



Unlimited Creativity Holdings Limited

Continued in Bermuda with limited liability
Stock Code : 8079

2014/15
First Quarterly Report

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 2014 amounted to approximately HK\$13.2 million, representing an increase of approximately 100% per cent as compared with the corresponding period last year.
- Profit attributable to owners of the Company for the three months ended 30 June 2014 amounted to approximately HK\$5.4 million (Three months ended 30 June 2013: loss of HK\$6.5 million).
- The Board does not recommend the payment of a dividend for the three months ended 30 June 2014 (Three months ended 30 June 2013: Nil).

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 2014, together with the comparative figures for the corresponding period in 2013 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2014

		Three months ended 30 June	
	Notes	2014 HK\$'000	2013 HK\$'000
Revenue	2	13,220	6,595
Cost of sales		<u>(355)</u>	<u>(343)</u>
Gross profit		12,865	6,252
Investment and other income	3	284	151
Other gains and (losses), net	4	(28)	3,393
Servicing, selling and distribution costs		(682)	(1,122)
Administrative expenses		(6,274)	(5,029)
Cumulative losses reclassified from equity to profit or loss upon disposal of available-for-sale financial assets		<u>-</u>	<u>(10,099)</u>
Operating profit/(loss)		6,165	(6,454)
Finance costs		(348)	(101)
Share of result of associates		<u>(430)</u>	<u>31</u>
Profit/(loss) before income tax		5,387	(6,524)
Income tax	5	<u>-</u>	<u>-</u>
Profit/(loss) for the period		<u>5,387</u>	<u>(6,524)</u>
Other comprehensive income:			
Change in fair value of available- for-sale financial assets		4,247	6,677
Release of investment revaluation reserve upon disposal of available- for-sale financial assets		<u>-</u>	<u>10,099</u>
Other comprehensive income for the period, net of tax		<u>4,247</u>	<u>16,776</u>
Total comprehensive income for the period		<u><u>9,634</u></u>	<u><u>10,252</u></u>

	Three months ended	
	30 June	
	2014	2013
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) attributable to:		
Owners of the Company	5,439	(6,491)
Non-controlling interests	(52)	(33)
	<u>5,387</u>	<u>(6,524)</u>
Total comprehensive income		
attributable to:		
Owners of the Company	9,686	10,285
Non-controlling interests	(52)	(33)
	<u>9,634</u>	<u>10,252</u>
Earnings/(loss) per share	7	
Basic and Diluted (HK cents)	<u>0.86</u>	<u>(6.19)</u>

Notes:

1. Basis of preparation

The unaudited quarterly financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and the applicable disclosure requirements of the GEM Listing Rules. The accounting policies used in the preparation of the unaudited condensed consolidated results are consistent with those used in the audited financial statements and notes thereto for the year ended 31 March 2014.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 April 2014, the adoption has no material impact on the reported results and the financial position of the Group for the current or prior accounting periods; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group’s results and financial position.

The first quarterly results are unaudited but have been reviewed by the Company’s audit committee.

2. Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured. It is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group’s activities as described below:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Revenue arising from money lending is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Rental income is recognised on a straight-line basis over the term of the lease.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholder’s right to receive payment is established prior to the end of reporting period.

2. Revenue (Continued)

(a) Turnover by reportable segment

	(Unaudited)	
	Three months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Revenue		
Money lending	12,593	5,920
Rental income from investment properties	176	185
Sales of grocery products	451	490
	<u>13,220</u>	<u>6,595</u>

(b) Turnover by geographical segment

	(Unaudited)	
	Three months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong	<u>13,220</u>	<u>6,595</u>
	<u>13,220</u>	<u>6,595</u>

3. Investment and other income

	(Unaudited)	
	Three months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Dividend income from financial assets at fair value through profit or loss	218	50
Interest income from available-for-sale financial assets	-	3
Interest income from banks	7	1
Rental income from letting of office premises	9	9
Others	50	88
	<u>284</u>	<u>151</u>

