NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements include the financial statements of Creative Technology Ltd and Creative's subsidiaries under its effective control from their respective dates of acquisition, after elimination of inter-company transactions and balances. The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates and such differences could be material. Certain reclassifications have been made in prior years' financial statements to conform with classifications used in the current year. Creative conducts a substantial portion of its business in United States dollars ("US$" or "$"). All dollar amounts included in the financial statements and in the notes herein are United States dollars unless designated as Singapore dollars ("S$"). Creative operates on a thirteen week calendar closing on the Friday closest to the natural calendar quarter. Our financial year 2007 ended on June 29, 2007, the Friday nearest to June 30, 2007, while our prior financial years ended on June 30, 2006 and July 1, 2005. All quarters and fiscal years are described by their natural calendar dates.

Foreign exchange

The functional currency of Creative and its subsidiaries is predominantly the US dollar and accordingly, gains and losses resulting from the translation of monetary assets and liabilities denominated in currencies other than the US dollar are reflected in the determination of net income (loss). From time to time, Creative enters into forward exchange contracts to reduce its exposure to foreign exchange translation gains and losses. Forward exchange contracts are marked to market each period and the resulting gains and losses are included in the determination of net income or loss. No forward exchange contracts were outstanding at June 30, 2007. Included in other income (expenses) are exchange gains of $12.1 million and $0.7 million in fiscal years 2007 and 2006, and exchange losses of $4.2 million in fiscal year 2005.

At June 30, 2007, the monetary assets and liabilities of Creative are denominated in the following currencies:

	Approximate Percentage of $ Balance Denominated in:			
	US$	**S$**	**EURO**	**Other Currencies**
Cash and cash equivalents	60 %	2 %	24 %	14 %
Accounts receivable, less allowances	62 %	–	28 %	10 %
Total current liabilities	66 %	21 %	6 %	7 %
Long-term obligations	88 %	11 %	–	1 %

The exchange rates for the S$ and Euro utilized in translating the balance sheet at June 30, 2007, expressed in US$ per one S$ and Euro was 0.6529 and 1.3505, respectively.

Cash equivalents

Cash equivalents consist of highly liquid investment instruments with original or remaining maturities of three months or less at the time of purchase. All deposits are in short-term deposits and money market accounts with various banks. This diversification of risk is consistent with Creative's policy to maintain liquidity and ensure the safety of principal. Included in cash equivalents as of June 30, 2007 and 2006 are fixed rate deposits of $204.7 million and $170.0 million, respectively.

Fair value of financial instruments

For certain of Creative's financial instruments, including cash equivalents, accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The amounts shown for long-term obligations also approximate fair value because current interest rates charged to Creative for debts of similar maturities are substantially the same.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventory
Inventory is stated at the lower of cost or market. Cost is determined using standard cost, appropriately adjusted at the balance sheet date to approximate actual cost on a weighted average basis. In the case of finished products and work-in-progress, cost includes materials, direct labor and an appropriate proportion of production overheads.

Management performs a detailed assessment of inventory at each balance sheet date to establish provisions for excess and obsolete inventories. The evaluation includes a review of, among other factors, historical sales, current economic trends, forecasted sales, demand requirements, product lifecycle and product development plans, quality issues, and current inventory levels.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the remaining facility lease term or the estimated useful lives of the improvements. No depreciation is provided on freehold land and construction in progress.

Creative reviews property and equipment for impairment in accordance with SFAS No. 144, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed." Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of its carrying amount to future undiscounted cash flows the assets are expected to generate. If the property and equipment are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds its fair market value. For the three fiscal years ended June 30, 2007, 2006 and 2005, Creative had no impairment of its long-lived assets, except for the impairment of certain assets in connection with the restructuring actions described in Note 12 of the Notes to Consolidated Financial Statements.

Investments
Creative holds equity investments in various companies pursuant to which it has acquired anywhere from less than 1% to 100% of the issuer's outstanding capital stock. Investments in which Creative acquires more than 50% of the outstanding capital stock of an entity and which are under the effective control of Creative, are treated as investments in subsidiaries, and the balance sheets and results of operations of these subsidiaries are fully consolidated after making allowance for any minority interests. Companies in which Creative's investment totals between 20% and 50% of such company's capital stock are treated as associated companies and recorded on an equity basis, whereby Creative adjusts its cost of investments to recognize its share of all post acquisition results of operations. In the event where a subsidiary or associated company issues shares to a third party at a price different from Creative's carrying value of such shares, the difference is taken to the income statement.

Non-quoted investments of less than 20% in an entity are carried at cost, less provisions for permanent impairment where necessary.

In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," quoted investments of less than 20% in an entity are classified as available-for-sale. Such investments are reported at fair value with the unrealized gains and losses included as a separate component of shareholders' equity. Unrealized losses are charged against income when a decline in fair value is determined to be other than temporary. Realized gains and losses upon the sale or disposition of such investments are based on the average cost of the specific investments sold.

The investment portfolio is monitored on a periodic basis for impairment. Creative's investments in these companies are inherently risky because the markets for the technologies or products they have under development are typically in the early stages and may never develop. In the event that the carrying value of an investment exceeds its fair value and the decline in value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis for the investment is established. Fair values for investments in public companies are determined using quoted market prices. Fair values for investments in privately-held companies are estimated based upon one or more of the following: pricing models using historical and forecasted financial information and current market rates, liquidation values, the values of recent rounds of financing, or quoted market prices of comparable public companies.

In order to determine whether a decline in value is other-than-temporary, Creative evaluates, among other factors: the duration and extent to which the fair value has been less than the carrying value; the financial condition of and business outlook for the company, including key operational and cash flow metrics, current market conditions and future trends in the company's industry, and the company's relative competitive position within the industry; and Creative's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value.

Goodwill and other intangible assets

Goodwill and other intangible assets are stated at cost and relate principally to the acquisition of new subsidiaries accounted for under the purchase method. Under this method, the purchase price has been allocated to the assets acquired, liabilities assumed and in-process technology based on their estimated fair market values at the dates of acquisition. Amounts allocated to acquired in-process technology are expensed in the period in which the acquisition is consummated. Intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets, ranging from one to seven years. Goodwill is not subject to amortization, but evaluated at least annually for impairment.

