

GEMS TV

GEMS TV HOLDINGS LIMITED ANNUAL REPORT

www.gems.tv VOL 2 2008

Fashion
calendar

Suited for the
occasion

Talk of
the town

Know your gems

Trend spotting

Top of
the
charts

The 7 featured gems

Registration No:



EXCLUSIVE! CHAIRMAN'S STATEMENT BOARD OF DIRECTORS MANAGEMENT TEAM
CORPORATE INFORMATION FINANCIAL HIGHLIGHTS



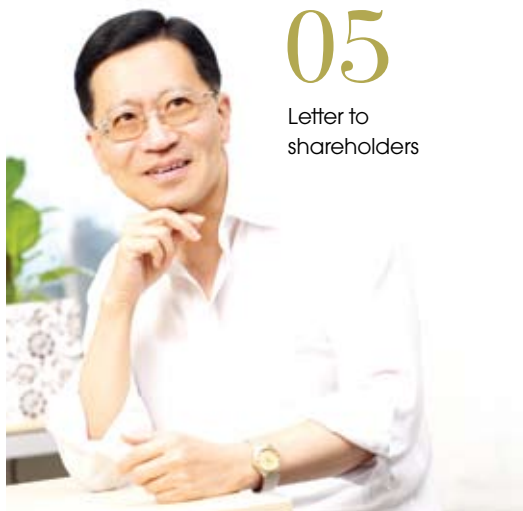
The World Is Watching

Our products are available through our dedicated television home shopping channels in the USA, the UK (Virgin, BSkyB, Freeview and freesat) and Japan. Our products are also available online in the USA at www.gemstv.com, in the UK at www.gemstv.co.uk and in China at www.gemstv.com.cn.



GEMSTV™

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our hearts

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Year in reflection

08

13 August 2007



Multi-year agreement signed with EchoStar Satellite L.L.C. to broadcast Gems TV's US shopping channel to subscribers of EchoStar's direct broadcast satellite platform, DISH Network. This satellite platform added 11 million subscribers and complements Gems TV's existing carriage in the US.

10 September 2007



Appointment of Loretta Castoro to the newly created role of Chief Merchandizing Officer.

18 October 2007



Gems TV becomes the first jewelry company to provide comprehensive gemstone-related content on China's popular Sina.com.

12 November 2007



Gems TV launches in the second largest jewelry market in the world - Japan - on Sky Perfect Television's Channel 243.

01 January 2008

A fourth production facility is leased in Chanthaburi, Thailand, about 100 meters from Gems TV's first factory.



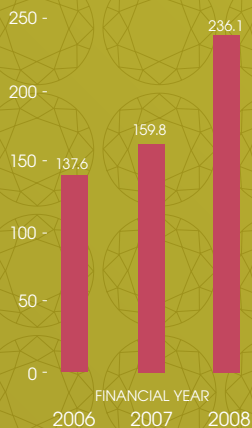
01 February 2008

Gems TV snags more carriage in Japan, with popular cable operators J:COM West Co., Ltd and K Cable Television Corporation Inc. The subscriber base in Japan increases to 3.5 million.

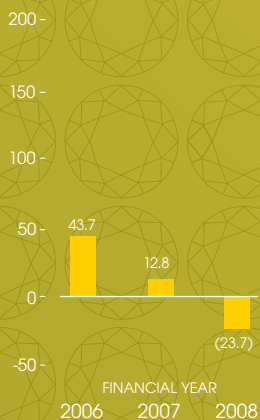


Striking value

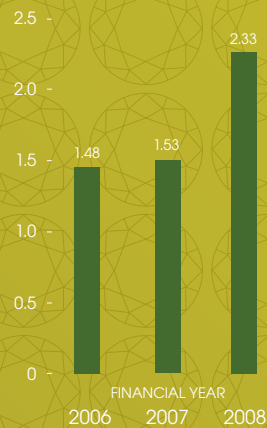
TOTAL REVENUE
US\$M



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



NUMBERS OF ITEMS SOLD
IN UK, USA AND JAPAN
MILLION



Gems TV
broadcasts
to over
60 million
homes
around the
world.

	FY2006 \$'m	FY2007 \$'m	FY2008 \$'m
Profit and Loss Statements			
Total Revenue	137.6	159.8	236.1
Operating Profit / (Loss) Before Interest, Tax Depreciation and Amortisation	43.7	12.8	(23.7)
Depreciation and Amortization	1.9	2.8	5.2
Profit / (Loss) Before Interest and Tax	41.8	10.0	(28.9)
Interest Expenses	0.1	0.1	–
Profit Before Tax	41.7	9.9	(28.9)
Income Tax Expense	12.9	2.2	0.8
Profit / (Loss) After Tax Attributable to Shareholders	28.8	7.7	(29.7)
Balance Sheets			
Cash and Cash Equivalent	11.7	117.8	66.7
Inventories	34.2	57.4	59.5
Total Assets	68.5	210.8	170.7
Total Equity	36.5	168.1	139.1
Return on Average Shareholders' Equity (%)	114	8	-19
Return on Average Total Assets (%)	54	6	-16
Total number of customers (cumulative)	511,017	715,914	985,517
No of Items Sold			
Gems TV (UK) Limited ⁽¹⁾	1,485,035	1,307,871	1,156,646
Gems TV (USA) Limited ⁽²⁾	–	225,299	1,138,709
GemsLondon Ltd (Japan) ⁽³⁾	–	–	32,512
thaigem.com ⁽⁴⁾	1,710,791	602,458	376,467
Third party shopping network ⁽⁵⁾	(184)	64,644	70,768
Average Selling Price (ASP)			
Gems TV (UK) Limited ⁽¹⁾	83.45	90.23	79.9
Gems TV (USA) Limited ⁽²⁾	–	109.24	103.7
GemsLondon Ltd (Japan) ⁽³⁾	–	–	136.3
thaigem.com ⁽⁴⁾	1.78	2.36	1.3
Third party shopping network/TV ⁽⁵⁾	80.70	66.91	81.0

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 in GemsLondon (Japan).
4. Consists of sales over our website thaigem.com, as well as sales over third-party websites, such as eBay.
5. Consists of sale to third-party television home shopping networks. The negative number of items for the previous year represents returns.

Dear shareholders

“ Now that our planned expansion into new markets has been successfully completed, we are focused on maximizing the potential of those markets. ”

It is my privilege to present to you Gems TV's Annual Report for fiscal year 2008.

FY2008 presented many challenges for Gems TV because of the global economic difficulties our key markets faced.

We were caught in a perfect storm of slowing consumer spending on highly discretionary items such as jewelry while gold prices continued to rise, which impacted our margins. Our customers were caught by rising inflation in every day items such as food and energy which left little to spend on jewelry. This fact is unfortunately reflected in our results.

Nevertheless, we continued with our expansion plans by launching in Japan in November 2007. We now broadcast our TV shopping programs to the three key jewelry and home shopping markets in the world – the US, Japan, and the UK. In addition, we operate a retail and web business in China which could potentially become one of the largest jewelry markets in the future. In Thailand, we invested in converting our factories to an innovative way of manufacturing which increased our productivity tremendously and will allow us to scale our manufacturing capacities much more easily.

Our successful expansion into these markets is evidenced by our top line financial results as revenue rose 48% to \$236.1mn and our customer base grew by 38% to 985,517, with the US and the Japan markets contributing \$100mn and \$4.6mn respectively to this growth.

While we recorded a loss for fiscal year 2008, our revenue growth was slowed due to economic conditions beyond our control. In addition, poor consumer sentiment and fierce competition reduced our margins. In the longer term, we are well positioned to capitalize on enormous opportunities as we continue to establish ourselves as leaders in providing genuine gemstone jewelry in key jewelry markets around the world, as we have done so successfully in the UK.

We continue to be excited about our future. Our key competitive advantages are intact: entertaining and educational when compared to traditional TV home shopping; value for money for our customers gained through control of substantially the entire supply chain; and first mover advantage while remaining leaders in the UK market. Above all, we are passionate about the products we sell, are committed to educating our customers about genuine gemstone jewelry and providing them with timely, friendly and helpful customer service. Now that our planned expansion into new markets has been successfully completed, we are focused on maximizing the potential of those markets.

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

Ng Boon Yew

Chairman/Independent Director



Top of the charts

The 7 featured gems

Whether you love the quiet elegance of pearls or the fiery brilliance of amethyst, there's a gem to suit every personality, mood or occasion. Here's our pick of the 7 most fascinating gems - must-haves in every wardrobe. Simply gorgeous.



1 Patroke Kunzite

Kunzite radiates pure Parisian chic, revealing delicate pastel pinks, frosty lilacs, cool lavenders, hot fuschias and rich orchids under the warm glow of incandescent light. Its subtle coloring perfectly compliments eveningwear and soft candlelight, hence its colloquial name "the evening gemstone".



2

Paraiba Tourmaline

Coming in a palette of over 100 different hues, tourmaline is one of the world's most diverse gemstones. Paraiba tourmaline initially discovered in Paraiba, Brazil, possesses a unique brilliance that allows it to glow and shine even when there is little light.

3

Tanzanite

Widely regarded as the ideal gem to celebrate new life and new beginnings, tanzanite is a thousand times rarer than diamonds and is extremely light sensitive, exhibiting a color shift from more bluish hues under daylight, to pinkish violets under incandescent lighting. Tanzanite, with wonderful color and clarity, lends itself well to prominent display, especially in the form of large drop-earrings and pendants.



4

Diamond

Passion, elegance, glamor – no other gem evokes such deep emotions. It is no wonder that the diamond is the most marketed of all gemstones, standing out in brilliance whether set in an exquisite ring on a bride’s finger or on a simple pendant for daily wear.



5

Amethyst

Amethyst’s shades of purple have long served as a symbol of royalty. Colored by iron, amethyst is a variety of Quartz that occurs in transparent pastel roses and deep purples. Popular in the 19th century, amethyst was a favorite gem in art nouveau jewelry and is currently experiencing a revival in popularity as part of a general awakening to the beauty of pastel gems.

6

Pearl

One of the oldest known gems and for centuries considered the most valuable, finest quality pearls have the fine honor of being a metaphor for anything precious and beautiful. Their iridescence, seen most strongly on the crest of the pearl’s horizon, is termed the “orient” and pearls with rich colorful orient are generally more coveted than those with little or no orient. The best quality pearls are found in the waters of French Polynesia, Japan and China.



Did you know Gems TV started as an online gemstone wholesaler out of rural Thailand, and today boasts of an established presence on TV networks across US, UK and Japan?

KAREN CONNELLY
Gems TV Presenter

7

Sapphire

Sapphires derive their name from the Latin word “sapphirus”, meaning blue, and are often referred to as the “gem of the heavens” or the “celestial gem”, as their colours mirror the sky at different times of the day. Sapphires symbolize truth, sincerity and faithfulness and are thought to bring peace, joy and wisdom to their owners.





