

2012/13

First Quarterly Report



Unlimited Creativity Holdings Limited

Continued in Bermuda with limited liability
Stock Code: 8079

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Unlimited Creativity Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- Turnover of the Group for the three months ended 30 June 2012 amounted to approximately HK\$9.7 million, representing a decrease of approximately 38 per cent as compared with the same period last year.
- Loss attributable to owners of the Company for the three months ended 30 June 2012 amounted to approximately HK\$53.6 million (2011: HK\$4.2 million).
- The Board does not recommend the payment of a dividend for the three months ended 30 June 2012.

FIRST QUARTERLY RESULTS

The board of directors (the “Board”) of Unlimited Creativity Holdings Limited (the “Company”) would like to report the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 June 2012, together with the comparative figures for the corresponding period in 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2012

		Three months ended	
		30 June	
		2012	2011
			(Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	2	9,657	15,536
Cost of sales		(1,439)	(1,840)
		<hr/>	<hr/>
Gross profit		8,218	13,696
Other revenue and gains/(losses)-net	3	(57,663)	(3,174)
Servicing, selling and distribution costs		(2,630)	(3,114)
Administrative expenses		(6,471)	(11,008)
Cumulative (losses)/gains reclassified from equity to profit or loss upon disposal of available-for-sale financial assets		(153)	256
Other operating expenses		(2,547)	(840)
		<hr/>	<hr/>
Operating loss		(61,246)	(4,184)
Finance costs		(108)	(77)
Share of result of associates		1,000	40
		<hr/>	<hr/>
Loss before income tax		(60,354)	(4,221)
Income tax credit	4	6,609	-
		<hr/>	<hr/>
Loss for the period		(53,745)	(4,221)
		<hr/>	<hr/>
Other comprehensive income:			
Change in fair value of available-for-sale financial assets		(159)	240
Release of investment revaluation reserve upon disposal of available-for-sale financial assets		153	(256)
		<hr/>	<hr/>
Other comprehensive loss for the period, net of tax		(6)	(16)
		<hr/>	<hr/>
Total comprehensive loss for the period		(53,751)	(4,237)
		<hr/> <hr/>	<hr/> <hr/>

	Three months ended	
	30 June	
	2012	2011
		(Restated)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to:		
Owners of the Company	(53,596)	(4,158)
Non-controlling interests	(149)	(63)
	<u>(53,745)</u>	<u>(4,221)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(53,602)	(4,174)
Non-controlling interests	(149)	(63)
	<u>(53,751)</u>	<u>(4,237)</u>
Loss per share		
Basic and Diluted	6 <u>HK(7.67) cents</u>	<u>HK(2.62) cents</u>

Notes:

1. Basis of preparation

The Group's unaudited quarterly financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The amount included in the unaudited consolidated results are computed based on all Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies adopted in preparing the unaudited consolidated financial statements for the three months ended 30 June 2012 are consistent with those followed in the annual report of the Company for the year ended 31 March 2012, except in relation to the new and revised standards, amendments and interpretations that affect the Company and its subsidiaries and are adopted for the first time for the preparation of current period's financial statement.

The condensed consolidated accounts have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

2. Revenue

Revenue, which is also the Group's turnover, represents total invoiced value of beauty products, net of discounts and sales returns, the appropriate proportion of contract revenue generated from the provision of beauty and clinical services, the appropriate proportion of rental income based on the terms of lease of investment properties and time-proportionate interest income from rendering money lending services.

