(162,046)	–
	<u>2,375</u>	<u>229,108</u>	<u>68,125</u>	<u>(162,046)</u>	<u>137,562</u>
Results	405	43,824	14,770	(19,770)	39,229
Unallocated corporate Income					2,171
Interest income					430
Interest expense					(126)
Taxation					(12,904)
Profit for the year					<u>28,800</u>
Other segment information:					
Segment assets	37,807	27,905	38	–	65,750
Unallocated assets					2,732
Total assets					<u>68,482</u>
Segment liabilities:	2,332	13,408	18	–	15,758
Unallocated liabilities					16,179
Total liabilities					<u>31,937</u>
Capital expenditure					
- Property, plant and equipment	566	1,173	–	–	1,739
- Intangibles	177	639	–	–	816
Depreciation	446	1,130	6	–	1,582
Amortization	92	226	–	–	318

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

29. Commitments

(a) Capital commitments

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

	Group	
	2007	2006
	US\$'000	US\$'000
Capital commitments in respect of property, plant and equipment	3,161	-

(b) Operating lease commitments

As at the balance sheet dates, the Group had the following minimum lease payments under non-cancellable operating leases on premises as well as digital encoding and uplinking services under satellite agreements with initial or remaining term of one year or more:

	Group	
	2007	2006
	US\$'000	US\$'000
Payable within 1 year	9,693	5,376
Payable later than 1 year but not later than 5 years	20,980	19,722
Payable later than 5 years	406	276
	<u>31,079</u>	<u>25,374</u>

These operating leases typically run for an initial tenure of between 2 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) Option to acquire shares

During the financial year, the Company has entered into an option to acquire a 40% interest in a German company which is involved in the similar business. The option agreement is exercisable at any time prior to and including 31 December 2007 at a price which is conditional on various factors.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

30. 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	
	2007	2006
	US\$'000	US\$'000
Directors of the Company: -		
Remuneration	700	461
Contributions to contribution plans	5	1
Directors of the subsidiary companies: -		
Remuneration	1,542	357
Contributions to contribution plans	6	-
Share-based payment expenses	116	-
Key executive officers: -		
Remuneration	618	54
Contributions to contribution plans	1	-
Share-based payment expenses	197	-
Service fee paid to director-related company	164	131
Sale of property, plant and equipment to director-related company	55	-

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.

31. 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. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

In the previous financial year, the Group entered into derivative transactions, primarily forward currency contracts, to manage the currency risks arising from the Group's operations. There were no such transactions entered in the current financial year.

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, credit risk and commodity price risk. The Board reviews and agrees policies for managing each of these risks and they are summarized below:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

31. Financial risk management objectives and policies (cont'd)

Foreign currency risk

The Group is exposed to currency risk as a result of transactions entered into by the Group in currencies other than the functional currencies of the operating units. In the previous financial year, the Group enters into foreign currency forward contracts to limit its exposure on foreign currency denominated transactions. No such transactions were entered in the current financial year. As at 30 June 2007, the Group does not have outstanding foreign exchange contract (2006: US\$54,000). The Group ensures that its foreign currency transactional exposure is kept at an acceptable level by ensuring that the transactions of its operating units are denominated mainly in the respective functional currencies of those entities. For transactions that are entered in currencies other than the functional currencies of the operating units, the Group will closely monitor the fluctuations in the exchange rates.

Interest rate risk

Information relating to the Group's interest rate exposure is also disclosed in Note 21 on borrowings and Note 26 on cash and cash equivalents..

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure in the previous financial year arose from the Group's borrowings and is managed through the use of floating rates. The bank loan was fully repaid in the current financial year. Consequently, the Group's interest rate exposure is minimal.

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

Credit risk

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is 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.

Surplus funds are placed with reputable banks.

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

There is no significant concentration of credit risk and no other financial assets carry a significant exposure to credit risk.

