



Unlimited Creativity Holdings Limited

Continued into Bermuda with limited liability
Stock Code: 8079

2011

First Quarterly Report

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

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This report, for which the directors (the “Directors”) of Unlimited Creativity Holdings Limited (the “Company”) collectively and individually accept 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 2011 amounted to approximately HK\$15.5 million, representing a decrease of approximately 40 per cent as compared with the same period last year.
- Net loss of the Group for the three months ended 30 June 2011 amounted to approximately HK\$4.2 million, representing an decrease of approximately 69 per cent as compared with the same period last year.
- The Board does not recommend the payment of a dividend for the three months ended 30 June 2011.

FIRST QUARTERLY RESULTS

The board (the “Board”) of directors of Unlimited Creativity Holdings Limited (the “Company”) would like to report the unaudited consolidated results of the Company and its subsidiaries (collectively, “the Group”) for the three months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2011

		Three months ended 30 June	
		2011	2010
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Revenue	2	15,536	25,729
Cost of sales		(1,840)	(4,571)
Gross profit		13,696	21,158
Other revenue and gains	2	(2,918)	(1,370)
Servicing, selling and distribution costs		(3,114)	(16,875)
Administrative expenses		(11,008)	(11,481)
Other operating expenses		(840)	(5,331)
Operating loss		(4,184)	(13,899)
Finance costs		(77)	(90)
Share of result of associates		40	260
Loss before income tax		(4,221)	(13,729)
Income tax expense	3	-	-
Loss for the period		(4,221)	(13,729)
Other comprehensive income:			
Available-for-sale financial assets		(16)	-
Other comprehensive income for the period, net of tax		(16)	-
Total comprehensive income for the period		(4,237)	(13,729)
Loss attributable to:			
Owners of the Company		(4,158)	(13,729)
Non-controlling interests		(63)	-
		(4,221)	(13,729)
Total comprehensive income attributable to:			
Owners of the Company		(4,174)	(13,729)
Non-controlling interests		(63)	-
		(4,237)	(13,729)
Loss per share			
- Basic and Diluted	5	(0.71) cents	(4.52) cents

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 2011 are consistent with those followed in the annual report of the Company for the year ended 31 March 2011, 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 and other revenue and gains

Revenue, which is also the Group's turnover, represents total invoiced value of beauty products sold, 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.

(Unaudited)	
Three months	
ended 30 June	
2011	2010
HK\$'000	HK\$'000

(a) Turnover by reportable segment

Revenue

Beauty services and sale of beauty products	3,846	10,602
Clinical services	8,565	14,427
Rental income from investment properties	58	164
Money lending	3,067	536
	<hr/> 15,536 <hr/>	<hr/> 25,729 <hr/>

(Unaudited)
**Three months
ended 30 June**
2011 2010
HK\$'000 **HK\$'000**

Other revenue and gains

Fair value gains on financial assets		
at fair value through profit or loss	1,764	23
Gain on disposal of available-for-sale		
financial assets	256	-
Loss on disposal of financial assets		
at fair value through profit or loss	(5,080)	(1,969)
Interest income	16	42
Rental income from sublet of office premises	-	280
Dividend income from listed investments	126	248
Others	-	6
	(2,918)	(1,370)
	(2,918)	(1,370)

(Unaudited)
**Three months
ended 30 June**
2011 2010
HK\$'000 **HK\$'000**

(b) Turnover by geographical segment

Hong Kong	9,447	17,512
People's Republic of China	-	3,719
Macao	6,089	4,498
	15,536	25,729
	15,536	25,729

3. Income Tax Expense

Income tax has not been provided as the Group did not generate any assessable profits during the three months ended 30 June 2011 (2010: HK\$Nil).

4. Dividend

The Board does not recommend payment of a dividend for the three months ended 30 June 2011.

5. Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of approximately HK\$4,158,000 (2010: HK\$13,729,000) and on the weighted average number of 586,561,603 (2010: 303,586,877 (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.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the period ended 30 June 2011 has been adjusted to reflect the impact of the share consolidation affected during the year ended 31 March 2011.