Reviews for impairment of goodwill and other intangible assets are also conducted whenever events indicate that the carrying amount might not be recoverable. Factors that Creative may consider important which could trigger an impairment review include the following:

- significant under performance relative to historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for Creative's overall business;
- significant negative industry or economic trends;
- significant decline in Creative's stock price for a sustained period; and
- Creative market capitalization relative to net book value.

When the existence of one or more of the above factors indicates that the carrying value of the goodwill or intangible assets may be impaired, Creative measures any impairment based on a combination of market comparable method and projected discounted cash flow method using a discount rate determined by the management commensurate with the risk inherent in Creative's current business model.

Product warranties

The warranty period for the bulk of Creative's products typically ranges between 1 to 3 years. The product warranty accrual reflects management's best estimate of probable liability under its product warranties. Management determines the warranty provision based on known product failures (if any), historical experience, and other currently available evidence.

Revenue recognition

Revenue from product sales is recognized when the following four criteria are met:

- <u>Persuasive evidence of an arrangement exists</u>
  Persuasive evidence of an arrangement exists when Creative receives a purchase order from the customer and Creative subsequently confirms the order by issuing a sales order to the customer.

- <u>Title and risk of loss have been transferred and delivery has occurred</u>
  Based on the shipping terms specified in the customer's purchase order or Creative's sales order to the customer, this criteria is met when a product is delivered to a common carrier, or delivered to the customer's delivery site or shipped to the customer.

- <u>The price is fixed or determinable</u>
  The price is fixed or determinable when a sales order is issued to the customer.

- <u>Collection is probable</u>
  Creative assesses the credit worthiness of each customer and will only issue a sales order to a customer if it believes that collection from that customer is probable.

Allowances are provided for estimated returns, discounts and warranties based on historical experience, current economic trends and changes in customer demand and acceptance of its products. Such allowances are adjusted periodically to reflect actual and anticipated experience. When recognizing revenue, Creative records estimated reductions to revenue for customer and distributor programs and incentive offerings, including price protection, promotions, other volume-based incentives and rebates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Research and development
Research and development costs are charged to operations as incurred.

Assessment of the probability of the outcome of current litigation
Creative records accruals for loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated.

Income taxes
Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, and operating loss and tax carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded for loss carryforwards and other deferred tax assets where it is more likely than not that such deferred tax assets will not be realized.

Concentrations of credit risk
Financial instruments that potentially subject Creative to significant concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable. Creative limits the amount of credit exposure to any one financial institution. Creative sells its products to original equipment manufacturers, distributors and key retailers. Creative believes that the concentration of credit risk in its trade receivables is substantially mitigated due to performance of ongoing credit evaluations of its customers' financial condition, use of short collection terms, use of letters of credit in certain circumstances, procurement of credit insurance coverage and the geographical dispersion of sales. Creative establishes allowances for doubtful accounts, returns and discounts for specifically identified doubtful accounts, returns and discounts based on credit profiles of its customers, current economic trends, contractual terms and conditions and historical payment, returns and discount experience.

Share-based compensation
Effective July 1, 2005, Creative accounts for share-based employee compensation in accordance with SFAS No. 123(R), "Share-Based Payment." Accordingly, share-based compensation cost is measured on the date of grant, based on the fair value of the award, and is recognized as expense over the employee's requisite service period. Creative previously applied Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and related Interpretations, and provided the required pro forma disclosures of SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation, Transition and Disclosures." See Note 9.

Employees pension scheme
Creative participates in a number of defined contribution retirement plans in certain countries of operations. Contributions are based on a percentage of each eligible employee's salary and are expensed as the related salaries are incurred. Creative incurred expenses of approximately $8.0 million, $8.1 million and $7.5 million with respect to these retirement plans for the fiscal years 2007, 2006 and 2005, respectively.

Recently issued accounting pronouncements
In June 2006, the FASB issued FASB Interpretation Number 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes – an interpretation of SFAS No. 109." The interpretation contains a two step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The provisions are effective for fiscal years beginning after December 15, 2006. Creative is currently evaluating the impact of FIN 48, but does not expect the adoption of FIN 48 to have a material impact on its consolidated financial statements.

In September 2006, the Securities and Exchange Commission ("SEC") released Staff Accounting Bulletin No. 108, "Considering the

Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides interpretive guidance on the SEC's views on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. The provisions of SAB 108 will be effective for fiscal years ending November 15, 2006. Creative has adopted SAB 108 and it has no material effect on its consolidated financial statements.

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. Earlier adoption is permitted, provided the Company has not yet issued financial statements, including for interim periods, for that fiscal year. Creative is currently evaluating the impact of SFAS 157.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158"). This standard requires employers to recognize the underfunded or overfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in the funded status in the year in which the changes occur through accumulated other comprehensive income, which is a component of shareholders' equity. Additionally, SFAS 158 requires employers to measure the funded status of a plan as of the date of its year-end statement of financial position. The new reporting requirements and related new footnote disclosure rules of SFAS 158 are effective for fiscal years ending after December 15, 2006. Creative has adopted SFAS 158 and it has no material impact on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits companies to choose to measure certain financial instruments and certain other items at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. Creative is currently evaluating the impact of SFAS 159.

NOTE 2 – NET INCOME (LOSS) PER SHARE

In accordance with SFAS No. 128, "Earnings per Share," Creative reports both basic earnings per share and diluted earnings per share. Basic earnings per share is computed using the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of ordinary and potentially dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares are excluded from the computation if their effect is anti-dilutive. In computing diluted earnings per share, the treasury stock method is used to determine, based on average stock prices for the respective periods, the ordinary equivalent shares to be purchased using proceeds received from the exercise of such equivalent shares. Other than the dilutive effect of stock options, there are no other financial instruments that would impact the weighted average number of ordinary shares outstanding used for computing diluted earnings per share. The potentially dilutive ordinary equivalent shares outstanding under the employee share purchase plan were not material.