GEMSTV™

KNOW YOUR GEMS



Agate
Family: Chalcedony Quartz
Origins: Brazil, India, Mexico & South Africa



Alexandrite
Family: Chrysoberyl
Origins: India, Madagascar & Tanzania



Amber
Family: Organics
Origins: Russia



Amethyst
Family: Quartz
Origins: Brazil, Kenya, Madagascar, Uruguay & Zambia



Ametrine
Family: Quartz
Origins: Bolivia



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



Andesine
Family: Felspar
Origins: Tibet



Chalcedony
Family: Quartz
Origins: Brazil, India, Madagascar, Mexico, South Africa, Tanzania & US



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



Citrine
Family: Quartz
Origins: Brazil, Madagascar, Mozambique, Tanzania, Uruguay & Zambia



Colour Change Garnet
Family: Garnet
Origins: Madagascar & Tanzania



Cornelian
Family: Chalcedony Quartz
Origins: Brazil, India, Madagascar, Sri Lanka & Uruguay



Demantoid Garnet
Family: Garnet
Origins: Namibia & Russia



Diamond
Family: Carbon
Origins: Africa



Green Amethyst
Family: Quartz
Origins: Brazil



Heliolite
Family: Sphal
Origins: Brazil, Madagascar, Namibia, Nigeria & Russia



Ice Zircon™
Family: Zircon
Origins: Tanzania



Imperial Andesine
Family: Felspar
Origins: Tibet



Indicolite
Family: Tourmaline
Origins: Brazil, Kenya, Madagascar, Malawi, Mozambique, Nigeria, Sri Lanka & Tanzania



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



Jelly Opal
Family: Opal
Origins: Australia & Mexico



Messon Mint Garnet
Family: Garnet
Origins: Tanzania



Moonstone
Family: Felspar
Origins: Brazil, India, Madagascar, Sri Lanka & Tanzania



Morganite
Family: Sphal
Origins: Afghanistan, Brazil, Madagascar, Namibia, Russia & US



Mozambique Garnet
Family: Garnet
Origins: Mozambique



Multi Colour Tourmaline
Family: Tourmaline
Origins: Nigeria



Nephrite (Jade)
Family: Jade
Origins: China



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



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



Ruby
Family: Corundum
Origins: Brazil, Madagascar, Mozambique, Sri Lanka, Tanzania, Thailand & Vietnam



Russian Diopside
Family: Pyroxene
Origins: Russia



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



Spessartite Garnet
Family: Garnet
Origins: Namibia, Nigeria & Tanzania



Sphepe
Family: Sphepe
Origins: Brazil, Madagascar, Pakistan & Sri Lanka



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



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



Zultanite
Family: Diopside
Origins: Turkey

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

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



www.Gems.TV



Suited for the • OCCASION



Ng Boon Yew



Jason Choo



David Alan Rick



David Sim Cheok Leng



Leong Ka Yew

NG BOON YEW

Chairman and Independent Director

Ng Boon Yew has been the Chairman of Gems TV's Board of Directors and an Independent Director of the Company since June 1, 2006. He is also Chairman of the remuneration committee and a member of the audit committee. He is a certified public accountant, with more than 20 years' accounting and auditing experience in both private and public sectors.

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

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

JASON CHOO

Executive Director

Jason Choo is Gems TV's Chief Executive Officer. He is responsible for overseeing all aspects of the Group's business, including television and online sales, production and logistics. Jason also serves as a director at: Gems TV Holdings Limited, Thaigem Global Marketing Limited, Gems TV (UK) Limited, GemsLondon Ltd, Gems TV (USA) Limited and GemsAsia Pte Ltd.

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 Singapore Exchange. From 1997 to 2002, he was a director of Visionics Corporation, a company listed on Nasdaq National market.

Jason received a Bachelor of Arts degree in Economics from Colorado College in 1994.

DAVID ALAN RICK

Non-Executive Director

David Alan Rick has been a Non-Executive Director of Gems TV since July 21, 2001 and is also a member of

the Company's audit, nominating and remuneration committees. Since 2004, David has served as a director of Thaigem Global Marketing Limited.

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.

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

DAVID SIM CHEOK LENG

Independent Director

David Sim has been an Independent Director of Gems TV since June 1, 2006. He is also the Chairman of the Group's audit committee and member of the nominating committee.

David currently runs his own management services and consulting firm, Offshore Business Services Pte. Ltd. Previously, he was with The Hongkong and Shanghai Banking Corporation Limited ("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.

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

LEONG KA YEW

Independent Director

Leong Ka Yew has been an Independent Director of Gems TV since June 1, 2006. He is the Chairman of Gems TV's nominating committee and a member of the audit and remuneration committees.

In addition, Ka Yew serves as Independent Director on China Print Power Group Ltd, a company listed on the Singapore Exchange. He has been a partner and director at the law firm Aptus Law Corporation (formerly Chui, Sim, Goh & Lim) in Singapore since 2002.

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



WONG LAI KUEN

Chief Financial Officer

Wong Lai Kuen joined Gems TV on August 1, 2006 as Chief Financial Officer, bringing with her over 20 years of finance, business development and general management experience to the Group.

Previously, she served as Chief Financial Officer and Senior Vice President of Singapore Exchange-listed Raffles Holdings Ltd from September 2004 to December 2005. From 1991 to 2004, Lai Kuen held positions across various functions in GT Group, a conglomerate involved in various businesses in Asia, Australia and the United States. She was General Manager for Finance and Accounting at Tuan Sing Holdings Ltd from 2002 to 2004 and Director of Finance, Administration and IT at Habitat Properties Pte Ltd from 1999 to 2002. She began her career with KPMG Peat Marwick from 1986 to 1991.



TONY HILLYER

Group Chief Operating Officer and Managing Director, Gems TV (UK) Limited

Tony Hillyer joined Gems TV on June 11, 2007 as Managing Director of Gems TV (UK) Limited and was promoted to Group Chief Operating Officer as of February 12, 2008.

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

A cut above the rest

Making the Right Choices



LORETTA CASTORO

Chief Merchandizing Officer

Loretta Castoro brings more than 20 years' merchandizing and gemstone industry experience to her role as Chief Merchandizing 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 held various merchandizing roles in Pluczenik Group, Mouawad and Mondera.com, overseeing marketing and merchandizing of exclusive jewelry lines, including that of Escada Fine Jewelry Collection. Loretta was with Tiffany & Co. from 1989 to 1999, where she held several positions, including that of Director of Gem Acquisition and Senior Appraiser. Loretta began her merchandizing career with H. Stern Jewelers as a buyer for their US operation.

Loretta's industry credits include: Fellow of the Gemmological Association of Great Britain, London; Advanced Scientific Gemology Certificate from the Swiss Gemmological Institute, Basel, Switzerland; Graduate Gemologist in residence with the Gemological Institute of America, New York; Certificate in Comprehensive Jewelry Manufacturing, Studio Jewelers, New York City.



ARUNA KODIKARA

Chief Technology Officer

Aruna Kodikara joined Gems TV on April 2, 2007 as Chief Technology Officer, bringing with him close to 20 years of experience in both front-end and back-end information technology operations. He is responsible for overseeing the development and maintenance of Gems TV's IT infrastructure, which consists mainly of proprietary systems.

Prior to joining Gems TV, Aruna was the Head of IT at System Access Ltd, where he concurrently held the post of Head of Asia Pacific Technology Services. Before that, Aruna was involved in project management and consultancy at several IT solutions companies, such as Millenium Information Technologies Ltd in Sri Lanka and Platinum Technology in Singapore. A native of Sri Lanka, he has been living and working in Singapore since 1991.

FRANKIE CHOW

*Chief Manufacturing Officer
Gems TV Holdings Ltd*

Mr Frankie Chow serves as Chief Manufacturing Officer of Gems TV Holdings Ltd, bringing with him 28 years of experience in the areas of manufacturing operations, supply chain management and logistics.

Prior to joining Gems TV, Frankie held the post of Country Manager in PT Sampoerna Tabacos America Latina Ltda in Brazil, where he achieved market share increases by developing and implementing business strategies and plans. He has held key positions with Malaysian Tobacco Company Berhad, Phillip Morris Asia Ltd and PT HM Sampoerna Tbk. He has accomplished key projects, including establishing a manufacturing facility in Nepal, upgrading third-party facilities in Vietnam, managing third party contract manufacturers in Europe and increasing production capacity of facilities in Indonesia.



DIANE SCHNEIDERJOHN

Managing Director, Gems TV (USA) Limited

Diane Schneiderjohn joined Gems TV in May, 2006 as Managing Director, and the first employee of Gems TV (USA) Limited. A veteran of the entertainment and cable television industry, Diane has over 25 years' experience in senior management positions with major media companies in the U.S. and abroad. Her prior positions include Senior Vice President, Programming and Marketing at Charter Communications, Senior Vice President, Affiliate Sales and Marketing for Turner Broadcasting Systems (HK) and Managing Partner, Carlsen Resources. Additionally, Diane was with Viacom, Inc for over 12 years with her final position as Vice President of Marketing, Programming and Sales for Viacom, Inc's cable division.



She is a past board director of the Cable Television and Marketing Association (CTAM) and past national board director of the Women in Cable Telecommunications Association. She was named as a "Woman to Watch" by Multichannel News in 2003.



YOUNG ALEX WANG

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

Young Alex Wang joined Gems TV on June 1, 2006 as Managing Director, PRC.

Having always been in the media and entertainment industry, Alex's most recent role 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. Alex co-founded Intelligence Alliance Digital Technology Co. Ltd in 2004, where he served as Chief Operating Officer for two years and currently as a member on the board of directors. From 1999 to 2004, he took on key business development and producer roles in various companies, including BAOAO Asia Entertainment Co. Ltd, Viacom Inc's Beijing office, MTV China and Pacesetter Pictures International LongTan Advertising Co.

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 Japanese broadcasting service CS Tokyo Co., Ltd, 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. In addition, Kaori has extensive experience in the jewelry design industry, where she was jewelry designer for Japanese jewelry manufacturers Urban Gold Co., Ltd and Amemiya Jewelry Co., Ltd, from 1991 to 1997 and 1986 to 1989 respectively.



The Black Pearl

The beaded necklace. Scoring on style? Check. In black pearl? Double check. Classic with a twist is the name of the game this season.



Citrine

A single citrine stone lends an instant orangy sparkle to any outfit.



Ruby

Intricate designs are tip-toeing back into our jewelry boxes. The petal design is sweet and balances the intense hue of the ruby.



Trend spotting

Stay true to time-honored black and white sparkle or experiment with a dash of crisp, citrusy flavor. This season is all about a comfortable balance of classic tastes and invigorating colors – pearls go stunning black while peridot’s green is back on the charts. Whether you’re a quintessential romantic or a flamboyant fashionista, you’ll be able to step out in style with any one of these picks.

Here’s the run down of what’s cool for fall.

Go Platinum

Always stylish, never pretentious. In line with the classic theme, platinum plated silver makes a come-back for fall.



Green Tourmaline

One of the hottest gems of the season, tourmaline has shot up the charts of popularity in recent years, thanks to being spotted everywhere from Hollywood to jazz clubs.



Alexandrite

Another green favorite this season, alexandrite is an elegant alternative to the vibrant greens dominating the scene.



Diamond

Always a girl’s best friend, this season’s diamonds sparkle with intricate alternative designs. Classic, but definitely not boring!



Zultanite

Gemstones for day wear are all the rage. Slip on a pretty Zultanite ring just before you head out for coffee with your best friend.



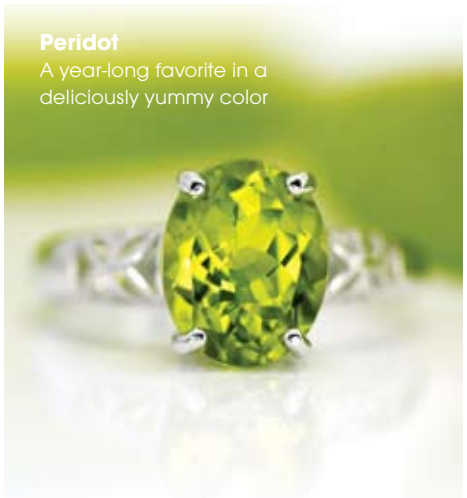


Flower motif

Along the theme of intricate settings – this particular flower motif gives a bohemian feel to a rich purple amethyst.

Peridot

A year-long favorite in a deliciously yummy color



Amethyst

What's fall without rich colors? Fall in love all over again with the grape-colored amethyst.



Opal

Up the fun quotient this fall with a unique play of color.



Did you know we ship 36,000 products every week around the world?

VICKI CARR
Gems TV Presenter

Talk of the town

Testimonies & accolades from Gems TV fans the world over



Dear all at gems,
I ordered a tanzanite ring
from you for my wife as a joint
birthday, wedding anniversary
gift, and when it arrived it was
absolutely stunning, it was
every bit as good as it looked
on the screen. As I have never
bought any jewellery this
expensive before I was a bit
scared as to the value for

money, and also it was my first
purchase from yourselves, so we took
the ring to Maurice bywaters in Sheffield
to be valued, we were shocked to find out we
paid £799 and it has been valued at £2500,
so thank you very much for the wonderful ring, and
I will not hesitate to recommend you to friends and
family, and will be buying from you in the future.

Yours faithfully,
S Kennedy



I purchased a white gold diamond ring and had it appraised and it came back at over \$600. WOW! Very pleased with my minimal investment of \$74. I love GemsTV and will never buy from anyone else ever again.

- Tiffany from Ohio



I have just received the valuation which is attached. My black diamond ring purchased for approx. £150.00 has been valued at £1800.00. THIS IS 12 TIMES MORE THAN I PAID!!! No need to say I am totally delighted. I also purchased, at the same time a Tahitian pearl and diamond pendant which I paid just under £200 for and this has been valued £575, nearly three times more!!! Well, no need to say, I am now saving up to purchase some more fantastic jewellery.