4. Other gains and (losses), net

	(Unaudited)	
	Three months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Net exchange gains/(losses)	27	(34)
Gain on early conversion of convertible bonds classified as financial asset at fair value through profit or loss – held for trading – Fair value gain	2,130	-
Fair value (losses)/gains on financial assets at fair value through profit or loss	(187)	3,427
Net losses on disposal of financial assets at fair value through profit or loss	(1,998)	-
	<u>(28)</u>	<u>3,393</u>

5. Income tax

No provision for Hong Kong Profits Tax has been made for the three months ended 30 June 2014 as the Group either has no assessable profits or has available tax losses brought forward from prior years to offset against current period's estimated assessable profits (Three months ended 30 June 2013: Nil)

6. Dividend

The Board does not recommend payment of a dividend for the three months ended 30 June 2014 (Three months ended 30 June 2013: Nil).

7. Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

	(Unaudited)	
	Three months ended	
	30 June	
	2014	2013
	HK\$'000	HK\$'000
Earnings/(loss) for the period attributable to owners of the Company	5,439	(6,491)
<i>Number of ordinary shares</i>	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	629,198	104,880

Both the weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings/(loss) per share for the period ended 30 June 2014 and 2013 have been adjusted.

Diluted earnings/(loss) per share for the period ended 30 June 2014 and 2013 were the same as the basic earnings/(loss) per share. The Company's outstanding share options were not included in the calculation of diluted earnings/(loss) per share because the effects of the exercise of the Company's outstanding share options were anti-dilutive.

8. Comparative figures

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

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

For the three months ended 30 June 2014

	Attributable to equity shareholders of the Company											
	Share capital	Share premium	Capital redemption reserve	Accumulated losses	Investment reserve	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 2013	20,975	198,800	278	(193,397)	28,546	(14,396)	-	732	181,291	222,829	981	223,810
Comprehensive income												
Loss for the period	-	-	-	(6,491)	-	-	-	-	-	(6,491)	(33)	(6,524)
Other comprehensive income												
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	6,677	-	-	-	6,677	-	6,677
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	-	-	-	-	-	10,099	-	-	-	10,099	-	10,099
Total comprehensive income	-	-	-	(6,491)	-	16,776	-	-	-	10,285	(33)	10,252
Share consolidation	(19,927)	19,927	-	-	-	-	-	-	-	-	-	-
Transaction cost for share consolidation	-	(250)	-	-	-	-	-	-	-	(250)	-	(250)
Balance at 30 June 2013	1,048	218,477	278	(199,888)	28,546	2,380	-	732	181,291	232,864	948	233,812
Balance at 1 April 2014	6,292	246,126	278	(203,753)	28,546	(10,268)	-	-	201,218	268,439	(276)	268,163
Comprehensive income												
Profit for the period	-	-	-	5,439	-	-	-	-	-	5,439	(52)	5,387
Other comprehensive income												
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	4,247	-	-	-	4,247	-	4,247
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	5,439	-	4,247	-	-	-	9,686	(52)	9,634
Balance at 30 June 2014	6,292	246,126	278	(198,314)	28,546	(6,021)	-	-	201,218	278,125	(328)	277,797

10. Contingent Liabilities

On 9 October 2012, a tenancy agreement was jointly entered between Wit Way Enterprise Limited, as the landlord, and Top Euro Limited, an indirect wholly-owned subsidiary of the Company, and Mark Glory International Enterprise Limited, an indirect wholly-owned subsidiary of China 3D Digital Entertainment Limited, both as tenants, in relation to the lease of an office premises. The duration of the tenancy agreement is for three years commencing from 1 November 2012 with a monthly rental of HK\$220,000 inclusive of management charges (equivalent to HK\$2,640,000 per annum), but exclusive of government rates and all other outgoings.

The rent, government rates and all other outgoings of the office premises shall be paid by the tenants in equal share. If either party fails to fulfill their leasing obligations under the agreement, the other party will obligate to pay the other party's outstanding contingent rental liability amounting to HK\$1,320,000 per annum. The taking-up of the contingent rental liability constitutes a provision of financial assistance under the GEM Listing Rules.