The following is a reconciliation between the average number of ordinary shares outstanding and equivalent shares outstanding (in '000):

	As of June 30		
	2007	**2006**	**2005**
Weighted average ordinary shares outstanding – Basic	83,452	83,093	82,661
Effect of dilutive shares on account of stock options	461	–	2,672
Weighted average ordinary shares and equivalents outstanding – Diluted	**83,913**	**83,093**	**85,333**

For fiscal year 2006, approximately 0.8 million shares were excluded from the computation of dilutive earnings per share, as the effect of including such shares would be anti-dilutive.

NOTE 3 – BALANCE SHEET DETAIL (in US$'000)

	As of June 30	
	2007	**2006**
Inventory:		
Raw materials	$ 62,034	$ 110,469
Work in progress	5,916	1,198
Finished products	66,961	123,275
Total inventory	**$ 134,911**	**$ 234,942**

Included in cost of goods sold in the third quarter of fiscal year 2006 was a substantial write-down of flash memory inventory amounting to $19.0 million. There was no material write-down of flash memory inventory in the comparative period in fiscal year 2007.

	Estimated Useful Life	As of June 30	
		2007	**2006**
Property and equipment:			
Freehold Land	–	$ 2,625	$ 3,524
Leasehold land and buildings	25 to 96 years	104,531	105,817
Machinery and equipment	3 to 6 years	60,509	63,012
Furniture, fixtures and office equipments	1 to 8 years	82,166	83,307
Leasehold improvements	Term of lease	11,853	12,164
		261,684	**267,824**
Accumulated depreciation		(163,988)	(158,650)
Net property and equipment		**$ 97,696**	**$ 109,174**

Included in property and equipment are assets purchased under capital lease obligations with a cost and accumulated depreciation of approximately $10.9 million and $10.9 million for fiscal year 2007, and $16.5 million and $16.0 million for fiscal year 2006, respectively.

Depreciation charged to results of operations, including depreciation related to assets under capital leases, amounted to $15.3 million, $21.0 million and $23.0 million for fiscal years 2007, 2006 and 2005, respectively.

Creative routinely reviews the remaining estimated useful lives of its machinery and equipment to determine if such lives should be adjusted due to the likelihood of technological obsolescence arising from changes in production techniques or in market demand for the use of its machinery and equipment.

	As of June 30	
	2007	2006
Other non-current assets:		
Other intangible assets	$ 37,568	$ 37,568
Accumulated impairment charges	(4,727)	(4,727)
Accumulated amortization	(32,538)	(31,087)
Other intangible assets, net	303	1,754
Goodwill	–	91,976
Accumulated impairment charges	–	(91,976)
Goodwill, net	–	–
Other non-current assets	8,694	9,917
Total other non-current assets	**$ 8,997**	**$ 11,671**

Other intangible assets consist of mainly patents and trademarks.

Creative reviews goodwill and purchased intangible assets for impairment annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." Creative typically performs its annual impairment assessment for goodwill and other intangible assets in the fourth quarter of its fiscal year. However, during the third quarter of fiscal 2006, Creative's subsidiary, 3Dlabs, restructured its graphics business to focus its business on the portable handheld device market instead of the professional workstation graphics market. As a result, the fair value of 3Dlabs could no longer support the carrying value of the goodwill and other intangible assets associated with the acquisition of 3Dlabs in May 2002, and accordingly, Creative recorded a goodwill impairment charge of $29.4 million and other intangible assets impairment charge of $2.0 million in fiscal 2006.

Goodwill and other intangible assets fully amortized were excluded from the table above. Other intangible assets amortization expense was $1.5 million, $2.2 million and $3.4 million for fiscal years 2007, 2006 and 2005, and is estimated to be $0.3 million in fiscal year 2008, respectively.

	As of June 30	
	2007	2006
Other accrued liabilities:		
Marketing accruals	$ 22,304	$ 28,992
Payroll accruals	15,500	20,346
Royalty accruals	6,071	5,299
Warranty accruals	6,499	9,536
Deposits and other creditors	12,932	4,430
Other accruals	29,592	32,087
Total other accrued liabilities	**$ 92,898**	**$ 100,690**

Other accruals of $29.6 million and $32.1 million as of June 30, 2007 and 2006 includes accruals for various operating expense items that individually account for less than 5% of the total current liabilities.

NOTE 3 – BALANCE SHEET DETAIL (in US$'000) (Cont'd)

	As of June 30	
	2007	**2006**
Long term obligations:		
Long term debt	$ 113,711	$ 192,010
Capital lease obligations	21	18
Deferred tax liabilities	15,399	14,565
Total long term obligations	**$ 129,131**	**$ 206,593**

NOTE 4 – PRODUCT WARRANTIES

The warranty period for the bulk of Creative's products typically ranges between 1 to 3 years. The product warranty accrual reflects management's best estimate of probable liability under its product warranties. Management determines the warranty provision based on known product failures (if any), historical experience, and other currently available evidence.

Movements in the product warranty accrual for fiscal year 2007 were as follows (in US$'000):

	As of June 30	
	2007	**2006**
Balance at the beginning of the year	$ 9,536	$ 12,418
Accruals for warranties issued during the period	28,420	50,352
Adjustments related to pre-existing warranties (include changes in estimates)	(580)	(206)
Settlements made during the period	(30,877)	(53,028)
Balance at the end of the year	**$ 6,499**	**$ 9,536**

NOTE 5 – LEASES AND COMMITMENTS

Creative leases the use of land and certain of its facilities and equipment under non-cancelable operating lease arrangements.

Minimum future lease commitments for non-cancelable leases as of June 30, 2007, are as follows (in US$'000):

	Operating Leases
Fiscal years ending June 30,	
2008	$ 6,560
2009	4,904
2010	3,976
2011	3,147
2012	2,063
Thereafter	12,200
Total minimum lease commitments	**$ 32,850**

Rental expense under all operating leases was $12.2 million, $14.0 million and $13.4 million for fiscal years 2007, 2006 and 2005, respectively.