Thanks a bunch
Marie-Jeanne Ringer



I'm a new customer who recently purchased a Paraiba ring for \$2700. I had it appraised and the jeweler said it was worth \$28,000!!! Yes, you read it right. And although my husband Joel hates to admit it, he too likes to watch your show (it's a family affair).

- Miley from Florida



I just wanted to let you know that I purchased a Patroke Kunzite 3.9 cts. and had the ring appraised. I bought it for \$800 and it was appraised for replacement cost at \$2499. I am SO PLEASED!!! You guys rock!!!! and awesome jewelry. I am addicted to your show.

- Cynthia in Oklahoma



こんにちは。今月の誕生石はアメジストと言う事もあり、たくさんアメジストが出ていましたね。中でも、マルチカラアメジストは3アイテム(リング、ペンダント、ピアス)全てが複数のデザインが用意されていて、選択の幅が広くてとても良かったです。各アイテムをチョイスして、自分なりのコーディネートも楽しめるし、いいですね!

マルチカラアメジストは他局のショッピングohでは6万円以上はしてました。石の大きさもそんなに変わらないし地金の高騰前でした。それから考えると、ジェムスTVは本当に安いです! 番組に沢山出て来るので、実感はないかも知れませんが、マルチカラアメジストはレア物なんですよ! って声を大にして言いたいです! またお揃いアイテムをお願いしますね! どんなカラーストーンでも構いません。(何度もすみません)

これからも、毎日チェックしますね
がんばれば、ジェムスTV!
さようなら
GemName: レア物大好き



forward to receiving my jewellery and am absolutely sure that I will be pleased with the work that has been carried out. I have previously sent items to be resized and valuations done. One of the valuations was jaw dropping - 9ct yellow gold 2.5ct Siberian emerald solitaire. It was bought for my birthday last year costing £167 and the valuation for insurance purposes came back at £2,570.00. Since then I have purchased a number of pieces and never been disappointed. Thank you.

Regards
Lynda Jones

Did you know that Tanzanite is a gemstone that is a thousand times rarer than diamonds?

YUMA
Gems TV Presenter





Find out more on www.gemstv.co.uk or www.gems.tv



Operation review

A BRIEF HISTORY

Born as an online gemstone wholesaler based in 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 and Singapore. From sourcing loose gemstones, to manufacturing our own jewelry, to selling our products direct to consumers, we control substantially the entire supply chain, allowing us to provide tremendous 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. On November 10th 2006, through an IPO on the Singapore Exchange, we raised US\$140.3 million ("mn") 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. The following November (2007) we successfully launched our TV shopping channel in Japan – the second largest jewelry market in the world.

We currently sell our products direct to consumers through a reverse auction format on TV and online in the US (www.gemstv.com), Japan (www.gemstv.com.jp) and the UK (www.gemstv.co.uk). We also sell our products in China in a physical store and online (www.gemstv.com.cn).

CHALLENGING MARKETS

FY2008 presented many challenges for Gems TV due to the global economic headwinds our customers faced. Slowing consumer spending on highly discretionary items such as jewelry and rising gold prices slowed demand and impacted our margins.

To illustrate the challenges we faced in FY2008, we turn to a key indicator of how the overall jewelry market performed in the UK by citing Hallmarking figures released by The Assay Office. In the UK, all jewelry items containing precious metals must be hallmarked by The Assay Office to authenticate the claimed purity of the metal being sold. The Assay Office releases these figures, which are the best independent indication of general market conditions, based on the number of items hallmarked compared to the same period a year ago. 9k gold items,



which we primarily sell in the UK, between January 2008 and June 2008 were down 31% compared to the same period last year. 925 Silver items were down 26% in the month of June 2008 alone compared to June 2007.

Although this challenging economic environment impacted all our markets, revenue for FY2008 rose 48% to \$236.1mn with 2.8mn items sold at an Average Selling Price ("ASP") of \$78.5. The increase was primarily due to our first full year of revenue contribution from the US plus revenue from Japan which we launched in the middle of the year. However, this increase was partly offset by a drop in revenue in our maiden TV market – the UK.

During the year, the UK jewelry market deteriorated substantially because of the worsening economic environment. This slowdown accelerated towards the latter part of our financial year. As a result, revenue in the UK decreased 24% to \$101.3mn while total units sold were 12% lower at 1.16mn units at an ASP of \$80.

During the year, we expanded our reach to customers in the UK by beginning broadcast of Gems TV on Freeview, a popular free-to-air digital network. We now broadcast our TV programs in the morning and evening on Freeview for five hours a day, in addition to our broadcasts on BskyB and Virgin TV. We also took advantage of the economic downturn to acquire a new channel position on BskyB. Both our channels, GemsTV and GemsTV2 now reside on page 2 of the BskyB Electronic Program Guide ("EPG"). Having our channels higher on the EPG and closer together makes it much easier for our customers to find us and flip between channels. In addition, we began broadcasting GemsTV on freesat, a new free-to-air satellite network. Across all platforms, we now broadcast to 13.5mn full time equivalent ("FTE") subscribers in the UK.

In our fourth quarter, a competitor who copied our reverse auction method had an Advertising Standards Authority ("ASA") complaint upheld against them relating





to their use of start prices which the ASA felt was likely to suggest to customers that it represented a normal or expected price for the item. While we have never had any complaints upheld regarding our use of start prices, the decision of the ASA directly affected us as well since we were asked to drop our start price once the price was reduced for the first time during games. This resulted in us having to display only one price – the current price – in our games. This takes away a key dynamic in how our games are played. We have since had to make adjustments to the way we play the games in the UK by adding a timer which limits the time for each game and clearly informs customers as to when the game actually begins.

In the US, revenue for FY2008 rose 377% to \$126.5mn with 1.1mn units sold at an ASP of \$104. This large increase occurred primarily because FY2008 was our first full year in the US which was launched in November 2006. Revenue continued to show strong growth throughout the year but began to slow during the last quarter because of the worsening economic environment. We continued to expand our carriage in the US and ended the year with about 34mn FTE subscribers.

We launched our TV shopping program successfully in Japan in November 2007 on Sky Perfect TV to 3.3mn subscribers. We have since increased our subscriber base to 3.5mn subscribers and will continue to increase that number opportunistically as more bandwidth becomes available due to digitization. Total revenue in Japan for the year was \$4.6mn with 33,000 units sold at an ASP of \$136.

In China, we opened a new store in Beijing. Our strategy in China is slightly different than that of western markets. To build the trust we need to grow our online business, we need physical presence so consumers can touch and feel our products. As such, we are planning to increase the number of stores we operate in Beijing and Shanghai, as well as partnering with distribution partners in other cities to build out our brand recognition in key cities. As the online marketplace gains traction, we will be established as the trusted and knowledgeable source for genuine gemstone jewelry.

As our key markets began to slow due to the challenging economic environment, we took the opportunity to upgrade our factories in Chanthaburi, Thailand to make them more productive. We implemented a new 'modular' method of manufacturing. Under the modular method, we reconfigured our large factories into small mini-factories of about 32 craftsmen each. This has significantly reduced clerical staff, tightened our controls, encouraged efficiency and made the large workforce much easier to manage. It also helped

promote teamwork and installed a self policing quality control mentality. In the future, we will be able to scale our operations much easier by adding modules as we continue to grow. Our four factories in Thailand have thus been consolidated into two producing factories with the two remaining factories reserved for future expansion and training.

On 8th May 2008, Gems TV Deutschland GmbH ("GTVD"), a German television production company which purchased jewelry products from us for sale on its television shopping program, informed us that it was terminating our supply agreements and shutting down all broadcasting activities. We made a full provision in FY2008 for the balance owing to us amounting to €3.1mn (\$4.9mn) as we are uncertain of the probability of recovery of the remaining amount.

At the end of the financial year we made additional inventory provisions to inventory we felt will be difficult to sell during these challenging economic times. Total inventory provisions amounted to \$7.2mn which have been recorded in cost of sales and administrative expenses. Most are older designs similar to products being liquidated by our competitors.

Gross profit margin fell from 46% in FY2007 to 40% in FY2008 as gold prices rose and discounting in the highly price-competitive market intensified.

When corrected for the additional inventory provisions, redundancy costs related to the move to the modular method of manufacturing and provisions related to Germany, selling expenses rose from \$47.9mn to \$88.6mn and administrative expenses rose \$8.7mn to \$31.2mn in line with our expansion into new markets.

We recorded a net loss for FY2008 of \$29.7mn. Excluding the additional inventory provisions, redundancy costs related to implementing the modular system of manufacturing and provisions related to Germany, the net loss would have been \$17.4mn.

While the retail environment was challenging during FY2008, we are encouraged by the revenue growth experienced in our new markets. We will continue to focus on our key competitive advantages – entertaining and educational programming when compared to traditional TV home shopping; a unique focus, selling only natural gemstone jewelry; bringing tremendous value to our customers through control of substantially our entire supply chain; and first mover advantages in all of our markets. Since our IPO, the investments made into our global expansion strategy have positioned Gems TV to become the leader in all our markets.

corporate information

BOARD OF DIRECTORS

Ng Boon Yew

Chairman and Independent Director

Jason Choo Choon Wai

Chief Executive Officer and 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
Cayman Islands
Facsimile number: +1 345 945 7388

SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte Ltd

3 Church Street #08-01
Samsung Hub
Singapore 049483

AUDITORS

Ernst & Young LLP

One Raffles Quay
North Tower, level 18
Singapore 048583
Partner-in-charge
Liew Choon Wai (Since financial year 2007)

PRINCIPAL 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 6 directors during financial year 2008, namely:

Mr Ng Boon Yew

Mr Jason Choo Choon Wai

Mr Don Rene Kogen (resigned on 6 December 2007)

Mr David Sim Cheok Leng

Mr David Alan Rick

Mr Leong Ka Yew

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

The Board's mission is to create 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 five 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.

BOARD COMPOSITION AND GUIDANCE

Principle 2 : Strong and independent element on the board

At the end of the financial year 2008, the board had five members, consisting of three independent non-executive directors, one non-executive director and one executive director.

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

corporate governance

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 action and approves the agendas for board committee meetings, and exercises control over the quality, quantity and timeliness of information flow between the board and management.

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

BOARD MEMBERSHIP

Principle 4 : Formal and transparent process for the appointment of new directors to the board

The 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").

Pursuant to Article 86(1) of the Company's Articles of Association, each Director shall retire at least once every 3 years. All 5 directors were subjected to retirement and re-elected during the AGM held in 2007. None of the Directors would be due for retirement and re-election for financial year 2008.

For FY2008, 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	5	4	4	4	NA	NA	2	2
David Sim Cheok Leng	5	4	4	3	1	1	NA	NA
Leong Ka Yew	5	4	4	4	1	1	2	2
David Alan Rick	5	5	4	4	1	1	2	2
Jason Choo Choon Wai	5	5	NA	NA	NA	NA	NA	NA
Don Rene Kogen	2*	2	NA	NA	NA	NA	NA	NA

* Don Rene Kogen resigned on 6 December 2007. There were 2 Board meetings held during the financial year before he resigned.

corporate governance

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

REMUNERATION MATTERS

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

Principle 8 : Remuneration of directors should be adequate but not excessive

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

REMUNERATION COMMITTEE

The 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 Leong Ka Yew	Member
Mr David Alan Rick	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

corporate governance

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 2008

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

	Base / Fixed Salary	Variable or Performance Related Bonus	Directors' Fee	Benefits in kind	PSP ¹	Total
Remuneration Band & Name of Directors						
Above US\$500,000						
Jason Choo Choon Wai	100%					100%
Below US\$250,000						
Ng Boon Yew			100%			100%
Leong Ka Yew			100%			100%
David Alan Rick			100%			100%
David Sim Cheek Leng			100%			100%
Don Rene Kogen (resigned on 6 Dec 2007)	95%		5%			100%

¹ PSP refers to the Performance Share Plan

	Base / Fixed Salary	Variable or Performance Related Bonus	Directors' Fee	Benefits in kind	PSP ¹	Total
Remuneration Band & Name of Key Executives						
Above US\$250,000 to US\$500,000						
Tony Hillyer	78%	18%		4%		100%
Diane Schneiderjohn	63%	13%		4%	20%	100%
Loretta Castoro	63%	29%		8%		100%
Wong Lai Kuen	77%	23%				100%
Kaori Miwa	70%	30%				100%

¹ PSP refers to the Performance Share Plan

corporate governance

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 2008 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 70 for details of the Plans.