11. Event After the Reporting Period

On 16 July 2014, 17 July 2014 and 22 July 2014, the Company subscribed the Allianz Income Growth Fund amounting to USD300,000, USD300,000 and USD300,000 respectively. The consideration was partially settled by cash and partially settled by a margin loan account interest at the bank's cost of fund plus 1% per annum. For details, please refer to the announcement of the Company dated 16 July 2014, 17 July 2014 and 22 July 2014 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover for the three months ended 30 June 2014 (“Three-month Period”) was approximately HK\$13.2 million, representing an increase of approximately 100% when compared with the corresponding period last year. Profit attributable to owners of the Company for the Three-Month Period was approximately HK\$5.4 million whilst the loss attributable to owners of the Company was approximately HK\$6.5 million for the corresponding period last year.

Money Lending

After actively participating in money lending business for more than three years, a solid client base has been built. During the Three-month Period, turnover for this segment was approximately HK\$12.59 million, representing 113% increase when compared with the corresponding period in 2013. A satisfactory profit was also brought from this segment. By the end of June, the Group has built up a lending portfolio of HK\$227 million which would continue to generate sustainable income in the coming future.

Property Investment

The rental income generated from investment properties acquired in previous years continued providing steady income to the Group. The turnover of this business segment for the Three-month Period was approximately HK\$176,000, being 5% decrease from 2013.

Securities and bonds Investment

For the Three-month Period, an amount of approximately HK\$0.19 million has been recorded as fair value loss on financial assets at fair value through profit or loss. Up to the reporting date, the strategic holding of 77,881,758 ordinary shares have been owned by the Company, being 3.38% interests in China 3D Digital Entertainment Limited.

Retail Business

We have been developing our retail business since June 2012. Turnover for this segment for the period under review was approximately HK\$451,000. We will continue to monitor the operation and develop new market in order to increase the turnover and the relevant market share in the industry.

Outlook

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

At the same time, the Group has also been seeking new investment opportunities to broaden the business scope in order to maximize the return to Shareholders. As mentioned in the annual report of the Company for the year ended 31 March 2014, the Company entered a non-legally binding memorandum of understanding with an independent third party (the “Target Company”) pursuant to which the Company intends to acquire certain percentage of the issued share capital of the Target Company. The Target Company is principally engaged in the business of recycling, processing and marketing of metals, including ferrous and non-ferrous metals. For details, please refer to the announcement of the Company dated 12 June 2014.

Disposals of an industrial property

On 29 May 2014, an indirect wholly-owned subsidiary of the Company, entered a provisional sale and purchase agreement with an independent third party regarding the disposal of the property in Hong Kong at a cash consideration of HK\$19.35 million. The assignment had been completed on 14 July 2014.

Dividend

The Board does not recommend the payment of a dividend for the three months ended 30 June 2014 (Three months ended 30 June 2013: Nil).

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 2014, 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 SFO), which were required to be notified to the Company and the Stock 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 Stock Exchange were as follows:

Interests in Shares

Long positions

Name	Personal Interests	Family Interests	Other Interests	Total	Approximate percentage to the issued share capital of the Company as at 30 June 2014
Mr. Shiu Yeuk Yuen (note 1)	9,616,200	16 (note 2)	248,761,265 (note 3)	258,377,481	41.06%
Mr. Leung Ge On, Andy (note 1)	63,000	-	-	63,000	0.01%

Notes:

1. Mr. Shiu Yeuk Yuen ("Mr. Shiu") and Mr. Leung Ge On, Andy are the executive Directors of the Company.
2. 16 shares of the Company are held by Ms. Hau Lai Mei, the spouse of Mr. Shiu.
3. 127,140 shares of the Company 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 (being the executive Director); (ii) 34% by Mr. Shiu and Ms. Siu York Chee (sister of Mr. Shiu) together hold on behalf of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound, daughters of Mr. Shiu; (iii) 16% by Ms. Shiu Ting Yan, Denise, daughter of Mr. Shiu; (iv) 1% by Mr. Cheng Jut Si; and (v) 3% by Able Rich Consultants Limited. 248,634,125 shares of the Company are held by Able Rich Consultants Limited, a wholly-owned subsidiary of Rich Treasure Group Limited, of which Mr. Shiu is the sole director and shareholder of that company.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS 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 2014, the Directors were not aware of any other person 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.