Future minimum lease commitments, which are secured by the underlying assets, as of June 30, 2007, under capital leases are as follows (in US$'000):

	Capital Leases
Fiscal years ending June 30,	
2008	$ 19
2009	13
2010	10
2011	–
2012	–
Thereafter	–
Total minimum lease commitments	$ 42
Less: Interest	(4)
Total capital lease commitments	**$ 38**

NOTE 6 – COMPREHENSIVE INCOME (LOSS)

The components of total comprehensive income (loss) are as follows (in US$'000):

	Years ended June 30		
	2007	2006	2005
Net income (loss)	$ 28,189	$ (118,159)	$ 588
Movement in unrealized holding gains (losses)	7,331	(28,074)	(12,937)
Reclassification adjustments:			
– Gains included in net income (loss)	(2,544)	(17,753)	(72,936)
	4,787	(45,827)	(85,873)
Total comprehensive income (loss)	**$ 32,976**	**$ (163,986)**	**$ (85,285)**

NOTE 7 – SHARE REPURCHASES

Details of share repurchases by Creative since the commencement date of the program on November 6, 1998 are set out below:

	Number of Shares Repurchased (in millions)	Average Price (US$)
Fiscal year 1999 to fiscal year 2005	26.3	$ 13
Fiscal year 2006	1.0	$ 8
Fiscal year 2007	–	$ –
Total	**27.3**	**$ 13**

At the Annual General Meeting ("AGM") held on October 31, 2006, the shareholders approved the share repurchase mandate allowing Creative to buy up to 10% of the issued share capital of Creative outstanding as of the date of the AGM. This amounts to approximately 8.3 million shares. This authority to repurchase these shares shall continue in force unless revoked or revised by the shareholders in a general meeting, or until the date that the next AGM of Creative is held or is required to be held, whichever is the earlier.

NOTE 7 – SHARE REPURCHASES (Cont'd)

The Companies (Amendment) Act 2005 of Singapore (Companies Amendment Act), which became effective on January 30, 2006, introduced key amendments to the Companies Act, Chapter 50 of Singapore (Companies Act). As a result of these amendments, a Singapore company can now repurchase shares out of share capital, as well as from distributable profits and ordinary shares repurchased by a company can be held by that company as treasury shares instead of being cancelled.

NOTE 8 – DIVIDENDS

At the Annual General Meeting held on October 31, 2006, Creative's shareholders approved an ordinary dividend of $0.25 for each outstanding ordinary share of Creative for the fiscal year ended June 30, 2007. Dividends of $20.9 million were paid on December 1, 2006 to all shareholders of record as of November 15, 2006. In fiscal year 2006, Creative paid an ordinary dividend of $0.25 for each outstanding ordinary share amounting to $20.7 million.

NOTE 9 – EMPLOYEE STOCK OPTION PLANS

In December 1998, Creative adopted the Creative Technology (1999) Share Option Scheme ("1999 Scheme") which allows options to be granted to full-time employees as well as consultants and non-executive directors. The total number of shares that may be granted under the 1999 Scheme is 7.5 million, provided that such amount shall be automatically increased on the first day (July 1) of each of the five fiscal years ending June 30, 2001, 2002, 2003, 2004 and 2005 by four percent of the issued share capital of Creative as at the last day of the immediate preceding fiscal year. The Option Committee has the discretion to decide the vesting schedule in the letter of offer. If it is not specifically stated in the letter of offer, 1/4 of the total amount of the grant vests on the first anniversary of the grant date and 1/48 of the total amount of the grant vests on the last day of each calendar month thereafter. The exercise price of options granted under the 1999 Scheme may be less than the fair market value of the shares as of the date of grant and the options expire after the tenth anniversary of the date of grant, except in the case of options granted to participants other than employees, options expire not later than the fifth anniversary of the date of grant. Creative issues new shares to satisfy its share based exercises.

Effective July 1, 2005, Creative adopted the provisions of SFAS No. 123(R), "Share-Based Payment". SFAS No. 123(R) establishes accounting for share-based awards exchanged for employee services. Accordingly, share-based compensation cost is measured on the date of grant, based on the fair value of the award, and is recognized as expense over the employee's requisite service period. Creative previously applied Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations, and provided the required pro forma disclosures of SFAS No. 123, "Accounting for Stock-Based Compensation".

Prior to the adoption of SFAS No. 123(R), Creative provided the disclosures required under SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, "Accounting for Stock-Based Compensation, Transition and Disclosures".

Creative elected to adopt the modified-prospective application method as provided by SFAS No. 123(R). Accordingly, during the fiscal year ended June 30, 2007, Creative recorded share-based compensation cost of $1.7 million in the financial statements, totaling the amount that would have been recognized had the fair value method been applied since the effective date of SFAS No. 123. Previously disclosed amounts have not been restated in the financial statements.

In connection with the adoption of SFAS No. 123(R), Creative also made a one-time adjustment in the quarter ended September 30, 2005 to reverse the unamortized share compensation balance of $0.4 million against the additional paid-in capital account.

During the fiscal year ended June 30, 2006, Creative granted 3,120,000 stock options under the 1999 Scheme with a total grant date fair value of $5.1 million. The weighted average grant date fair value of options granted was $1.63 per share. There were no options granted under the 1999 Scheme in the fiscal year ended June 30, 2007.

The fair value of each share option granted is estimated on the date of grant using the Black Scholes option-pricing model. The option-pricing model requires the input of highly subjective assumptions, including the option's expected life, risk-free interest rates, dividend yield and the price volatility of the underlying share. The expected life of the options represents the period of time the options are expected to be outstanding and is based on historical trends. The expected share price volatility assumption was determined using the historical volatility of Creative's shares. The following table presents the weighted-average assumptions used in the Black Scholes option-pricing model for the share option grants.