ACCOUNTABILITY AND AUDIT

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

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

The Board provides shareholders with quarterly and annual financial reports.

Audit Committee

The 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 Leong Ka Yew	Member
Mr David Alan Rick	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 2008 audit plan and the financial year 2008 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 Auditor ("IA") reports to the Chairman of the AC.

By the end of the financial year 2008, the IA has completed the internal audit exercises of the Group's significant subsidiaries.

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 2008, 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 have 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.

USE OF INITIAL PUBLIC OFFERING (“IPO”) PROCEEDS

The Company successfully raised S\$222.5 million (US\$140.3 million based on exchange rate listed on page 39 of the Prospectus dated 3 November 2006) from the issuance of 206.06 million new ordinary shares of par value US\$0.001 each on 10 November 2006 pursuant to the IPO of the Company. As at 30th June 2008, US\$107.1 million of the net IPO proceeds of US\$133.7 million (after deducting IPO expenses of US\$6.6 million) had been used in the following manner:

	US\$ million
Expansion into United States, including acquisition and expansion, acquisition of inventory, carriage costs and working capital	50.0
Expansion into Japan, including acquisition and expansion, acquisition of inventory, carriage costs and working capital	14.7
Expansion into PRC, including acquisition and expansion, acquisition of inventory, carriage costs and working capital	1.4
Expand manufacturing and related facilities in Chanthaburi, Thailand	4.3
Expand operations in Germany	5.0
Upgrade existing facilities in the UK	2.0
General corporate and working capital purpose	29.7
Total	107.1

INTERESTED PERSON TRANSACTIONS

Name of Interested Person	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all Interested Person transactions conducted under the shareholder's mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	Group for Financial Year Ended		Group for Financial Year Ended	
	30 June 2008 US\$ '000	30 June 2007 US\$ '000	30 June 2008 US\$ '000	30 June 2007 US\$ '000
Transactions with Live Art International (S) Pte Ltd Creative production and directing services for television programming	70	164	-	-

choice cuts



Round Cut

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



Oval Cut

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



Baguette Cut

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



Square Cut

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



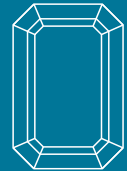
Trilliant Cut

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



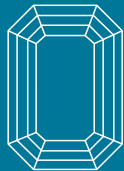
Pear Cut

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



Octagon Cut

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



Emerald Cut

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



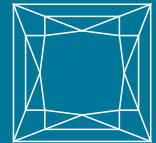
Marquise Cut

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



Antique Cushion Cut

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



Princess Cut

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



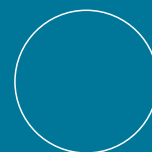
Heart Cut

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



Briolette Cut

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



Cabochon Cut

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

statutory and financial reports

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directors' report

year ended 30 June 2008

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 2008.

Directors

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

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

Arrangements to enable Directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

Name of Director	Direct interest		Deemed interest	
	At 1.7.2007	At 30.6.2008	At 1.7.2007	At 30.6.2008
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
David Alan Rick	4,120,000*	4,120,000*	–	–
David Sim Cheok Leng	2,110,000	2,260,000**	138,000	138,000

* Held in the name of nominee.

** 150,000 shares held in the name of nominee.

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 2008

Share-based incentive schemes

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

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

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

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 were as follows:

Awards granted in financial year	Balance as at 1 July 2007	Conditional shares granted during the year	Conditional shares issued	Aggregate conditional shares lapsed/ cancelled	Aggregate conditional shares outstanding as at 30 June 2008
Key executives of the subsidiary					
Performance Share Plan	–	235,435	(235,435)	–	–
Restricted Stock Plan	1,000,000	–	(167,000)	(833,000)	–
	1,000,000	235,435	(402,435)	(833,000)	–

directors' report

year ended 30 June 2008

Share-based incentive schemes (cont'd)

During the current 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

Auditors

Ernst & Young LLP 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

9 September 2008

statement by directors

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 2008; 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
9 September 2008

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 36 to 79, which comprise the balance sheets of the Group and the Company as at 30 June 2008, 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.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company, present fairly the state of affairs of the Group and of the Company as at 30 June 2008 and the financial performance, changes in equity and cash flow of the Group and the changes in equity of the Company for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG LLP

Public Accountants and Certified Public Accountants

Singapore
9 September 2008

consolidated profit and loss account

for the financial year ended 30 June 2008

	Note	2008 US\$'000	2007 US\$'000
Revenue	3		
Sale of goods		221,932	149,062
Shipping and handling services		14,145	10,750
Total revenue		236,077	159,812
Cost of goods sold		(141,606)	(86,530)
Gross profit		94,471	73,282
Other operating income	4	7,067	7,025
Selling expenses		(93,489)	(47,883)
Administrative expenses		(36,945)	(22,461)
Interest expense	5	–	(96)
(Loss)/profit before taxation	6	(28,896)	9,867
Taxation	7	(811)	(2,219)
Net (loss)/profit attributable to equity holders of the parent		(29,707)	7,648
Earnings per share (cents)			
Basic EPS	8	(2.88)	0.80
Diluted EPS	8	(2.88)	0.80

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

balance sheets

as at 30 June 2008

	Note	Group		Company	
		2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Non-current assets					
Property, plant and equipment	9	16,357	11,483	–	2
Intangible assets	10	9,443	7,252	922	1,086
Investment in subsidiary companies	11	–	–	15,970	14,793
Long term deposits	24	4,868	3,139	–	–
Deferred tax assets	7	156	990	–	–
Current assets					
Inventories	12	59,531	57,381	–	–
Prepayments	13	6,520	6,283	27	19
Trade receivables	14	1,818	4,184	–	2,077
Other receivables and deposits	15	3,112	2,378	568	876
Amounts due from subsidiary companies	16	–	–	66,952	41,070
Short term deposits	24	62,649	109,806	58,613	104,007
Cash at bank	24	6,242	7,945	83	28
		139,872	187,977	126,243	148,077
Current liabilities					
Trade payables	17	9,648	9,126	–	–
Other payables	18	4,379	4,939	275	370
Advances from customers	19	406	12,281	–	–
Accruals and provision	20	3,601	2,335	645	618
Amounts due to subsidiary companies	16	–	–	2,700	–
Income tax payable		12,898	13,434	–	–
Employee benefit liability	25	243	183	–	–
		31,175	42,298	3,620	988
Net current assets		108,697	145,679	122,623	147,089
Non-current liabilities					
Deferred tax liabilities	7	(423)	(486)	–	–
Net assets		139,098	168,057	139,515	162,970
Equity attributable to equity holders					
Share capital	21	1,031	1,030	1,031	1,030
Share premium	22	152,024	151,854	152,024	151,854
Share plan reserve	23	–	220	–	220
(Accumulated losses)/retained earnings		(17,839)	11,868	(13,540)	9,866
Foreign currency translation reserve	23	3,539	2,742	–	–
Other reserve	23	343	343	–	–
Total equity		139,098	168,057	139,515	162,970

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 2008

Group	Share capital (Note 21) US\$'000	Share premium (Note 22) US\$'000	Share plan reserve (Note 23) US\$'000	(Accumulated losses)/ retained earnings US\$'000	Foreign currency translation reserve (Note 23) US\$'000	Other reserve (Note 23) US\$'000	Total US\$'000
Balance at 30 June 2007	1,030	151,854	220	11,868	2,742	343	168,057
Translation adjustments	-	-	-	-	797	-	797
Total income and expense for the year recognised directly in equity	-	-	-	-	797	-	797
Grant of share award to employees (Note 25)	-	-	82	-	-	-	82
Issuance of shares under share plan schemes (Note 25)	1	170	(171)	-	-	-	-
Writeback of share plan expenses (Note 25)	-	-	(131)	-	-	-	(131)
Net loss for the year	-	-	-	(29,707)	-	-	(29,707)
Balance at 30 June 2008	1,031	152,024	-	(17,839)	3,539	343	139,098
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 recognised 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 25)	-	-	312	-	-	-	312
Issuance of shares under share plan schemes (Note 25)	- [#]	92	(92)	-	-	-	-
Net profit for the year	-	-	-	7,648	-	-	7,648
Dividends (Note 32)	-	-	-	(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

[#] 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 2008

Company	Share capital (Note 21) US\$'000	Share premium (Note 22) US\$'000	Share plan reserve (Note 23) US\$'000	(Accumulated losses)/ retained earnings US\$'000	Total US\$'000
Balance at 30 June 2007	1,030	151,854	220	9,866	162,970
Grant of share awards to employees (Note 25)	-	-	82	-	82
Issuance of shares under share plan schemes (Note 25)	1	170	(171)	-	-
Writeback of share plan expenses	-	-	(131)	-	(131)
Net loss for the year	-	-	-	(23,406)	(23,406)
Balance at 30 June 2008	1,031	152,024	-	(13,540)	139,515
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 25)	-	-	312	-	312
Issuance of shares under share plan schemes (Note 25)	- [#]	92	(92)	-	-
Net profit for the year	-	-	-	28,808	28,808
Dividends (Note 32)	-	-	-	(15,455)	(15,455)
Balance at 30 June 2007	1,030	151,854	220	9,866	162,970

[#] 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 2008

	2008 US\$'000	2007 US\$'000
Cash flow from operating activities:		
(Loss)/profit before taxation	(28,896)	9,867
Adjustments for:		
Allowance/(writeback) of allowance for doubtful debts	4,822	(5)
Allowance for inventory	7,677	1,466
Write back of allowance for inventory	(452)	(570)
Provision for sales return, net	771	(30)
Depreciation of property, plant and equipment	4,507	2,265
Amortisation of intangible assets	704	532
Property, plant and equipment written off	15	44
Inventories written off	-	9
Bad debts written off directly to profit and loss	20	224
Loss on disposal of property, plant and equipment	81	26
Impairment loss on property, plant and equipment	-	33
Interest income	(3,496)	(4,630)
Interest expense	-	96
(Writeback of)/share-based payment expenses	(49)	312
Translation adjustments	289	642
Operating cash flow before reinvestment in working capital	(14,007)	10,281
Trade and other receivables	(3,636)	(7,445)
Inventories	(9,375)	(24,090)
Trade and other payables	(11,358)	14,257
Cash used in operating activities	(38,376)	(6,997)
Income tax paid	(581)	(3,577)
Interest received	3,714	3,684
Interest paid	-	(96)
Net cash used in operating activities	(35,243)	(6,986)
Cash flow from investing activities:		
Purchase of intangible assets	(2,958)	(1,053)
Purchase of property, plant and equipment	(9,625)	(6,449)
Proceeds from disposal of property, plant and equipment	265	68
Net cash used in investing activities	(12,318)	(7,434)
Cash flow from financing activities:		
Proceeds from share issuance	-	143,056
Payment of listing expenses	-	(5,915)
Repayment of bank loans	-	(1,261)
Repayment of financial lease payables	-	(92)
Dividends paid	-	(15,455)
Increase in deposits pledged	(3,928)	(140)
Net cash (used in)/generated from financing activities	(3,928)	120,193
Net (decrease)/increase in cash and cash equivalents	(51,489)	105,773
Cash and cash equivalents at beginning of year (Note 24)	117,751	11,664
Effect of exchange rate changes on opening cash	430	314
Cash and cash equivalents at end of year (Note 24)	66,692	117,751

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 2008

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 are rounded to the nearest thousand (US\$'000) except when otherwise indicated.

2.2 Future changes in accounting policies

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

Reference	Description	Effective for annual periods beginning on or after
IAS 1	Revised Presentation of Financial Statements	1 January 2009
IAS 23R	Borrowing Costs	1 January 2009
IAS 27	Consolidated and Separate Financial Statements – Amendments Relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009
IAS 27R	Consolidated and Separate Financial Statements	1 July 2009
IAS 32	Financial Instruments: Presentation – Amendments to IAS 32 and IAS 1 Regarding Puttable Financial Instruments and Obligations Arising on Liquidation	1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement – Amendments Relating to Eligible Hedged Items	1 July 2009
IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendments Relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IFRS 2	Share-Based Payments – Amendments Relating to Vesting Conditions and Cancellations	1 January 2009

notes to the financial statements

for the financial year ended 30 June 2008

2. Significant accounting policies (cont'd)

2.2 Future changes in accounting policies (cont'd)

Reference	Description	Effective for annual periods beginning on or after
IFRS 3R	Business Combinations	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IFRIC Interpretation 12	Service Concession Arrangements	1 January 2008
IFRIC Interpretation 13	Customer Loyalty Programmes	1 July 2008
IFRIC Interpretation 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008
IFRIC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008

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 additional disclosures.