(a) Turnover by reportable segment

	(Unaudited)	
	Three months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
Revenue		
Beauty services and sale of beauty products	741	3,846
Clinical services	3,331	8,565
Money lending	5,460	3,067
Rental income from investment properties	125	58
	<u>9,657</u>	<u>15,536</u>

(b) Turnover by geographical segment

	(Unaudited)	
	Three months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
Hong Kong	8,381	9,447
Macau	1,276	6,089
	<u>9,657</u>	<u>15,536</u>

3. Other revenue and gains/(losses)- net

	(Unaudited)	
	Three months ended	
	30 June	
	2012	2011
		(Restated)
	HK\$'000	HK\$'000
Dividend income from financial assets at fair value through profit or loss	40	126
Fair value losses on financial assets at fair value through profit or loss	(57,851)	(3,316)
Interest income from available-for-sale financial assets	132	16
Interest income from banks	1	-
Retails income	15	-
	<u>(57,663)</u>	<u>(3,174)</u>

4. Income tax credit

	(Unaudited)	
	Three months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
Current tax		
Hong Kong		
- Charge for the year	-	-
- Under provision in prior year	-	-
	<u>-</u>	<u>-</u>
Deferred tax:		
- Current year	6,609	-
- Under provision in prior year	-	-
	<u>6,609</u>	<u>-</u>
Income tax credit	<u>6,609</u>	<u>-</u>

5. Dividend

The Board does not recommend payment of a dividend for the three months ended 30 June 2012 (2011: Nil).

6. Loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of approximately HK\$53,596,000 (2011: HK\$4,158,000) and on the weighted average number of 699,197,543 (2011: 158,716,605 (restated)) ordinary shares in issue during the period.

The computation of diluted loss per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option scheme since their exercise would have an anti-dilutive effect.

7. Comparative figures

Certain comparative figures have been re-classified to conform with the presentation of current period.

8. Condensed consolidated statement of changes in equity (unaudited)

For the three months ended 30 June 2012

	Equity attributable to owners of the parent											
	Share capital	Share premium	Capital redemption reserve	Accumulated losses	Capital reserve	Investment revaluation reserve	Revaluation reserve	Share option reserve	Contributed surplus	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at												
1 April 2011	5,264	116,612	278	(169,534)	28,526	(224)	6,828	1,184	175,570	164,504	1,214	165,718
Comprehensive income												
Loss for the period	-	-	-	(4,158)	-	-	-	-	-	(4,158)	(63)	(4,221)
Other comprehensive income												
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	240	-	-	-	240	-	240
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	-	-	-	-	-	(256)	-	-	-	(256)	-	(256)
Total comprehensive loss	-	-	-	(4,158)	-	(16)	-	-	-	(4,174)	(63)	(4,237)
Transactions with owners												
Shares issued on exercise of share options	42	1,016	-	-	-	-	-	(452)	-	606	-	606
Allotment of shares	1,050	9,696	-	-	-	-	-	-	-	10,746	-	10,746
Transactions with owners	1,092	10,712	-	-	-	-	-	(452)	-	11,352	-	11,352
Balance at												
30 June 2011 (Restated)	6,356	127,324	278	(173,692)	28,526	(240)	6,828	732	175,570	171,682	1,151	172,833
Balance at												
1 April 2012	6,991	212,968	278	(180,474)	28,280	(148)	14,040	732	181,291	263,958	1,304	265,262
Comprehensive income												
Loss for the period	-	-	-	(53,596)	-	-	-	-	-	(53,596)	(149)	(53,745)
Other comprehensive income												
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	(159)	-	-	-	(159)	-	(159)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	-	-	-	-	-	153	-	-	-	153	-	153
Total comprehensive loss	-	-	-	(53,596)	-	(6)	-	-	-	(53,602)	(149)	(53,751)
Transactions with owners												
Acquisition/disposal of part of interest from/to non-controlling interests	-	-	-	498	-	-	-	-	-	498	(498)	-
Transactions with owners	-	-	-	498	-	-	-	-	-	498	(498)	-
Balance at												
30 June 2012	6,991	212,968	278	(233,572)	28,280	(154)	14,040	732	181,291	210,854	657	211,511

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group reported that total turnover for the three months ended 30 June 2012 (“Three-month Period”) was approximately HK\$9.7 million, representing a decrease of approximately 38% when compared with the same period last year. Loss attributable to owners of the Company for the Three-month Period was approximately HK\$53.6 million whilst for the same period last year, the loss attributable to owners of the Company was approximately HK\$4.2 million.