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 2011

	Equity attributable to owners of the parent											
	Share capital	Share redemption premium reserve	Capital reserve	Exchange reserve	Accumulated losses	Investment reserves	Capital revaluation reserve	Revaluation reserve	Share option reserve	Contributed surplus	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 2010	23,633	40,380	278	17	(101,360)	28,327	(1,430)	-	89	143,500	133,434	- 133,434
Comprehensive income												
Loss for the period	-	-	-	-	(13,729)	-	-	-	-	-	(13,729)	- (13,729)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(13,729)	-	-	-	-	-	(13,729)	- (13,729)
Transactions with owners												
Equity-settled share option arrangement	-	-	-	-	-	-	-	-	37	-	37	- 37
Options forfeited	-	-	-	-	126	-	-	-	(126)	-	-	-
Allotment of shares	12,000	46,720	-	-	-	-	-	-	-	-	58,720	- 58,720
Balance at 30 June 2010	<u>35,633</u>	<u>87,100</u>	<u>278</u>	<u>17</u>	<u>(114,963)</u>	<u>28,327</u>	<u>(1,430)</u>	<u>-</u>	<u>143,500</u>	<u>178,462</u>	<u>- 178,462</u>	
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												
Released upon disposals of available-for-sale financial assets	-	-	-	-	-	-	(16)	-	-	-	(16)	- (16)
Total comprehensive income	-	-	-	-	(4,158)	-	(16)	-	-	-	(4,174)	(63) (4,237)
Transactions with owners												
Shares issued on exercise of share options	42	1,016	-	-	-	-	-	-	(453)	-	605	- 605
Allotment of shares	1,050	9,696	-	-	-	-	-	-	-	-	10,746	- 10,746
Balance at 30 June 2011	<u>6,356</u>	<u>127,324</u>	<u>278</u>	<u>-</u>	<u>(173,692)</u>	<u>28,526</u>	<u>(240)</u>	<u>6,828</u>	<u>731</u>	<u>175,570</u>	<u>171,681</u>	<u>1,151 172,832</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group reported that total turnover for the three months ended 30 June 2011 was approximately HK\$15.5 million, representing a decrease of approximately 40% when compared with the same period last year. Benefiting from the disposal of loss making subsidiaries which are engaged in the provision of beauty services and clinical services in Hong Kong and PRC in October 2010, loss of the Group was largely reduced from HK\$13.7 million same period last year to approximately HK\$4.2 million this period, representing a decrease of approximately 69%.

Beauty Services and Sale of Beauty Products

Turnover for beauty services and sale of beauty products for the period was approximately HK\$3.8 million, representing a decrease of approximately 64% when compared with the same period last year.

Since the above-mentioned loss making businesses were only sold in October last year, the comparative figures for same period last year included those businesses which are sold out subsequently and thus a substantial decrease in turnover of this business segment was resulted.

Clinical Services

Turnover from this segment during the period was approximately HK\$8.6 million, representing a decrease of approximately 41% when compared with the same period last year.

Similar to beauty services, a substantial decrease was resulted as those loss making businesses were sold out in October 2010 and only profitable centres would be kept.

Investment properties

As mentioned in the latest annual report, it's the Group's strategy to restructure its property portfolio. Some residential properties have been sold out at the start of this financial year whilst the transactions relating to the newly bought industrial properties would only be completed in July and August 2011 respectively. As a result, rental income for the period was reduced to less than HK\$0.1 million.

Money lending

We have been actively developing our money lending business since May 2010. Turnover for this segment for the period concerned was approximately HK\$3.1 million, more than five times of the turnover same period last year. A satisfactory profit was also achieved from this segment. It is seen as profitable segment and the Group will continue to put resources into this segment.

Investment in financial instruments and quoted shares

As the stock market was in a downward trend for the period under review, undoubtedly, the Group's investment portfolio was negatively affected. For the three months ended 30 June 2011, this segment recorded a gross loss of HK\$2.9 million.

Outlook

Since money lending business was proved to bring to the Group satisfactory profit, more resource would be put in this business segment. A branch in Kowloon will be opened in the second quarter of this financial year to further expand 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. In view of the increasing popularity of multi-media phones and devices, the Group is considering to tap into the multi-media contents and application businesses such as development of electronic books and the relevant applications with the aim to facilitate the future growth and profitability of the Group.