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 recognised 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 which ranges from 8 days to 30 days upon delivery to the customers.

During the financial year, the Company changed its accounting estimate from full deferral of revenue in respect of sales covered under the Group's refund policy to that of provision for sales return. In the previous financial year, these sales had been deferred because the customer's right of return has not expired as at the end of the financial year and there were significant uncertainties regarding management's ability to reliably estimate the amount of future returns. With the longer sales history, the Company is able to estimate the potential amount of returns based on historical returns rates. The change in the accounting estimate has been accounted for prospectively and has led to increases in the revenue and results of the Group by approximately US\$9,219,000 and US\$3,861,000, respectively. As the provision for sales return is based on the moving average of the historical return rate calculated at each balance sheet date, it is not practicable to estimate the change of the accounting estimate on future periods. The provision for sales return has been disclosed in Note 20 to the financial statements.

notes to the financial statements

for the financial year ended 30 June 2008

2. Significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgments (cont'd)

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

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 recognises 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 recognised, such differences will impact the income, deferred and other tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables and deferred tax liabilities at the balance sheet date was US\$12,898,000 (2007: US\$13,434,000) and US\$423,000 (2007: US\$486,000) respectively.

Net realisable value of inventories

The Group estimates the net realisable value of inventories in applying its accounting policy for inventories, namely, to carry the inventories at the lower of cost and net realisable value. This requires an estimation of the net realisable 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 realisable value. In estimating net realisable value, management takes into account items that have been returned under warranty which cannot be repaired or for which there are no identical items in stock and items which have been assessed by management not to be saleable. For such items, the Group then melts down the items to use the gemstones and raw materials in the production of new items. A write-down on the costs of these inventories is required in order to account for gemstones or raw materials lost or damaged during the melt-down and recovery process. The carrying amount of the Group's inventories as at 30 June 2008 was approximately US\$59,531,000 (2007: US\$57,381,000) and has been presented net of allowance for obsolescence and defective inventories amounting to approximately US\$8,116,000 (2007: US\$1,621,000).

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 2008 was US\$3,675,000 (2007: US\$3,704,000). See Note 10 for more details.

Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the balance sheet date is disclosed in Note 14 to the financial statements.

2.4 Functional and foreign currency

(a) Functional currency

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

notes to the financial statements

for the financial year ended 30 June 2008

2. Significant accounting policies (cont'd)

2.4 Functional and foreign currency (cont'd)

(b) Foreign currency

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

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 recognised in a separate component of equity, which is the foreign currency translation reserve. On disposal of a foreign entity, accumulated exchange differences deferred in equity relating to that foreign entity are recognised 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.

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.

notes to the financial statements

for the financial year ended 30 June 2008

2. Significant accounting policies (cont'd)

2.7 Property, plant and equipment

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

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

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

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 derecognised 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 derecognised.

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 finite. 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 items.

notes to the financial statements

for the financial year ended 30 June 2008

2. Significant accounting policies (cont'd)

2.8 Intangibles (cont'd)

(b) Other intangible assets (cont'd)

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

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

2.9 Impairment of non-financial assets

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised 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 recognised 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 recognised. 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 recognised for the asset in prior years. Reversal of an impairment loss is recognised 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 recognised for goodwill.

2.10 Financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised 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 recognised 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 amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

notes to the financial statements

for the financial year ended 30 June 2008

2. Significant accounting policies (cont'd)

2.11 Cash and cash equivalents

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

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

2.12 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 recognised 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 recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.14 Inventories

Inventories represent raw materials, work-in-progress, finished goods and factory supplies are valued at the lower of cost and net realisable 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 realisable 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 recognised at fair value and subsequently measured at amortised cost using the effective interest method. Financial liabilities are recognised 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 recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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

notes to the financial statements

for the financial year ended 30 June 2008

2. Significant accounting policies (cont'd)

2.16 Interest bearing loans and borrowings

All loans and borrowings are initially recognised 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 amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Borrowing costs are recognised 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 derecognised where:

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

Where the Group has transferred its rights to receive cash flow from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised 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 recognised directly in equity is recognised in the profit and loss account.

(b) Financial liabilities

A financial liability is derecognised 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 recognised in the profit and loss account.

notes to the financial statements

for the financial year ended 30 June 2008

2. Significant accounting policies (cont'd)

2.18 Provisions

Provisions are recognised 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 recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

2.19 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 recognised 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 recognised as income or expense when the net cumulative unrecognised 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 recognised over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognised 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 recognised immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised, reduced by past service cost not yet recognised 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 unrecognised 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 unrecognised 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 recognised 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 recognised immediately.

Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognised immediately if the asset is measured at the aggregate of cumulative unrecognised 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 recognised immediately.

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

notes to the financial statements

for the financial year ended 30 June 2008

2. Significant accounting policies (cont'd)

2.19 Employee benefits (cont'd)

(c) *Employee leave entitlements*

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

(d) *Share-based payment transactions*

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

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

The cost of equity-settled transactions is recognised, 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 recognised 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 recognised as at the beginning and end of that period.

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

2.20 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.

Capitalised 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 recognised as an expense in the income statement on a straight-line basis over the lease term.

2.21 Revenue recognition

Revenue is recognised 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 recognised:

Sale of goods

Revenue is recognised 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 recognised where there are significant uncertainties regarding recovery of the consideration due and associated costs.

notes to the financial statements

for the financial year ended 30 June 2008

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 recognised upon services being rendered and invoiced.

Interest income

Interest income is recognised using the effective interest method.

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 recognised 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 recognised 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 utilised.

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. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised 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.

(c) **Sales tax**

Revenue, expenses and assets are recognised 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 recognised 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.

notes to the financial statements

for the financial year ended 30 June 2008

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	
	2008 US\$'000	2007 US\$'000
Interest income	3,496	4,630
Foreign exchange gain	3,027	2,074
Mark-up on insurance charges	122	214
Miscellaneous income	189	85
Insurance compensation claim	233	22
	<u>7,067</u>	<u>7,025</u>

5. Interest expense

	Group	
	2008 US\$'000	2007 US\$'000
Interest expense from:		
Term loan	-	89
Lease payables	-	7
	<u>-</u>	<u>96</u>

6. (Loss)/profit before taxation

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

	Group	
	2008 US\$'000	2007 US\$'000
Non-audit fees paid to the auditors of the Company	159	169
Amortisation of intangible assets	704	532
Cable or satellite carriage expenses ^	48,130	20,139
Depreciation	4,507	2,265
Directors' fees	166	203
Impairment loss on property, plant and equipment	-	33
Inventories written off	-	9
Loss on disposal of property, plant and equipment	81	26
Property, plant and equipment written-off	15	44
Allowance/(writeback of allowance) for doubtful debts	4,822	(5)
Bad debts written off directly against profit and loss	20	224
Allowance for inventory	7,677	1,466
Write back of allowance for inventory	(452)	(570)

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

notes to the financial statements

for the financial year ended 30 June 2008

6. (Loss)/profit before taxation (cont'd)

	Group	
	2008	2007
	US\$'000	US\$'000
Provision for sales return	858	–
Writeback of provision for sales return	(87)	(30)
Rental of premises	1,975	699
Listing expenses charged against profit and loss	–	662
Shipping and handling charges #	13,299	8,555
Staff costs		
Salaries, wages and other related costs (Note 25)	36,678	27,939
Contributions to defined contribution plans (Note 25)	1,232	707
Share-based payment expense (Note 25)	(49)	312
Pension costs * (Note 25)	55	217
Retrenchment benefits (Note 25)	679	–

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	
	2008	2007
	US\$'000	US\$'000
In respect of results for the year:		
Current tax	14	1,179
Deferred tax	613	866
	627	2,045
Underprovision in respect of prior years:		
Current tax	1	174
Deferred tax	183	–
	184	174
Taxation	811	2,219

notes to the financial statements

for the financial year ended 30 June 2008

7. Taxation (cont'd)

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

The reconciliation of the tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate is as follows:

	Group	
	2008 US\$'000	2007 US\$'000
(Loss)/profit before taxation	(28,896)	9,867
Tax at the domestic rates applicable to profits in the countries where the Group operates ⁽¹⁾	(3,197)	1,705
Income not subject to tax	(13,120)	(7,028)
Effect of expenses not deductible for tax purposes	600	348
Effect of deferred tax benefits not recognised on tax losses	15,969	6,865
Under provision in respect of prior years	184	174
Others	375	155
	811	2,219

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

(b) Deferred taxation

Deferred taxation relates to the following:

	Group	
	2008 US\$'000	2007 US\$'000
Deferred tax assets:		
Differences in inventories	48	787
Accruals	–	10
Fixed assets	–	150
Others	108	43
	156	990
Deferred tax liabilities:		
Difference in valuation of freehold land ⁽¹⁾	19	20
Difference in valuation of building ⁽¹⁾	115	123
Difference in valuation of intangible assets ⁽¹⁾	277	343
Difference in valuation of other assets	12	–
	423	486

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

notes to the financial statements

for the financial year ended 30 June 2008

7. Taxation (cont'd)

(b) Deferred taxation (cont'd)

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 previous financial year, the first BOI grant lapsed voluntarily.

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

The subsidiary was granted additional rights and privileges under the policy which supports investments in the development of skills, technology and innovation ("STI grant") by the Board of Investment in Thailand on 1 March 2007. Under the STI grant, the subsidiary would be entitled to an exemption from income tax for 8 years without a cap on the amount of corporate income tax exemption. This is subject to conditions stipulated under the grant, one of which is that the subsidiary must have investments or incurs expenditure in research and development or design, Advance Technology Training, and in supporting an educational or research institution. These expenditure commitments have been included in Note 27 (c).

The Group has tax losses of approximately US\$67.6 million (2007: US\$20.1 million) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised 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 25).

	Group	
	2008	2007
	US\$'000	US\$'000
Net profit attributable to ordinary shareholders for basic and diluted earnings per share (US\$'000)	(29,707)	7,648
Weighted average number of ordinary shares applicable to basic earnings per share	1,030,729,912	955,784,760
Effect of dilution: Share grants	–	1,000,000
	<u>1,030,729,912</u>	<u>956,784,760</u>

Other than those disclosed in Note 34(a) and (b), 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 2008

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 2006	998	1,748	495	490	5,213	140	292	–	9,376
Additions	–	226	874	648	4,256	195	214	36	6,449
Disposals	–	–	–	(11)	(219)	–	(93)	–	(323)
Write off	–	–	–	(12)	(16)	–	–	(36)	(64)
Translation adjustments	85	147	49	76	502	23	35	–	917
At 30 June 2007	1,083	2,121	1,418	1,191	9,736	358	448	–	16,355
Additions	–	–	1,267	623	7,211	190	106	228	9,625
Disposals	–	–	–	(386)	(1,129)	(8)	(210)	–	(1,733)
Write off	–	–	(82)	–	(10)	–	–	–	(92)
Translation adjustments	(8)	(24)	25	33	125	9	15	(2)	173
At 30 June 2008	1,075	2,097	2,628	1,461	15,933	549	359	226	24,328
Accumulated depreciation and impairment									
At 30 June 2006	–	160	133	160	1,949	26	97	–	2,525
Depreciation for the year	–	103	195	139	1,726	40	62	–	2,265
Impairment loss	–	–	–	13	20	–	–	–	33
Disposals	–	–	–	(3)	(183)	–	(43)	–	(229)
Write off	–	–	–	(7)	(13)	–	–	–	(20)
Translation adjustments	–	17	18	19	229	4	11	–	298
At 30 June 2007	–	280	346	321	3,728	70	127	–	4,872
Depreciation for the year	–	160	693	274	3,221	81	78	–	4,507
Disposals	–	–	–	(287)	(969)	(5)	(126)	–	(1,387)
Write off	–	–	(72)	–	(5)	–	–	–	(77)
Translation adjustments	–	(7)	10	11	36	2	4	–	56
At 30 June 2008	–	433	977	319	6,011	148	83	–	7,971
Net book value									
At 30 June 2007	1,083	1,841	1,072	870	6,008	288	321	–	11,483
At 30 June 2008	1,075	1,664	1,651	1,142	9,922	401	276	226	16,357

notes to the financial statements

for the financial year ended 30 June 2008

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

Company	Furniture, fixtures and equipment US\$'000
Cost	
Additions and balance as at 30 June 2007 and 1 July 2007	2
Written off during financial year	(2)
At 30 June 2008	-
Net book value	
At 30 June 2007	2
At 30 June 2008	-