Money Lending

After actively participating in money lending business for more than two years, a solid client base has been built. During the Three-month Period, turnover for this segment was approximately HK\$5.5 million, 78% more than the turnover same period last year. A satisfactory profit was also brought from this segment.

Investment Properties

The rental income generated from industrial properties acquired last financial year continued providing steady income to the Group. The turnover of this business segment for the Three-month Period was approximately HK\$125,000, HK\$67,000 more than that of same period last year.

Beauty Services and Sale of Beauty Products

The competition within the beauty industry is keen and it is our business strategy to relocate our resources to other profitable segment. As a result, the turnover of this business segment for the Three-month Period was largely reduced to approximately HK\$0.7 million.

Clinical Services

Similar to beauty services, a substantial decrease in turnover was also resulted in this business segment. Turnover from this segment during the Three-month Period was approximately HK\$3.3 million, representing a decrease of approximately 61% when compared with the same period last year.

Securities Investment

With the unpredictable economic situation, heightening concerns of sovereign debt crisis spread across Europe and concerns of a hard landing in economy of the People’s Republic of China (the “PRC”), the stock market was in a downward trend for the Three-month Period under review. The result of this business segment was also negatively affected. For the Three-month Period, more than HK\$57.8 million was recorded as fair value losses on financial assets at fair value through profit or loss.

Outlook

As money lending business was proved to bring to the Group satisfactory turnover and profit, the Group will continue actively develop this business.

At the same time, the Group has also been seeking new investment opportunities to broaden the business scope of the Group in order to maximise the return to Shareholders. As mentioned in the annual report of the Company for the year ended 31 March 2012, the Group was forming a retail store in Kwai Chung selling daily necessities to the public. The retail store was opened in June 2012 and hope it will become another focal point of the Group.

Significant Acquisitions and Disposals

On 25 May 2012, an indirect wholly-owned subsidiary of the Company, entered into a provisional agreement with an independent third party to the Company regarding the disposal of a property in Hong Kong at a cash consideration of HK\$74.0 million. As the applicable percentage ratios in Rule 19.06 of the GEM Listing Rules with respect to the disposal are more than 75%, the disposal constitutes a very substantial disposal of the Company and is subject to the shareholders' approval in accordance with Chapter 19 of the GEM Listing Rules. The resolution to dispose the property was duly passed by the shareholders of the Company in the special general meeting held on 23 July 2012.

DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 30 June 2012 (2011: Nil).

SHARE OPTION SCHEMES

On 24 September 2001, the shareholders of the Company approved a share option scheme ("the Old Scheme") under which its Board may, at its discretion, offer full-time or part-time employees and executive, non-executive and independent non-executive directors of the Company and/or any of its subsidiaries, options to subscribe for shares of the Company. The subscription price will be determined by the Board and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the date of offer of the options, and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options.

On 4 January 2011, the shareholders of the Company approved to terminate the Old Scheme and adopted a new share option scheme (the "New Scheme") under which its Board may, at its discretion, offer full-time or part-time employees and executive, non-executive and independent non-executive directors of the Company and/or any of its subsidiaries, suppliers, customers, advisors or consultants options to subscribe for shares of the Company. The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme adopted by the Group shall not exceed 30 per cent. of the share capital of the Company in issue from time to time. The subscription price will be determined by the Board and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the date of offer of the options, and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options.

The New Scheme is valid for ten years from the date of adoption.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

Share options and respective exercise prices are as follows for the reporting period presented:

Type of grantee	At 1 April 2012	Granted	Exercised	At 30 June 2012	Date of grant	Exercise period of the share options	Exercise price per share HK\$
Employees							
- In aggregate	1,335,714	-	-	1,335,714	23-Feb-11	23/2/2011-22/2/2014	0.5748
Eligible person							
- In aggregate	340,000	-	-	340,000	15-Feb-11	15/2/2011-14/2/2014	0.6349
	<u>1,675,714</u>	<u>-</u>	<u>-</u>	<u>1,675,714</u>			

During the Three-month Period, no option was exercised and as at 30 June 2012, 1,675,714 options were outstanding under the New Scheme.