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 products 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 inventory may not be liquidated at the current prices due to the prevailing market conditions. The Group manages such risk through 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

32. 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 trade and other receivables, amounts due from/(to) subsidiaries, cash and cash equivalents, trade and other payables and advances from customers, based on their notional amounts, reasonably approximate their fair values due to their short-term nature or are repriced frequently.

33. Dividends

The following dividend payments to its shareholders were approved by the Board of Directors: -

	Group and Company	
	2007	2006
	US\$'000	US\$'000
Declared and paid during the year:		
Special dividend of US\$0.024 per share paid on 2 December 2005	-	1,978
Special dividend of US\$0.024 per share paid on 10 January 2006	-	1,978
Special dividend of US\$0.024 per share paid on 14 February 2006	-	1,978
Special dividend of US\$0.013 per share paid on 22 May 2006	-	1,072
Interim exempt (one-tier) dividend of US\$0.015 per share paid on 14 March 2007	15,455	-
	<u>15,455</u>	<u>7,006</u>

34. Contingent liabilities

In the previous financial year, 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.

35. Subsequent event

On 4 July 2007 and 3 August 2007, the subsidiaries in Japan and United States entered into agreements with carriage providers in the respective countries to broadcast the Group's home shopping programs to their network subscribers commencing November 2007 and September 2007 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

36. Prior year comparatives

Comparatives in the financial statements have been changed from the previous financial year to be consistent with the current year presentation of financial asset and liability classification in accordance with IAS 1 Presentation of Financial Statements. Credit card receivables which were classified as cash and cash equivalents in the previous financial year have been reclassified to deposits and other receivables to conform with current year's presentation.

	Group
	30.6.2006
	as previously
	reported
	US\$'000
Balance sheet	
Prepayment and deposits	–
Prepayment	2,326
Other receivables	–
Deposits and other receivables	1,844
Cash at bank	11,477

37. Authorization of financial statements

The financial statements for the financial year ended 30 June 2007 was authorized for issue in accordance with a resolution of the directors on 5 September 2007.

STATISTICS OF SHAREHOLDINGS

As at 12 September 2007

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	10	0.16	449	0.00
1,000 - 10,000	3,366	53.68	23,477,488	2.28
10,001 - 1,000,000	2,867	45.73	118,485,368	11.50
1,000,001 AND ABOVE	27	0.43	888,505,230	86.22
TOTAL	6,270	100.00	1,030,468,535	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	484,174,410	46.99
2	DBS VICKERS SECURITIES (S) PTE LTD	142,912,200	13.87
3	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	86,185,000	8.36
4	THE HOUR GLASS LIMITED	41,212,000	4.00
5	DBSN SERVICES PTE LTD	35,908,180	3.48
6	CITIBANK NOMINEES SINGAPORE PTE LTD	17,892,100	1.74
7	DBS NOMINEES PTE LTD	14,530,017	1.41
8	UOB KAY HIAN PTE LTD	12,491,000	1.21
9	OCBC SECURITIES PRIVATE LTD	10,921,000	1.06
10	RAFFLES NOMINEES PTE LTD	5,281,090	0.51
11	KIM ENG SECURITIES PTE. LTD.	5,103,000	0.50
12	PHILLIP SECURITIES PTE LTD	5,049,943	0.49
13	JAMES SEE LOP FU	4,237,290	0.41
14	MASTER PALACE INTERNATIONAL LIMITED	4,230,000	0.41
15	CIMB-GK SECURITIES PTE. LTD.	2,584,000	0.25
16	DAVID SIM CHEOK LENG	2,110,000	0.20
17	LAM YEW CHONG	1,500,000	0.15
18	WONG KOK HENG OR WANG JWU WAH	1,500,000	0.15
19	SINGAPORE NOMINEES PTE LTD	1,335,000	0.13
20	CHEONG KWAN CHOONG	1,298,000	0.13
	TOTAL	880,454,230	85.45