Name	No. of Shares	Approximate percentage to the issued share capital of the Company as at 30 June 2014
China 3D Digital Entertainment Limited (<i>note</i>)	56,010,000	8.9%

Note: 56,010,000 Shares refer to the aggregate of (a) 50,854,500 Shares held by China 3D Digital Entertainment Limited and (b) 5,155,500 Shares held by New Smart International Creation Limited, a directly wholly-owned subsidiary of China 3D Digital Entertainment Limited.

COMPETING INTEREST

None of the Directors or the controlling 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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the three months ended 30 June 2014.

On 14 February 2014, the Company raised approximately HK\$50.33 million, by way of an open offer on the basis of four (4) offer shares for one (1) share held ("Open Offer").

The Open Offer was fully underwritten by Able Rich Consultants Limited ("Able Rich") and Kingston Securities Limited ("Kingston Securities"), given priority to the former company of 77% and the latter of 23% of the total number of underwritten shares in accordance with the terms and conditions in the underwriting agreement.

Able Rich is an associate of Mr. Shiu Yeuk Yuen (“Mr. Shiu”) who is an existing shareholder, executive Director and the chairman of the Group. Kingston Securities, as one of the underwriters, has provided a loan facility of HK\$15 million for Able Rich to finance the untaken shares under the Open Offer.

Up to 30 June 2014, 256,430,325 shares owned by Able Rich and Mr. Shiu have been pledged to Kingston Securities which represent approximately 40.76% of the existing issued share capital of the company. Pursuant to the terms and conditions of such pledged arrangements, in the event of default by Able Rich, Kingston Securities will be entitled to enforce the pledged securities which may result in a transfer of voting rights in respect of such pledged securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the three months ended 30 June 2014, the Company has complied with the code provisions (“Code Provisions”) set out in the Code on Corporate Governance Practices contained in Appendix 15 to the Listing Rules, except for the following 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

On 29 January 2014, Fortune Financial Capital Limited (“the Compliance Adviser”) has been appointed as the Group’s Compliance Adviser to 31 August 2014.

As at 30 June 2014, as updated and notified by the Compliance Adviser, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 29 January 2014, none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in relation to the Company which is required to be notified to the Group, pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established 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 “Audit Committee”) comprises three independent non-executive Directors, namely Dr. Siu Yim Kwan, Sidney, Mr. Kam Tik Lun and Mr. Lau Gar Hung, Christopher. Mr. Kam Tik Lun is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review the Company’s annual report and accounts, half-year reports, quarterly reports and monthly reports and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and monitoring the Company’s internal control procedures. The Group’s unaudited results for the three months ended 30 June 2014 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results has complied with applicable accounting standards and requirements and that adequate disclosures have been made.

REMUNERATION AND NOMINATION COMMITTEE

A nomination committee (the “Nomination Committee”) and a remuneration committee (the “Remuneration Committee”) both consisting of three independent non-executive directors and two executive Directors were set up by the Company in accordance with the Code. The Nomination Committee is responsible for reviewing and making recommendations to the Board regarding any proposed changes and selection of directorships. The Remuneration Committee is responsible for reviewing and developing the remuneration policies of the Directors and senior management.

Model Code for Securities Transactions

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the “Required Standard of Dealings”) of the GEM Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the three months ended 30 June 2014.

The Company also has established written guidelines on no less exacting terms than the Required Standard of Dealings for securities transactions by employees who are likely to be in possession of any unpublished inside information of the Company.

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

None of the members of the Group purchased, sold or redeemed any of the Group’s listed securities during the period from 1 April 2014 to 30 June 2014.

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. Kam Tik Lun	-	Independent Non-executive Director
Mr. Lau Gar Hung, Christopher	-	Independent Non-executive Director

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

Hong Kong, 14 August 2014