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

Impairment losses amounting to approximately US\$ Nil (2007: US\$33,000) 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 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
Additions	-	2,111	-	847	2,958
Write off	-	(10)	-	-	(10)
Reclassification	-	10	(10)	-	-
Translation adjustments	(29)	(60)	-	33	(56)
At 30 June 2008	3,675	4,263	283	3,004	11,225
Accumulated amortisation					
At 30 June 2006	-	257	81	146	484
Amortisation for the period	-	237	16	279	532
Translation adjustments	-	48	-	17	65
At 30 June 2007	-	542	97	442	1,081
Amortisation for the period	-	247	14	443	704
Write off	-	(10)	-	-	(10)
Reclassification	-	9	(9)	-	-
Translation adjustments	-	(3)	-	10	7
At 30 June 2008	-	785	102	895	1,782

notes to the financial statements

for the financial year ended 30 June 2008

10. Intangible assets (cont'd)

Group	Goodwill US\$'000	Television channel rights US\$'000	Intellectual properties US\$'000	Computer software US\$'000	Total US\$'000
Net book value					
At 30 June 2007	3,704	1,670	196	1,682	7,252
At 30 June 2008	3,675	3,478	181	2,109	9,443
Remaining amortisation period at 30 June 2007	NA	6 years	14 years	1 to 4.5 years	NA
Remaining amortisation period at 30 June 2008	NA	5 to 20 years	13 years	1 to 4.5 years	NA

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

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

Included in computer software are costs amounting to US\$267,000 (2007: US\$267,000) relating to implementation in progress of a management information system, for which amortisation has not commenced as at 30 June 2008.

Amortisation of intellectual properties, television channel rights and computer software are included in the line "Selling and administrative expenses" in the consolidated profit and loss account.

Company	Television channel rights US\$'000	Intellectual properties US\$'000	Computer Software US\$'000	Total US\$'000
Cost				
At 30 June 2006	10	283	651	944
Additions	-	-	535	535
intercompany transfer	-	-	(170)	(170)
At 30 June 2007	10	283	1,016	1,309
Write Off	(10)	-	-	(10)
At 30 June 2008	-	283	1,016	1,299
Accumulated amortisation				
At 30 June 2006	7	72	7	86
Amortisation for the period	3	15	119	137
At 30 June 2007	10	87	126	223
Amortisation for the period	-	14	150	164
Write Off	(10)	-	-	(10)
At 30 June 2008	-	101	276	377

notes to the financial statements

for the financial year ended 30 June 2008

10. Intangible assets (cont'd)

Company	Television channel rights US\$'000	Intellectual properties US\$'000	Computer Software US\$'000	Total US\$'000
Net book value				
At 30 June 2007	–	196	890	1,086
At 30 June 2008	–	182	740	922
Remaining amortisation period at 30 June 2007	NA	14 years	1 to 4.5 years	NA
Remaining amortisation period at 30 June 2008	NA	13 years	1 to 3.5 years	NA

Impairment testing of goodwill

For the purpose of impairment testing, goodwill of US\$3.7 million (2007: US\$3.7 million) has been allocated to Gems TV (UK) Limited which represents the cash generating unit within the Group at which the goodwill is monitored for internal management purposes.

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 4-year financial forecast.

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

- Weighted average cost of capital of 12.13% (2007 : 17.34%)
- Revenue growth ranging from 5.4% to 8% per annum
- Selling and administrative expenses which are budgeted to grow at a maximum of 4.7% and 4.0% respectively
- Budgeted gross margins ranging from 22% to 27% per annum

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

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

notes to the financial statements

for the financial year ended 30 June 2008

11. Investment in subsidiary companies

	Company	
	2008	2007
	US\$'000	US\$'000
Unquoted shares at cost	15,970	14,793

Name (Country of incorporation and place of business)	Principal activities	Percentage of equity held by the Group at financial year-end	
		2008 %	2007 %
(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 Ltd. (Japan)	Retailing of jewelry and jewelry products via television and the Internet and mail order	100.00	100.00
* Gems (Beijing) Trading Co.,Ltd. (People's Republic of China)	Import and export, retail and wholesale of gemstones, jewelries, watches and auxiliary products with after sales and related consultancy services	100.00	100.00
(3) GemsAsia Pte Ltd (Singapore)	Management consultancy, investment holding and trading services	100.00	100.00
# Subsidiary held by NCS Group Co., Ltd.: Gems TV (USA) Limited (USA)	Retailing of jewelry through TV and the Internet	100.00	100.00
@ Subsidiaries held by Gems TV (UK) Limited: Factory Outlet TV Limited (England)	Dormant since 10 June 2005	100.00	100.00
@ Subsidiary held by Factory Outlet TV Limited: Eagle Road Studios Limited	Dormant since 10 June 2005	100.00	100.00

(1) Audited by Ernst & Young LLP, UK.

(2) Audited by Ernst & Young Office Limited.

(3) Audited by Ernst & Young LLP.

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

Audited by Ernst & Young LLP, for purpose of consolidation.

* Financial year end is 31 December. The financial statements as at 30 June 2008 were not audited as it is not significant to the Group in the current financial year.

notes to the financial statements

for the financial year ended 30 June 2008

12. Inventories

	Group	
	2008 US\$'000	2007 US\$'000
Raw materials	10,556	10,901
Work-in-progress	2,746	3,567
Finished goods	22,937	41,021
Factory supplies	835	320
Inventories, at cost	37,074	55,809
Raw materials at net realisable value	909	-
Finished goods, at net realisable value	21,548	1,572
Total inventories at the lower of cost and net realisable value	59,531	57,381

Inventories at net realisable value are stated net of allowance for obsolescence and defective items of US\$8,116,000 (2007: US\$1,621,000).

Allowance for inventory of approximately US\$452,000 (2007: US\$570,000) has been written back as a result of the Group selling the inventories at prices above cost in the current financial year.

13. Prepayments

	Group		Company	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Prepayments for:				
- channel fees	1,945	1,929	-	-
- satellite transmission charges	1,618	1,421	-	-
- renovation	130	20	-	-
- assay and import duties	393	492	-	-
- maintenance and insurance	335	171	19	15
- others	545	407	8	4
Advance payment for inventory	1,554	1,843	-	-
	6,520	6,283	27	19

notes to the financial statements

for the financial year ended 30 June 2008

14. Trade receivables

	Group		Company	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Trade receivables	1,818	4,184	–	2,077
Other receivables and deposits (Note 15)	3,112	2,378	568	876
Amount due from subsidiaries (Note 16)	–	–	66,952	41,070
Total trade and other receivables	4,930	6,562	67,520	44,023
Long term deposits *	4,868	3,139	–	–
Short term deposits *	62,649	109,806	58,613	104,007
Cash at banks *	6,242	7,945	83	28
Total loans and receivables	78,689	127,452	126,216	148,058

* The Group's short term and long term deposits and cash at banks are disclosed in Note 24 to the financial statements.

Trade receivables are stated net of allowance for doubtful debts of US\$4,822,000 (2007: US\$11,000).

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms. They are recognised 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	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Pound Sterling	142	2,611	–	2,077
Euro	137	402	–	–
Japanese Yen	1,292	–	–	–

Receivables that are past due but not impaired

The Group has trade receivables amounting to US\$138,000 (2007: US\$1,893,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2008 US\$'000	2007 US\$'000
Trade receivables past due:		
Lesser than 30 days	39	253
30 to 60 days	43	263
61 to 90 days	28	274
91 to 120 days	5	–
More than 120 days	23	1,103

notes to the financial statements

for the financial year ended 30 June 2008

14. Trade receivables (cont'd)

Receivables that are impaired

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

	Individually impaired	
	2008 US\$'000	2007 US\$'000
Trade receivables – nominal amounts	4,959	11
Allowance for impairment	(4,822)	(11)
	137	-
Movement in allowance accounts:		
At 1 January	11	15
Charge for the year	4,822	-
Written off	(11)	-
Write back of excess allowance	-	(5)
Exchange differences	-	1
At 31 December	4,822	11

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. Other than US\$4,959,000 which are secured by the assets of the customer, trade receivables are not secured by any collateral or credit enhancements. However, the Group is unable to ascertain the fair value of the security assets. Accordingly, in determining the required allowance for impairment, the net realizable value of the security assets has not been considered. The Group has no obligation to return the security assets as at 30 June 2008. In addition, there are no terms and conditions associated with the use of these assets.

15. Deposits and other receivables

	Group		Company	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Deposits	1,480	1,287	-	-
Interest receivable	728	946	568	876
VAT refundable	822	59	-	-
Other receivables	82	86	-	-
	3,112	2,378	568	876

notes to the financial statements

for the financial year ended 30 June 2008

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	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Pound Sterling	245	52	-	-
Euro	114	91	24	-
Thai Baht	286	103	-	-
Singapore Dollar	147	237	-	-
Japanese Yen	1,461	808	-	-
Chinese Renminbi	35	19	-	-

16. Amounts due from/(to) subsidiary companies

	Company	
	2008 US\$'000	2007 US\$'000
Amounts due from subsidiary companies, current:		
Non-trade	20,115	21,279
Short term loans	77,237	19,791
	97,352	41,070
Allowance for impairment	(30,400)	-
	66,952	41,070

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

Pound Sterling	6,330	3,928
Thai Baht	16,731	15,134
Japanese Yen	8,390	145

Amounts due to subsidiary companies, current:

Non-trade	(2,700)	-
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The short term loans are unsecured and repayable on demand. Other than a loan of US\$22,757,325 (2007: US\$5,000,000) which is interest-free, loans to subsidiaries bear interest at 3 to 5.8% (2007: 5%) per annum.

Amounts due from/(to) subsidiary companies other than the loans 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 2008

17. Trade payables

	Group		Company	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Trade payables	9,648	9,126	–	–
Other payables (Note 18)	4,379	4,939	275	370
Advances from customers (Note 19)	406	12,281	–	–
Accrued expenses (Note 20)	2,728	2,245	645	618
Amount due to subsidiaries (Note 16)	–	–	2,700	–
Employee benefit liability (Note 25)	243	183	–	–
Total financial liabilities carried at amortised cost	17,404	28,774	3,620	988

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

	Group and Company	
	2008 US\$'000	2007 US\$'000
Pound Sterling	3,414	3,467
Thai Baht	1,666	1,065

18. Other payables

	Group		Company	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Payable to carriage providers	2,813	2,428	–	–
Payable to software vendors	381	461	275	370
Social security payables	329	338	–	–
VAT payable	29	846	–	–
Customs duties payable	14	27	–	–
Salaries payable	52	39	–	–
Credit card payable	174	163	–	–
Factory and office supplies payable	181	206	–	–
Furniture and office equipment payable	95	16	–	–
Sundry payables	311	415	–	–
	4,379	4,939	275	370

Other payables are non-interest bearing and have an average term of 1 (2007: 1) month.

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

Pound Sterling	289	1,133	–	–
Thai Baht	699	825	275	370
Singapore Dollar	6	–	–	–
Japanese Yen	370	14	–	–
Chinese Renminbi	5	237	–	–

notes to the financial statements

for the financial year ended 30 June 2008

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.