	Fiscal year 2007	Fiscal year 2006	Fiscal year 2005
Expected volatility	–	36%	–
Risk-free interest rates	–	2.31% to 4.40%	–
Dividend yield	–	3.0%	–
Expected life of options (in years)	–	0.60 years after vest date	–

	Years ended June 30		
	2007	2006	2005
Weighted average fair value of stock options granted:			
Stock options:			
At market	$ –	$ 1.63	$ –
Below market	$ –	$ –	$ –

Summary of outstanding options under Creative's employee share option plans

The following table summarizes the option information under the Creative's employee share option plans as at June 30, 2007.

	Number of Options ('000)	Weighted-Average Exercise Price ($)
Outstanding at June 30, 2004	**8,921**	**6.82**
Granted	–	–
Exercised	(2,224)	6.48
Cancelled/Forfeited/Expired	(116)	6.83
Outstanding at June 30, 2005	**6,581**	**6.93**
Granted	3,120	7.50
Exercised	(677)	4.29
Cancelled/Forfeited/Expired	(355)	8.92
Outstanding at June 30, 2006	**8,669**	**7.26**
Granted	–	–
Exercised	(351)	4.40
Cancelled/Forfeited/Expired	(501)	8.06
Outstanding at June 30, 2007	**7,817**	**7.34**
Exercisable at June 30, 2007	**6,122**	**7.29**

NOTE 9 – EMPLOYEE STOCK OPTION PLANS (Cont'd)

The options outstanding and exercisable as at June 30, 2007 were in the following exercise price ranges:

	Options Outstanding				Options Exercisable			
Range of Exercise Prices	Number of Shares Outstanding ('000)	Weighted Average Exercise Price	Aggregate Intrinsic Value ($'000)	Weighted Average Remaining Contractual Term (in years)	Number of Shares Exercisable ('000)	Weighted Average Exercise Price	Aggregate Intrinsic Value ($'000)	Weighted Average Remaining Contractual Term (in years)
$1.00 to $2.99	77	$ 2.84	$ 152	3.50	77	$ 2.84	$ 152	3.50
$3.00 to $4.99	1,612	$ 4.46	$ 559	4.30	1,612	$ 4.46	$ 559	4.30
$5.00 to $6.99	118	$ 5.90	$ –	4.53	118	$ 5.90	$ –	4.53
$7.00 to $10.99	6,006	$ 8.19	$ –	4.96	4,311	$ 8.45	$ –	3.88
$11.00 to $18.99	4	$ 18.40	$ –	2.67	4	$18.40	$ –	2.67
	7,817	**$ 7.34**	**$ 711**	**4.80**	**6,122**	**$ 7.29**	**$ 711**	**4.00**

The intrinsic value is determined by the difference between Creative's closing share price of $4.81 as of June 30, 2007 and the grant price. The aggregate intrinsic value in the table above represents the amount that would have been received by the option holders had all option holders exercised their options as of that date. The total intrinsic value of options exercised during the fiscal year ended June 30, 2007 was $0.7 million. As at June 30, 2007, Creative expects to recognize the total unrecognized compensation cost relating to non-vested share-based compensation of $1.7 million over a weighted average period of 2.31 years.

NOTE 10 – INCOME TAXES

Creative was granted a Pioneer Certificate under the International Headquarters Award that will expire in March 2010. Under the Pioneer Certificate, profits arising from qualifying activities will be exempted from income tax in Singapore, subject to certain conditions. As a result of obtaining the Pioneer Certificate, there were tax write-backs of $10.0 million and $12.3 million in fiscal years 2006 and 2004. The reversal was related to corporate taxes provided for in full for profits arising from qualifying activities from the commencement date of the Pioneer Certificate until the second quarter of fiscal year 2004, based on the standard tax rates of 24.5% for fiscal year 2001 and 22% for fiscal years 2002 and 2003 and 20% for fiscal year 2004. These standard corporate income tax rates continue to be applicable to profits arising from activities excluded from the Pioneer Certificate.

The Singapore and other components of income (loss) before income taxes are as follows (in US$'000):

	Years ended June 30		
	2007	**2006**	**2005**
Singapore	$ 36,245	$ (74,910)	$ 18,211
Other countries	15,045	(51,204)	(16,717)
Income (loss) before income taxes and minority interest	**$ 51,290**	**$ (126,114)**	**$ 1,494**

The income tax expense (benefit) consists of (in US$'000):

	Years ended June 30		
	2007	**2006**	**2005**
Singapore	$ 20,177	$ (9,313)	$ (1,896)
Other countries	3,741	2,163	2,865
Income tax expense (benefit)	**$ 23,918**	**$ (7,150)**	**$ 969**

Creative's effective tax provision for fiscal years 2007, 2006 and 2005 reconciles to the amount computed by applying the Singapore statutory rate of 18.0% for 2007 and 20.0% for 2006 and 2005 to income before income taxes and minority interest, as follows (in US$'000):

	Years ended June 30		
	2007	**2006**	**2005**
Income tax expense (benefit) at Singapore statutory rate	$ 9,232	$ (25,223)	$ 299
Tax exempt loss (income)			
Singapore	4,068	13,633	(2,971)
Others	(1,806)	(4,547)	(14,316)
Non-deductible expenses and write-offs	792	679	406
Change in valuation allowances	(1,247)	5,692	(81)
Rate differences and others	12,936	12,808	19,447
Tax refund receivable	(57)	(10,192)	(1,815)
Income tax expense (benefit)	**$ 23,918**	**$ (7,150)**	**$ 969**

NOTE 10 – INCOME TAXES (Cont'd)

Deferred tax assets at June 30, 2007 and 2006 consisted of the following (in US$'000):

	As of June 30	
	2007	**2006**
Non-deductible reserves	$ 19,889	$ 24,493
Net operating loss carryforwards	60,384	59,095
Others	624	612
Total deferred tax assets	**80,897**	**84,200**
Valuation allowance for deferred tax assets	(80,897)	(84,200)
	$ –	**$ –**

Deferred tax liabilities at June 30, 2007 and 2006 consisted of the following (in US$'000):

	As of June 30	
	2007	**2006**
Unremitted offshore interest income	$ 6,600	$ 7,256
Undistributed profit of certain foreign subsidaries	6,144	6,144
Others	2,655	1,165
Total deferred tax liabilities	**$ 15,399**	**$ 14,565**

Creative had net operating loss carryforward of approximately $174.8 million and $167.4 million as at June 30, 2007 and June 30, 2006, the bulk of which expire between 2009 and 2029. The utilization of the net operating losses by Creative is subject to certain conditions.