EVENTS AFTER REPORTING PERIOD

Proposed Capital Reorganisation and Rights Issue

On 29 June 2011, the board of directors of the Company (the "Board" or the "Directors") announced that the Company implemented the capital reorganisation ("Capital Reorganisation") which will involve the share consolidation, the capital reduction and the capital increase. The share consolidation will involve the consolidation of every ten (10) issued and unissued Shares of HK\$0.01 each in the share capital of the Company into one (1) consolidated share of HK\$0.10 each ("Consolidated Shares"). The capital reduction will involve (i) the reduction of the issued share capital of the Company by cancelling the paid-up capital of the Company to the extent of HK\$0.09 on each of the then issued Consolidated Shares such that the nominal value of each issued Consolidated Shares will be reduced from HK\$0.10 to HK\$0.01 ("Adjusted Share"); and (ii) the reduction of the authorised share capital of the Company by reducing the nominal value of all Consolidated Shares from HK\$0.10 each to HK\$0.01 each resulting in the reduction of the authorised share capital of the Company from HK\$300,000,000 divided into 3,000,000,000 Consolidated Shares to HK\$30,000,000 divided into 3,000,000,000 ordinary shares of the Company of HK\$0.01 each. The capital increase will involve the increase of authorised share capital from HK\$30,000,000 divided into 3,000,000,000 ordinary shares of HK\$0.01 each to HK\$300,000,000 divided into 30,000,000,000 ordinary shares of HK\$0.01 each.

Conditional upon the Capital Reorganisation becoming effective, the Company proposed to raise not less than HK\$95.34 million and not more than HK\$96.39 million, before expenses, by way of a rights issue of not less than 635,634,130 rights shares and not more than 642,534,130 rights shares at the subscription price of HK\$0.15 per rights share on the basis of ten rights shares for every one Adjusted Share held on the record date (being 1 September, 2011, as defined in the Company's circular dated 1 August 2011 and revised in Company's announcement dated 9 August 2011) payable in full upon application ("Rights Issue"). The Rights Issue is subject to the approval of the independent shareholders of the Company at the forthcoming special general meeting. The Company intends to apply the estimated net proceeds of the Rights Issue of not less than approximately HK\$92.08 million and not more than approximately HK\$93.10 million in the ways as set out in the section headed "Reasons for the Rights Issue and use of proceeds" in the Company's circular dated 1 August 2011.

SHARE OPTION SCHEMES

On 24 September 2001, the shareholders of the Company approved a share option scheme ("the Existing Scheme") under which its Board of Directors 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 Company's Board of Directors 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 Existing Scheme and adopted a new share option scheme ("the New Scheme") under which its Board of Directors 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 Company's Board of Directors 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 2011	Granted	Exercised	At 30 June 2011	Date of grant	Exercise period of the share options	Exercise price per share HK\$
Eligible person							
- In aggregate	2,700,000	-	(1,300,000)	1,400,000	15-Feb-11	15/2/2011 - 14/2/2014	0.1542
Employees							
- In aggregate	8,400,000	-	(2,900,000)	5,500,000	23-Feb-11	23/2/2011 - 22/2/2014	0.1396
	<u>11,100,000</u>	<u>-</u>	<u>(4,200,000)</u>	<u>6,900,000</u>			

During the period ended 30 June 2011, 4,200,000 options were exercised and 6,900,000 options were outstanding during the period ended 30 June 2011 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 2011, 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 2011
Mr. Shiu Yeuk Yuen <i>(note 1)</i>	4,200,000	1,170 <i>(note 2)</i>	770,558 <i>(note 3)</i>	4,971,728	0.78%
Mr. Leung Ge On, Andy <i>(note 1)</i>	4,200,000	-	-	4,200,000	0.66%

Notes:

1. Mr. Shiu Yeuk Yuen and Mr. Leung Ge On, Andy are the executive directors of the Company.
2. 1,170 shares are held by Ms. Hau Lai Mei, the spouse of Mr. Shiu Yeuk Yuen.
3. 770,558 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 2011, 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the three months ended 30 June 2011, 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 deviations:–

1. 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.

2. Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

None of the Independent non-executive directors is appointed for a specific term. Pursuant to the Company’s bye-laws, all directors of the Company, regardless of his/her term of appointment, if any, are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy is subject to re-election by shareholders at the first general meeting after his/her appointment. The Company in practice will observe Code Provision A.4.2 and will ensure that any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment.

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. Hung Anckes Yau Keung, Dr. Siu Yim Kwan, Sidney and Mr. Tsui Pui Hung, Walter. Mr. Hung Anckes Yau Keung is also the chairman of the audit committee of the board of Directors. 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 of Directors. 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 2011 to 30 June 2011.

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
Mr. Hung Anckes Yau Keung	–	Independent Non-executive Director
Dr. Siu Yim Kwan, Sidney	–	Independent Non-executive Director
Mr. Tsui Pui Hung, Walter	–	Independent Non-executive Director

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

Hong Kong, 12 August 2011