20. Accruals and provision

	Group		Company	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
Accrued expenses	2,728	2,245	645	618
Provision for sales return	873	90	–	–
	<u>3,601</u>	<u>2,335</u>	<u>645</u>	<u>618</u>

In cases where the Group offers a right of return to the customers and the Group is able to reliably estimate future returns, a provision for sales returns is recognised based on historical experience of rates of returns and other relevant factors. The movement of provision for sales return for the financial year ended 30 June 2008 is as follows:

	Group
	US\$'000
At 1 July 2007	90
Charge for the year	858
Write back of excess provision	(87)
Currency realignment	12
At 30 June 2008	<u>873</u>

notes to the financial statements

for the financial year ended 30 June 2008

21. Share capital

Group and Company	Number of shares			
	Unclassified	Class A	Class B	Total
<i>Authorised share capital:</i>				
Balance at 30 June 2006 [@]	1,490,000,000	100,000,000	10,000,000	1,600,000,000
Restructuring of authorised 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 and 30 June 2008 ^{@@}	16,000,000,000	–	–	16,000,000,000
<i>Issued and fully paid up share capital:</i>				
Balance at 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
Issuance of shares under share grant	402,435	–	–	402,435
Balance at 30 June 2008 ^{@@}	1,030,870,970	–	–	1,030,870,970

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

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

Group and Company	Unclassified US\$'000	Class A US\$'000	Class B US\$'000	Total US\$'000
<i>Issued and fully paid up share capital:</i>				
Balance at 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
Issuance of shares under share grant	1	–	–	1
Balance at 30 June 2008	1,031	–	–	1,031

The issued capital was increased by US\$169 with the issue of shares under the Performance Share Plan and Restricted Stock Plans in financial year 2007.

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

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.

notes to the financial statements

for the financial year ended 30 June 2008

21. Share capital (cont'd)

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

- (i) the authorised 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.

In November 2006, a total of 206,060,000 shares was issued pursuant to the initial public offering of the Company.

22. 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.

notes to the financial statements

for the financial year ended 30 June 2008

23. Reserves

Share plan reserve

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

Foreign currency translation reserve

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

Other reserve

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

24. Cash and cash equivalents

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

	Group	
	2008 US\$'000	2007 US\$'000
Long term deposits	4,868	3,139
Short term deposits	62,649	109,806
Cash and bank balances	6,242	7,945
	73,759	120,890
Long term deposits, secured	(4,868)	(3,139)
Short term deposits, secured	(2,199)	–
	66,692	117,751

As at 30 June 2008, a subsidiary company pledged a bank deposit of US\$2,000,000 (2007: US\$Nil) to secure a bank guarantee issued by the bank on behalf of the subsidiary company. In addition, other subsidiary companies have pledged bank deposits of US\$5,067,000 (2007: US\$3,139,000) as at 30 June 2008, as collateral to service providers.

Short term deposits are made for periods varying between 1 day and 1 year depending on the immediate cash requirements of the Group, and earn interest at the respective fixed deposit rates, ranging from 0.5% to 6.17% (2007: 1.75% to 5.45%) per annum. Long term deposits earn interest at the respective fixed deposit rates ranging from 1% to 4.38% (2007: 2.00% to 4.25%).

notes to the financial statements

for the financial year ended 30 June 2008

24. Cash and cash equivalents (cont'd)

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

	Group		Company	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Pound Sterling	448	1,988	-	-
Euro	2,133	3	2,088	-
Thai Baht	1,908	3,901	-	5
Singapore Dollar	2,166	277	57	182
Japanese Yen	2,141	1,537	-	-
Chinese Renminbi	205	327	-	-

25. Employee benefits

	Group	
	2008 US\$'000	2007 US\$'000
Employee benefits expense (including executive directors):		
Salaries, wages and other related costs	36,678	27,939
Contributions to defined contribution plans	1,232	707
Share-based payment expense	82	312
Writeback of share-based payment expense	(131)	-
Pension costs	55	217
Retrenchment benefits	679	-
	<u>38,595</u>	<u>29,175</u>

Employee benefits include compensations made under equity compensation plans and defined benefit plans:

(a) Equity compensation plans

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

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

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

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

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for the financial year ended 30 June 2008

25. Employee benefits (cont'd)

(a) Equity compensation plans (cont'd)

Details of the share plans and the respective share grants existing as at 30 June 2008 are disclosed in the following table:

Group and Company	Number of shares			
	PSP		RSP	
	2008	2007	2008	2007
Balance at beginning	–	–	1,000,000	–
Granted during the year	235,435	63,525	–	1,105,000
Issued during the year	(235,435)	(63,525)	(167,000)	(105,000)
Forfeited during the year	–	–	(833,000)	–
	–	–	–	1,000,000

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). The fair value of the share awards was estimated on the date of grant based on the following weighted average assumptions.

	2008 PSP
Expected volatility (%)	89.5-107.0
Risk-free interest rate (%)	2.75-3.20
Expected life of option (years)	1-3
Weighted average share price (S\$)	0.68

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

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	
	2008 US\$'000	2007 US\$'000
Defined benefit obligation	243	183
Plan assets	–	–
	243	183

notes to the financial statements

for the financial year ended 30 June 2008

25. Employee benefits (cont'd)

(b) Defined benefit plans

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

	Group	
	2008	2007
	US\$'000	US\$'000
Present value of DBO at beginning of the year	183	–
Current service cost	55	217
Benefits paid	–	(41)
Exchange difference on foreign plans	5	7
Present value of DBO at end of the year	243	183

Analysis of the defined benefit obligation

Amounts arising from funds that are wholly unfunded	243	183
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Reconciliation of assets and liabilities recognised in the balance sheet

Present value of DBO	243	183
Fair value of plan assets at end of year	–	–
Net liability recognised in balance sheet	243	183

Expense recognised in profit or loss

Current service cost	55	217
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Principal actuarial assumptions at the reporting date

Discount rate	6.2%	5.1%
Expected return on plan assets	NA	NA
Future salary increases	6.0%	5.0%

Expected contribution

Expected employer contributions	544	41
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Movements in the net liability recognised in the balance sheet

Net liability at beginning of the year	183	–
Expense recognised in profit and loss	55	217
Benefits paid	–	(41)
Exchange differences on foreign plans	5	7
Net liability at end of the year	243	183

notes to the financial statements

for the financial year ended 30 June 2008

26. Segment reporting

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

Geographical segments

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

Business segments

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

Allocation basis and transfer pricing

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

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

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

The following tables present revenue, capital expenditure and certain asset information regarding the Group's geographical segments for the years ended 30 June 2008 and 2007.

Geographical segments

	Asia US\$'000	Europe US\$'000	Americas US\$'000	Elimination US\$'000	Total US\$'000
Year ended 30 June 2008					
Revenue					
Sales to external customers					
<i>Sales of goods</i>	4,667	98,254	119,011	–	221,932
<i>Shipping and handling services</i>	147	6,841	7,157	–	14,145
Inter-segment sales	3,190	45,057	52,958	(101,205)	–
	<u>8,004</u>	<u>150,152</u>	<u>179,126</u>	<u>(101,205)</u>	<u>236,077</u>
Results	(4,727)	(3,923)	(24,312)	(2,457)	(35,419)
Unallocated corporate income					3,027
Interest income					3,496
Taxation					(811)
Loss for the year					<u>(29,707)</u>
Other segment information:					
Segment assets	45,366	28,122	28,855	–	102,343
Unallocated assets					<u>68,353</u>
Total assets					<u>170,696</u>

notes to the financial statements

for the financial year ended 30 June 2008

26. Segment reporting (cont'd)

	Asia US\$'000	Europe US\$'000	Americas US\$'000	Elimination US\$'000	Total US\$'000
Year ended 30 June 2008 (cont'd)					
Segment liabilities	6,918	4,214	7,145	-	18,277
Unallocated liabilities					13,321
Total liabilities					31,598
Capital expenditure					
- Property, plant and equipment	6,141	2,489	995	-	9,625
- Intangibles	612	2,111	235	-	2,958
Depreciation	2,052	1,684	771	-	4,507
Amortisation	196	322	186	-	704
Allowance for doubtful debts	24	4,798	-	-	4,822
Allowance for inventory	4,995	1,083	1,599	-	7,677
Share-based payment expenses	(131)	-	82	-	(49)
Year ended 30 June 2007					
Revenue					
Sales to external customers					
<i>Sales of goods</i>	1,197	122,072	25,793	-	149,062
<i>Shipping and handling services</i>	28	8,813	1,909	-	10,750
Inter-segment sales	1,602	59,159	15,040	(75,801)	-
	2,827	190,044	42,742	(75,801)	159,812
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					7,648
Other segment information:					
Segment assets	64,950	23,116	13,512	-	101,578
Unallocated assets					109,263
Total assets					210,841
Segment liabilities	4,359	9,734	14,153	-	28,246
Unallocated liabilities					14,538
Total liabilities					42,784
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
Amortisation	101	312	119	-	532
Allowance for inventory	660	523	283	-	1,466
Share-based payment expenses	197	-	115	-	312

notes to the financial statements

for the financial year ended 30 June 2008

27. Commitments

(a) Capital commitments

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

	Group	
	2008 US\$'000	2007 US\$'000
Capital commitments in respect of property, plant and equipment	871	3,161

(b) Operating lease commitments

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

Payable within 1 year	37,644	31,317
Payable later than 1 year but not later than 5 years	22,971	47,953
Payable later than 5 years	842	406
	<u>61,457</u>	<u>79,676</u>

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

(c) Expenditure commitments

Skills development, technology and innovation expenditure	<u>3,121</u>	<u>4,032</u>
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As mentioned in Note 7, the Group's Thailand subsidiary was granted tax privileges by the Thai Board of Investments. One of the conditions requires the Group to invest Thai Baht 150 million in developing skill, technology and innovation over 3 years beginning 1 March 2007.

(d) Option to acquire shares

In the previous financial year, the Company entered into an option to acquire 40% interest in a German company which was involved in a similar business. The option agreement was exercisable at any time prior to and including 31 December 2007 at a price which was conditional on various factors. The option exercise period was subsequently extended in the current financial year to 30 January 2009. Following that, the German company sought to terminate the Supply Agreement with the Group as discussed in Note 33(a).

notes to the financial statements

for the financial year ended 30 June 2008

28. 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	
	2008 US\$'000	2007 US\$'000
Directors of the Company:		
Remuneration	891	700
Contributions to contribution plans	6	5
Directors of the subsidiary companies:		
Remuneration	1,735	1,542
Contributions to contribution plans	18	6
Share-based payment expense	78	116
Key executive officers:		
Remuneration	1,006	618
Contributions to contribution plans	8	1
Share-based payment expense	–	197
Service fee paid to director-related company	70	164
Disposal 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.

29. Financial risk management objectives and policies

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

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

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

Foreign currency risk

The Group has transactional currency exposures arising from sales and purchases that are denominated in currencies other than the respective functional currencies of Group entities, primarily Pound Sterling, Thai Baht and Japanese Yen. The Group's trade debtor balances at the balance sheet date which are subject to currency exposures with balances denominated in currencies other than their functional currencies amounted to 8% (2007: 59%) of the total trade debtor balances. Amount due from subsidiaries denominated in foreign currencies comprised 32% (2007: 46%) of the total balance due from subsidiaries.

The Group and the Company also hold cash and cash equivalents denominated in currencies other than their functional currencies for working capital purposes. At the balance sheet date, these balances (mainly Euros and Singapore Dollar) amounted to US\$4,299,000 (2007: US\$280,000) and US\$2,145,000 (2007: US\$182,000) for the Group and the Company respectively.

notes to the financial statements

for the financial year ended 30 June 2008

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

Foreign currency risk (cont'd)

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

Sensitivity analysis for foreign currency risk

At balance sheet date, if the Group's financial assets and liabilities denominated in foreign currencies (namely the Pound Sterling, Thai Baht, Japanese Yen, Singapore Dollar and Chinese Renminbi) were to strengthen/weaken by 5% against the United States Dollar, with all other variables held constant, the Group's net loss after tax would have decreased /increased by US\$2,341,000 (2007: US\$1,460,000).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from short term interest-bearing loans given to related companies and bank deposits. All the Group's and Company's financial assets at floating rates are contractually repriced at intervals of 12 months (2007: 6 months) or less from the balance sheet date.

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

Sensitivity analysis for interest rate risk

At the balance sheet date, if the interest rates for the currencies that the Group operate in (namely the United States Dollar, Pound Sterling, Thai Baht, Japanese Yen, Singapore Dollar and Chinese Reminbi) has been 100 (2007: 100) basis points higher/lower with all other variables including tax rates held constant, the Group's net loss after tax would have decreased /increased by US\$616,000 (2007: US\$1,119,000).

Credit risk

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

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.