Valuation allowance is provided for Creative's deferred tax assets as management believes substantial uncertainty exists regarding the realizability of these assets.

Creative has United States tax deductions not included in the net operating loss carryforward described above aggregating approximately $59.2 million and $59.0 million at June 30, 2007 and June 30, 2006, as a result of the exercise of employee stock options, the tax benefit of which has not been realized. The tax benefit of the deductions, when realized will be accounted for as a credit to other reserves rather than a reduction of the income tax provision.

NOTE 11 – DEBT OBLIGATIONS

In November 2004, Creative entered into a five-year $175.0 million syndicated term loan facility with a group of international banks. The proceeds from this facility were used primarily to fund the growth in working capital requirements arising from the growth in the company's revenue. The facility is unsecured and bears interest at LIBOR plus a margin of 0.45% for the first three years and LIBOR plus a margin of 0.95% for the remaining two years. The loan facility contains certain financial covenants, including requirements for Creative to maintain certain ratios for its working capital, but does not restrict Creative's ability to borrow nor distribute earnings. The entire loan facility of $175.0 million was drawn down in fiscal year 2005 and Creative repaid $75.0 million in fiscal year 2007. The weighted average effective interest rate at the balance sheet date was 5.825%.

On November 21, 2002, Creative Technology Centre Pte Ltd ("CTC"), a Singapore subsidiary of Creative, entered into a nine-year term loan facility for up to S$54.0 million ($35.3 million) with a bank. The loan is repayable in thirty-six quarterly installments of S$1.5 million ($1.0 million). The repayment commenced on March 31, 2003. The interest on the outstanding loan balance is based on the bank's floating rate plus a margin of 1.5%. The loan is secured by a first mortgage on Creative's headquarter building in Singapore and by way of a fixed and floating charge over all assets of CTC. At June 30, 2007, S$27.0 million ($17.6 million) was outstanding. The weighted average effective interest rate at the balance sheet date was 4.261%.

The following table presents the payments due by period for the long term debt and capital lease obligations as of June 30, 2007:

	Payments Due by Period (US$'000)				
Debt Obligations	**Total**	**Less than 1 year**	**1 to 3 years**	**4 to 5 years**	**After 5 years**
Long Term Debt	$ 117,628	$ 3,917	$ 107,835	$ 5,876	$ –
Capital Lease Obligations	38	17	21	–	–
Total Debt Obligations	**$ 117,666**	**$ 3,934**	**$ 107,856**	**$ 5,876**	**$ –**

Creative has various other credit facilities relating to overdrafts, letters of credit, bank guarantees and short term loans with several banks totaling approximately $91.3 million at June 30, 2007. Within these credit facilities, sub-limits have been set on how Creative may utilize the overall credit facilities. At June 30, 2007, $2.0 million in bank guarantees was drawn under these facilities. Facilities under letters of credit, bank guarantees, overdrafts and short-term loans bear interest at approximately the banks' prime rates.

NOTE 12 – OTHER CHARGES

In February 2006, Creative announced that its wholly-owned subsidiary 3Dlabs will refocus its graphics business on the portable handheld device market instead of the professional workstation graphics market. As a result, Creative recorded restructuring charges of $4.9 million in operating expenses and an inventory charge of $4.3 million to cost of goods sold. The $4.9 million restructuring charges in operating expenses comprised $3.0 million in employee separation costs, $0.3 million in facility exit costs and fixed assets impairment write-downs of $1.6 million. Besides 3Dlabs' restructuring charges, as part of ongoing worldwide cost-cutting measures, $1.0 million in employee separation costs was charged to operating expenses as part of restructuring costs in fiscal year 2006.

Employee separation costs for 3Dlabs and other Creative subsidiaries in fiscal year 2006 represented the costs of involuntary severance benefits for approximately 200 employees. Facility exit costs in fiscal year 2006 consisted primarily of lease termination costs and research and development expenses on some 3Dlabs' graphics chips.

Fixed assets impairment write-downs of $1.6 million in fiscal year 2006 were attributed to computer hardware and software associated with the 3Dlabs' facilities that were shut down.

The $4.3 million inventory charge in fiscal year 2006 comprised inventory obsolescence costs for 3Dlabs' graphics cards.

NOTE 13 – INTELLECTUAL PROPERTY INDEMNIFICATION OBLIGATIONS

Creative indemnifies certain customers, distributors, suppliers, and subcontractors for attorneys' fees and damages and costs awarded against these parties in certain circumstances in which its products are alleged to infringe third party intellectual property rights, including patents, trademarks, or copyrights. The term of its indemnification obligations are generally perpetual from the effective date of the agreement. In certain cases, there are limits on and exceptions to its potential liability for indemnification relating to intellectual property infringement claims. Creative cannot estimate the amount of potential future payments, if any, that the company might be required to make as a result of these agreements. Creative does not expect there to be any consequent material adverse effect on its financial position or results of operations. However, there can be no assurance that Creative will not have any future financial exposure under those indemnification obligations.

NOTE 14 – LEGAL PROCEEDINGS

During the course of its ordinary business operations, Creative and its subsidiaries are involved from time to time in a variety of intellectual property and other disputes, including claims against Creative alleging copyright infringement, patent infringement, contract claims, employment claims and business torts. One such dispute is ongoing with representative purchasers of MP3 players (an action alleging false advertising and unfair competition in connection with reported storage capacity). Another such dispute is pending with representative purchasers of the Zen Vision:M (an action alleging false advertising and warranty claims regarding the quality of the players' color screen). In addition, a lawsuit has been filed against Creative by F&G Research alleging patent infringement in connection with Creative's scrolling mice products. Creative also from time to time receives licensing inquiries and/or threats of potential future patent claims from a variety of entities. Creative believes it has valid defenses to the various claims asserted against it, and intends to defend the actions vigorously. However, should any of these claimants prevail in their suits or claims, Creative does not expect there to be any consequent material adverse effect on its financial position or results of operations.