NOTICE OF ANNUAL GENERAL MEETING

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 Friday, 26 October 2007 at 10.00am 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 2007 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 Ng Boon Yew	Retiring under Article 85 (6)	(Resolution 2)
Mr David Sim Cheok Leng	Retiring under Article 85 (6)	(Resolution 3)
Mr Leong Ka Yew	Retiring under Article 85 (6)	(Resolution 4)
Mr David Alan Rick	Retiring under Article 86 (1)	(Resolution 5)
Mr Jason Choo Choon Wai	Retiring under Article 86 (1)	(Resolution 6)
Mr Don Rene Kogen	Retiring under Article 86 (1)	(Resolution 7)

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 Sim Cheok Leng will, upon re-election as a Director of the Company, remain the Chairman of the Audit Committee and a member of the Nominating Committee and is considered an independent Director.

Mr Leong Ka Yew will, upon re-election as a Director of the Company, remain the Chairman of the Nominating Committee and a member of the Remuneration and 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\$298,803.00 for the year ended 30 June 2007. (previous year: US\$23,333.00). (Resolution 8)
4. To re-appoint Ernst & Young as the Company’s Auditors and to authorise the Directors to fix their remuneration. (Resolution 9)
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF 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 50 per centum (50%) of the issued share capital of the Company

That pursuant to Article 12(3) of the Company's Articles of Association and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors 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) options, 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

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed fifty per centum (50%) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders of the Company including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed twenty per centum (20%) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the 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 consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

- (4) unless revoked or varied by the Company in a 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 by which the next Annual General Meeting of the Company is required to be held, whichever is earlier.

See Explanatory Note (i)

(Resolution 10)

7. **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 (ii)

(Resolution 11)

By Order of the Board

Wong Lai Kuen/Chan Shok Hing

Company Secretaries

Singapore, 8 October 2007

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) The Ordinary Resolution 10 in item 5 above, if passed, will empower the Directors from the date of this Annual General Meeting until the date of 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 issue shares, make or grant instruments (such as warrants or debentures) convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding in total 50% of the issued share capital of the Company, with a sub-limit of 20% for issues other than on a pro-rata basis to shareholders of the Company (“Shareholders”).

For the purpose of determining the aggregate number of shares that may be issued, the percentage of the issued share capital of the Company will be calculated based on the issued share capital of the Company at the time Ordinary Resolution 10 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or the vesting of share awards which are outstanding or subsisting at the time when Ordinary Resolution 10 is passed and (b) any subsequent consolidation or subdivision of shares.






































- (ii) The Ordinary Resolution 11 in item 6 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. Approval for the adoption of the Share Plans was given by shareholders’ resolutions in writing on 11 October 2006. The grant of awards under the respective Share Plans will be made in accordance with their respective provisions.

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, Lim Associates (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, Lim Associates (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.

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 Agate	 Alexandrite	 Amber	 Amethyst	 Ametrine	 Andalusite
 Andesine	 Apatite	 Aquamarine	 Bi Color Tourmaline	 Black Diamond	 Cat's Eye Chrysoberyl
 Chalcedony	 Chrysoberyl	 Citrine	 Cobalt Blue Spinel	 Demantoid	 Diamond
 Emerald	 Fire Beryl™	 Fire Opal	 Fluorite	 Glacier Topaz™	 Golden Beryl
 Iolite	 Jade	 Kornerupine	 Kunzite	 Kyanite	 Mandarin Garnet
 Moonstone	 Morganite	 Mozambique Garnet	 Mystic Topaz	 Noble Red Spinel	 Opal
 Padparadscha Sapphire	 Paraiba Tourmaline	 Peridot	 Pezzottaite	 Rhodolite Garnet	 Rose de France Amethyst
 Rubellite Tourmaline	 Ruby	 Russian Diopside	 Sapphire	 Sphene	 Star Sapphire
 Swiss Blue Topaz	 Tahitian Pearl	 Tanzanite	 Tiger's Eye	 Tavorite Garnet	 Zircon