The fair values of options granted were determined using the Black-Scholes valuation model.

No liabilities were recognised due to share-based payment transactions.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Exchange were as follows:

Interests in shares of the Company

Long positions

Name	Personal Interests	Family Interests	Other Interests	Total	Approximate percentage to the issued share capital of the Company as at 30 June 2012
Mr. Shiu Yeuk Yuen (<i>note 1</i>)	77,962,000	13,684,117 (<i>note 2</i>)	847,605 (<i>note 3</i>)	92,493,722	13.23%
Mr. Leung Ge On, Andy (<i>note 1</i>)	420,000	-	-	420,000	0.06%

Notes:

1. Mr. Shiu Yeuk Yuen and Mr. Leung Ge On, Andy are the executive directors of the Company.
2. 13,684,117 shares are held by Ms. Hau Lai Mei, the spouse of Mr. Shiu Yeuk Yuen.
3. 847,605 shares are held by Heavenly Blaze Limited. Heavenly Blaze Limited is beneficially owned as to (i) 46% by Mr. Shiu Stephen Junior, son of Mr. Shiu Yeuk Yuen (being the executive Director); (ii) 34% by Mr. Shiu Yeuk Yuen and Ms. Siu York Chee (sister of Mr. Shiu Yeuk Yuen) together hold on behalf of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound, daughters of Mr. Shiu Yeuk Yuen; (iii) 16% by Ms. Shiu Ting Yan, Denise, daughter of Mr. Shiu Yeuk Yuen; (iv) 1% by Mr. Cheng Jut Si; and (v) 3% by One Dollar Productions Limited which is beneficially owned as to 25% by Mr. Shiu Stephen Junior; and 75% by Ms. Hau Lai Mei.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

So far as known to the Directors, as at 30 June 2012, the Directors were not aware of any other person (other than the Directors and chief executive of the Company as disclosed above) who had an interests or short position in the shares or underlying shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the Three-month Period, the Company has complied with the code provisions (“Code Provisions”) set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules, except for the deviation of Code Provision A.2.1.

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The positions of Chairman of the Board and Chief Executive Officer (“CEO”) of the Company are both currently carried on by the same person. The Board considers that this structure does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and there is a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). Given the composition of the Board, the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

COMPLIANCE ADVISER

The Board appointed Guangdong Securities Limited to be its compliance adviser (the “Compliance Adviser”) for a term from 12 July 2012 to 31 July 2014.

As updated and notified by the Compliance Adviser, none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 June 2012 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 12 July 2012 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company’s Compliance Adviser for the period from 12 July 2012 to 31 July 2014 or until the agreement is terminated in accordance with the terms and conditions set out therein.

AUDIT COMMITTEE

The Company has formed an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The audit committee (the “Committee”) comprises three independent non-executive Directors, namely Mr. Kam Tik Lun, Dr. Siu Yim Kwan, Sidney and Mr. Tsui Pui Hung, Walter. Mr. Kam Tik Lun is also the chairman of the Committee. The primary duties of the Committee are to review the Company’s annual report and accounts, half-year report, and quarterly reports and to provide advice and comments thereon to the Board. The Committee is also responsible for reviewing and monitoring the Company’s internal control procedures. The Committee has reviewed the draft of this report and has provided advice and comments thereon.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

None of the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from 1 April 2012 to 30 June 2012.

COMPETING INTEREST

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company has an interest in a business, which competes or may compete with the business of the Group.

LIST OF DIRECTORS

Mr. Shiu Yeuk Yuen	–	Executive Director
Mr. Leung Ge On, Andy	–	Executive Director
Dr. Siu Yim Kwan, Sidney	–	Independent non-executive Director
Mr. Tsui Pui Hung, Walter	–	Independent non-executive Director
Mr. Kam Tik Lun	–	Independent non-executive Director

By order of the Board
Unlimited Creativity Holdings Limited
Shiu Yeuk Yuen
Chairman

Hong Kong, 10 August 2012