NOTE 15 – INVESTMENTS

Net investment loss of $1.9 million in fiscal year 2007 was mainly due to $2.0 million in write-downs of investments. Net investment gain of $18.9 million in fiscal year 2006 comprised a $20.9 million net gain from sales of investments offset by $2.0 million in write-downs of investments.

The following is a summary of investments as of June 30 (in US$'000):

	As of June 30	
	2007	2006
Non-quoted equity investments	$ 12,274	$ 11,056
Quoted equity investments	67,847	63,525
Total investments	**$ 80,121**	**$ 74,581**

The following provides a breakdown on the net (loss) gain from available-for-sale investments (in US$'000):

	Years ended June 30		
	2007	2006	2005
Proceeds from disposals	$ 2	$ 29,152	$ 96,180
Fair value of investments disposed	–	(7,911)	(12,433)
Realized gain from disposals	2	21,241	83,747
Write-downs of investments	(1,224)	(87)	(5,896)
Net (loss) gain	**(1,222)**	**21,154**	**77,851**

Gross realized gains for fiscal year 2007 were negligible and for fiscal years 2006 and 2005 were $21.2 million and $83.7 million, respectively. There were no gross realized losses for fiscal years 2007, 2006 and 2005.

NOTE 16 – RELATED PARTY TRANSACTIONS

In January 2003, a corporation controlled by a director, Ng Kai Wa, entered into a rental agreement with a subsidiary of Creative, which was prior to Ng Kai Wa's appointment as a director of Creative in June 2005. The rental agreement expired during fiscal year 2006 and the corporation has moved out of Creative's premises in April 2006. Creative received $150,000 in rent payments in fiscal year 2006 under the rental agreement.

NOTE 17 – SHARE CAPITAL AND OTHER RESERVES

Effective January 30, 2006, Creative became subject to the amendments promulgated under the Companies (Amendment) Act 2005 of Singapore. These amendments included the abolition of the ordinary share par value and authorized capital. The relevant amendments have resulted in all ordinary shares being recorded with no par value. The amendments do not affect the actual number of ordinary shares issued and the paid-in capital of Creative. As a result of the abolition of the ordinary share par value, a significant portion of the additional paid-in capital amounting to $290.2 million became part of the share capital account as at June 30, 2006 and increased the share capital account on that date to $298.5 million. The remaining balance of $52.3 million in the additional paid-in capital was classified as other reserves where it comprised mainly compensation expense for stock options, tax benefits relating to exercise of non qualified stock options by US employees and reserves arising from the buyout of a subsidiary's convertible preference shares.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent to the end of the fiscal year on June 30, 2007, Creative sold an 80.1% interest in its manufacturing operations in Malaysia to a group of third party investors. The sale of a controlling interest in the Malaysia manufacturing operations is in line with management's goal of streamlining and improving operational efficiencies.

On September 4, 2007, Creative announced that the company has completed the voluntary delisting of its ordinary shares from the NASDAQ Global Market ("NASDAQ"). August 31, 2007 was the last day of trading for Creative ordinary shares on NASDAQ. Creative's sole stock exchange listing is on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The delisting from NASDAQ did not affect the status of Creative's shares on the SGX-ST. Creative intends to terminate its reporting obligations under the U.S. Securities Exchange Act of 1934 when it becomes eligible to do so, which will occur at the earliest twelve months after the delisting of its ordinary shares from NASDAQ and will occur only if Creative meets certain requirements under the Exchange Act. Following the termination of its U.S. reporting obligations, Creative will comply with the "Continuing Listing Rules" of SGX-ST. Creative's U.S. shareholders will continue to have electronic access to information Creative makes available publicly in Singapore in compliance with the SGX-ST requirements.

NOTE 19 – SEGMENT REPORTING

Creative operates primarily in one industry segment and provides advanced multimedia solutions for personal computers and personal digital entertainment products. Creative has manufacturing plants and distribution centers in Malaysia and China and the Americas distribution center located in Milpitas, California. Creative focuses its worldwide sales and marketing efforts predominantly through sales offices in North America, Europe and the Asia Pacific region.

The following is a summary of net sales by product category (in US$'000):

	Years ended June 30		
	2007	2006	2005
External net sales:			
Personal Digital Entertainment	$ 579,650	$ 732,253	$ 768,649
Audio	113,967	146,378	166,325
Speakers	144,909	153,911	175,729
All Other Products	76,380	94,989	113,708
Consolidated	**$ 914,906**	**$ 1,127,531**	**$ 1,224,411**

NOTE 19 – SEGMENT REPORTING (Cont'd)

The following is a summary of operations by geographical regions (in US$'000):

	Years ended June 30		
	2007	2006	2005
External net sales:			
Asia Pacific	$ 158,789	$ 204,133	$ 233,152
The Americas	331,960	457,677	522,489
Europe	424,157	465,721	468,770
Consolidated	**$ 914,906**	**$ 1,127,531**	**$ 1,224,411**

	Years ended June 30		
	2007	2006	2005
Operating (loss) income:			
Asia Pacific	$ (73,332)	$ (130,916)	$ (77,026)
The Americas	4,504	2,337	2,397
Europe	7,705	(16,841)	6,081
Consolidated	**$ (61,123)**	**$ (145,420)**	**$ (68,548)**

	Years ended June 30		
	2007	2006	2005
Depreciation and amortization expenses:			
Asia Pacific	$ 13,958	$ 19,204	$ 20,259
The Americas	1,601	2,439	2,634
Europe	1,226	1,508	3,484
Consolidated	**$ 16,785**	**$ 23,151**	**$ 26,377**

	Years ended June 30		
	2007	2006	2005
Income tax expense (benefit):			
Asia Pacific	$ 23,285	$ (7,992)	$ (1,705)
The Americas	260	(552)	1,353
Europe	373	1,394	1,321
Consolidated	**$ 23,918**	**$ (7,150)**	**$ 969**

	As of June 30	
	2007	2006
Identifiable assets:		
Asia Pacific	$ 528,115	$ 574,499
The Americas	103,276	156,442
Europe	91,642	99,672
Consolidated	**$ 723,033**	**$ 830,613**

Long-lived assets are based on the physical location of the assets at the end of each of the fiscal years. Geographic revenue information for the three years ended June 30, 2007 is based on the location of the selling entity.