Credit risk concentration profile

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

	2008		2007	
	US\$'000	% of total	US\$'000	% of total
By country:				
Germany	137	8	2,479	59
Hong Kong	–	–	146	3
Japan	1,292	71	–	–
Republic of China	1	0	–	–
United Kingdom	142	8	533	13
United States of America	246	13	1,026	25
	1,818	100	4,184	100

notes to the financial statements

for the financial year ended 30 June 2008

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

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 a stringent purchase process of not acquiring gemstones at prices above the normal range based on historical information available and by not overstocking on any particular type of gemstones.

30. Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability as a going concern and to maintain an optimal structure so as to support the Group's stability and growth. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares or obtain external borrowing to finance the operations of the Group.

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

There was no change to the Group's approach to capital management during the financial years ended 30 June 2008 and 2007.

As disclosed in Note 23, a subsidiary of the Group is required by the Thai Companies Act applicable in Thailand to contribute to and maintain a non-distributable statutory reserve fund in connection with the payment of dividends. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2008 and 2007.

31. Fair value of financial instruments

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

Financial instruments whose carrying amount approximates fair value

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

32. Dividends

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

	Group and Company	
	2008	2007
	US\$'000	US\$'000
Declared and paid during the year:		
Interim exempt (one-tier) dividend of US\$0.015 per share paid on 14 March 2007	–	15,455

notes to the financial statements

for the financial year ended 30 June 2008

33. Contingent liabilities

(a) Legal claim

The Company had entered into a Supply Agreement with a German company in the previous financial year. On 27 May 2008, the German company has commenced an action against the Group in respect of alleged lost profits amounting to US\$9.3 million (Eur 5.9 million) arising from the alleged breaches in the Supply Agreement by the Group. As at the balance sheet date, the German company owes the Group approximately US\$5.0 million (Eur 3.2 million). Trial date has not been scheduled as the parties are still in negotiation. The Group has been advised by its legal counsel that it is possible but not probable, that the action will succeed as the claims are not substantiated and accordingly, no provision for any liabilities against the Group has been made in the financial statements.

(b) Customs documentation

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

34. Subsequent events

- (a) On 31 July 2008, the Remuneration Committee approved the award of 2,648,000 shares under the Restricted Stock Plan to key employees within the Group. The shares will vest in equal proportions over four tranches during the period commencing from 1 August 2008 to 30 June 2011.
- (b) As at the end of the financial year, there was an existing agreement with an executive to grant performance shares under the Performance Share Plan ("PSP") to the executive based on the number of additional new unique home broadcast subscribers that the executive was able to achieve. Certain terms of the said agreement was modified on 1 July 2008 and the provisions relating to the share grant was terminated on the same date.

35. Prior year comparatives

Comparatives in the financial statements have been changed from the previous financial year to be consistent with the current year presentation. Credit card receivables which were classified as trade receivables in the previous financial year have been reclassified to deposits and other receivables to conform with current year's presentation.

	Group	
	30.6.2007	30.6.2007
	as	as
	restated	previously
	US\$'000	reported
		US\$'000
Balance sheet		
Trade receivables	4,184	2,498
Deposits and other receivables	2,378	4,064

36. Authorisation of financial statements

The financial statements for the financial year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 9 September 2008.

statistics of shareholdings

as at 4 September 2008

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	8	0.12	531	0.00
1,000 - 10,000	3,019	44.24	21,278,936	2.06
10,001 - 1,000,000	3,770	55.25	194,222,988	18.84
1,000,001 and above	27	0.39	815,368,515	79.10
TOTAL	6,824	100.00	1,030,870,970	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HSBC (SINGAPORE) NOMINEES PTE LTD	321,633,960	31.20
2	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	249,746,250	24.23
3	DBS NOMINEES PTE LTD	55,589,625	5.39
4	THE HOUR GLASS LIMITED	41,212,000	4.00
5	DBSN SERVICES PTE LTD	40,035,470	3.88
6	DBS VICKERS SECURITIES (S) PTE LTD	15,460,000	1.50
7	UOB KAY HIAN PTE LTD	15,336,000	1.49
8	CITIBANK NOMINEES SINGAPORE PTE LTD	13,388,117	1.30
9	OCBC SECURITIES PRIVATE LTD	8,545,000	0.83
10	RAFFLES NOMINEES PTE LTD	8,479,402	0.82
11	KIM ENG SECURITIES PTE. LTD.	6,232,000	0.60
12	MERRILL LYNCH (SINGAPORE) PTE LTD	5,703,923	0.55
13	PHILLIP SECURITIES PTE LTD	5,441,718	0.53
14	AMFRASER SECURITIES PTE. LTD.	3,405,000	0.33
15	WONG KOK HENG OR WANG JWU WAH	3,081,000	0.30
16	HONG LEONG FINANCE NOMINEES PTE LTD	2,584,000	0.25
17	LAM YEW CHONG	2,400,000	0.23
18	CIMB-GK SECURITIES PTE. LTD.	2,276,000	0.22
19	LIM MONG SAM @ LIM AH TEE	2,250,000	0.22
20	LIM & TAN SECURITIES PTE LTD	2,118,000	0.21
	TOTAL	804,917,465	78.08

statistics of shareholdings

as at 4 September 2008

SUBSTANTIAL SHAREHOLDERS AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 4 SEPTEMBER 2008

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Mounting Holdings Limited ¹	–	–	211,438,440	20.51
Eastern Advisors LLC ²	114,183,250	11.08	–	–
The Goldman Sachs Group, Inc ²	51,854,402	5.03	–	–

⁽¹⁾ Jason Choo, the Chief Executive Officer of the Company, holds his Shares through Mounting Holdings Limited, a British Virgin Islands investment company which is wholly owned by him. Mounting Holdings Limited directly holds 20.51% of the Shares. Mounting Holdings Limited is managed by an independent board of directors. For the purposes of Section 7 of the Companies Act, Chapter 50 of Singapore, Jason Choo is deemed interested in all the Shares held by Mounting Holdings Limited.

⁽²⁾ Held in the name of nominees.

PERCENTAGE OF SHAREHOLDINGS IN THE HANDS OF PUBLIC

As of 4 September 2008, approximately 62.63% of the Company's shares are held in the hands of public.

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

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, 24 October 2008 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30 June 2008 together with the Auditors' Report thereon. (Resolution 1)
2. To approve the payment of Directors' fees of S\$253,103.00 for the year ended 30 June 2008 (previous year: S\$298,803.00). (Resolution 2)
3. To re-appoint Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 3)
4. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

5. Authority to issue shares

That pursuant to 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:

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

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

notice of annual general meeting

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
- (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 (i) by which the next Annual General Meeting of the Company is required to be held, whichever is earlier; or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

See Explanatory Note (i)

(Resolution 4)

6. 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 5)

By Order of the Board

Wong Lai Kuen/Chan Shok Hing

Company Secretaries

Singapore, 3 October 2008

notice of annual general meeting

Explanatory Notes:

- (i) The Ordinary Resolution 4 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 4 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 4 is passed and (b) any subsequent consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 5 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.

Notes:

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

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.

Item 43008
Start Price \$5,006
Current Price \$79
Quantity 6

Let's Play The Game
Chamagne 30 ct. Round Diamond
Screw Ring 14K White Gold

Call Now ► 1-888-436-7882

ITEM NUMBER:
Relates to the current piece of jewelry.

Item 43008
Start Price \$5,006
Current Price \$79
Quantity 6

Let's Play The Game
Chamagne 30 ct. Round Diamond
Screw Ring 14K White Gold

Call Now ► 1-888-436-7882

ITEM DESCRIPTION:
Piece of jewelry currently on air.

Item 43008
Start Price \$5,006
Current Price \$79
Quantity 6

Let's Play The Game
Chamagne 30 ct. Round Diamond
Screw Ring 14K White Gold

Call Now ► 1-888-436-7882

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

Item 43008
Start Price \$5,006
Current Price \$79
Quantity 6

Let's Play The Game
Chamagne 30 ct. Round Diamond
Screw Ring 14K White Gold

Call Now ► 1-888-436-7882

CURRENT PRICE:
Continues to fall throughout the game.

Item 43008
Start Price \$5,006
Current Price \$79
Quantity 6

Let's Play The Game
Chamagne 30 ct. Round Diamond
Screw Ring 14K White Gold

Call Now ► 1-888-436-7882

QUANTITY:
Get in quick before this hits zero!

Item 43008
Start Price \$5,006
Current Price \$79
Quantity 6

Let's Play The Game
Chamagne 30 ct. Round Diamond
Screw Ring 14K White Gold

Call Now ► 1-888-436-7882

Dial this number and press 1 to get involved!

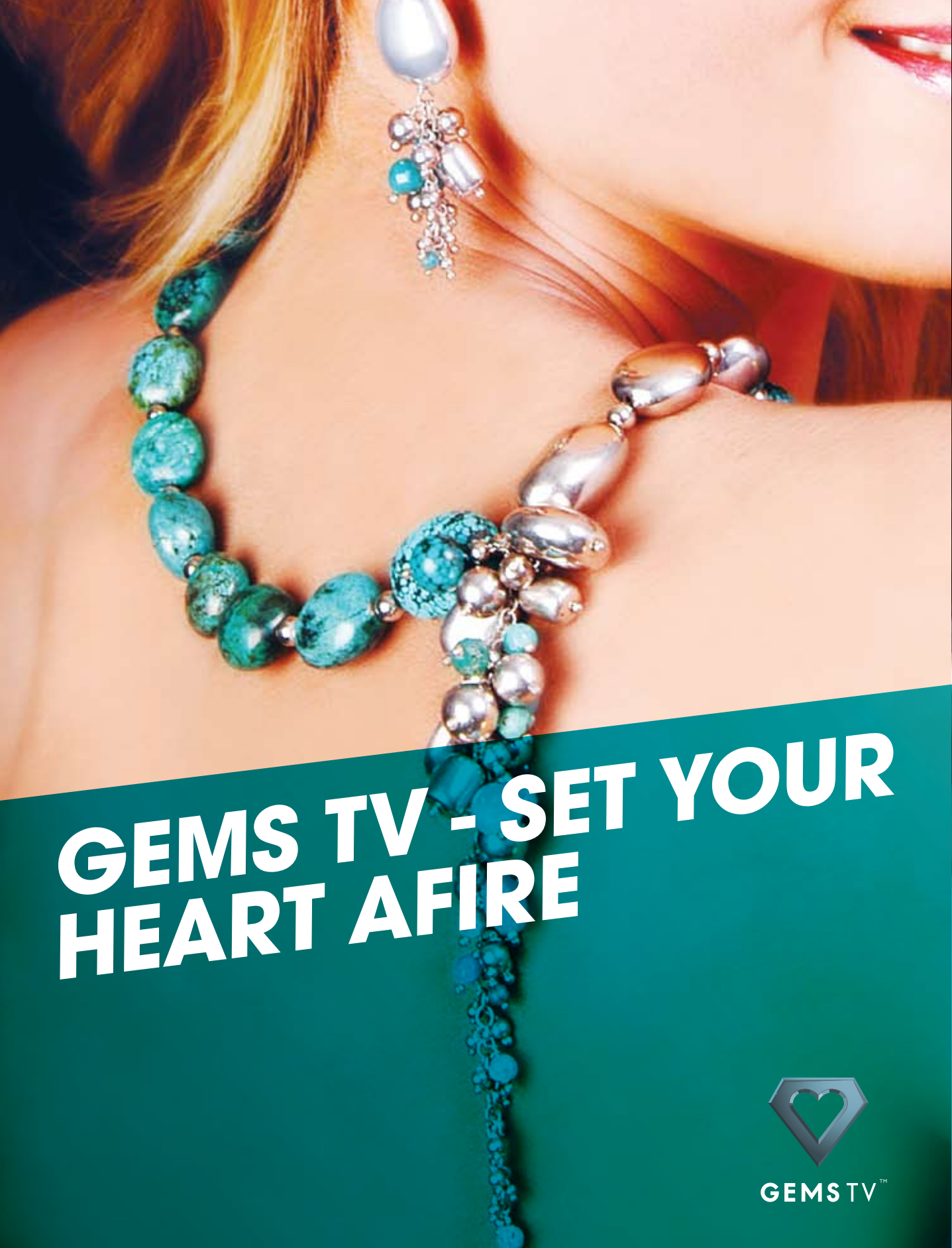
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