(In US$'000)	As of June 30	
	2007	2006
Identifiable assets:		
Singapore	$ 334,225	$ 395,902
United States of America	103,276	156,442
Ireland	87,392	95,841
Rest of the World	198,140	182,428
Consolidated	**$ 723,033**	**$ 830,613**

(In US$'000)	Years ended June 30		
	2007	2006	2005
Revenue by geographic region:			
Singapore	$ 112,985	$ 118,552	$ 114,860
United States of America	331,960	457,677	522,489
Ireland	424,157	465,721	468,770
Rest of the World	45,804	85,581	118,292
Consolidated	**$ 914,906**	**$ 1,127,531**	**$ 1,224,411**

Major customers: In fiscal years 2007, 2006 and 2005, no customer accounted for more than 10% of net revenues. As of June 30, 2007 and June 30, 2006, one customer accounted for more than 10% of net accounts receivable, and as of June 30, 2005, two customers accounted for more than 10% of net accounts receivable.

STOCK MARKET INFORMATION

Creative's ordinary shares have been traded on the NASDAQ Global Market ("NASDAQ") since August 3, 1992, under the symbol "CREAF." Creative's ordinary shares have been traded on the Singapore Exchange ("SGX-ST") since June 15, 1994. In June 2007, Creative announced that it intends to voluntarily delist its ordinary shares from NASDAQ with August 1, 2007 as the last day of trading on NASDAQ. In July 2007, Creative extended the date of the voluntary delisting with August 31, 2007 as the last day of trading on NASDAQ. After August 31, 2007, the company's current primary listing on the SGX-ST is Creative's sole exchange listing. The delisting from NASDAQ did not affect the status of Creative's shares on the SGX-ST.

The following table presents, for the registered shares on the NASDAQ and SGX-ST: (i) the annual high and low market prices for the five most recent full fiscal years; (ii) the high and low market prices for each full fiscal quarter for the two most recent full fiscal years; and (iii) the high and low market prices for each month for the most recent six months. These prices do not include retail markups, markdowns, or commissions.

	NASDAQ (Price in US$/Share)		SGX-ST (Price in Singapore $/Share)	
	High	**Low**	**High**	**Low**
Annual High and Low				
Fiscal 2003	10.50	5.65	18.90	10.10
Fiscal 2004	12.59	7.73	20.40	13.80
Fiscal 2005	16.89	6.46	27.20	11.00
Fiscal 2006	8.95	4.72	14.40	7.75
Fiscal 2007	7.31	4.78	11.40	7.20
Quarterly High and Low				
Fiscal 2006				
First Quarter	8.43	6.38	13.90	11.00
Second Quarter	8.82	7.13	14.20	12.30
Third Quarter	8.95	7.13	14.40	11.80
Fourth Quarter	7.56	4.72	12.10	7.75
Fiscal 2007				
First Quarter	6.90	5.22	11.40	8.40
Second Quarter	7.31	6.25	11.30	9.95
Third Quarter	6.92	6.12	10.80	9.30
Fourth Quarter	6.19	4.78	9.50	7.20
Monthly High and Low				
March 2007	6.64	6.12	10.30	9.30
April 2007	6.19	5.98	9.50	9.20
May 2007	5.91	5.16	9.15	7.95
June 2007	5.41	4.78	8.30	7.20
July 2007	4.93	4.53	7.65	7.05
August 2007	4.69	3.77	7.35	5.80

As of August 31, 2007, there were approximately 15,008 shareholders of record of the ordinary shares, of which approximately 234 were registered in the US, and approximately 14,774 in Singapore. Because many of the US shares are held by brokers and other institutions on behalf of shareholders, Creative is unable to estimate the total number of shareholders represented by these US record holders.

On August 31, 2007, the closing price of Creative's ordinary shares on the NASDAQ Global Market was $3.84 and on the SGX-ST was S$5.95.

CREATIVE

THE CREATIVE NETWORK

Worldwide Corporate Headquarters
Creative Technology Ltd.
International Business Park,
Creative Resource
Singapore 609921
Tel: +65-6895 4000
Fax: +65-6895 4999
Website: www.creative.com

US Headquarters
Creative Labs, Inc.
1901 McCarthy Boulevard,
Milpitas, CA 95035
Tel: +1-408-428 6600
Fax: +1-408-428 6611
Website: www.us.creative.com

European Headquarters
Creative Labs (Ireland) Ltd.
Ballycoolin Business Park,
Blanchardstown, Dublin 15, Ireland
Tel: +353-1-820 6444
Fax: +353-1-820 9557
Website: www.europe.creative.com

Inside USA

Operations Center
2011 Senter Road,
San Jose, CA 95112
Tel: +1-408-289 5600

Creative Labs Customer Response Center
1523 Cimarron Plaza,
Stillwater, Oklahoma 74075
Tel: +1-405-742 6600
Fax: +1-405-742 6644

Cambridge Soundworks, Inc.
120 Water Street,
North Andover, MA 01845
Tel: +1-978-623 4400
Fax: +1-978-794 2903
Website: www.cambridgesoundworks.com

E-mu Systems, Inc.
1500 Green Hills Road, Suite 205
Scotts Valley, CA 95066
Tel: +1-831-438 1921
Fax: +1-831-438 8612
Website: www.emu.com

Creative Advanced Technology Center
1500 Green Hills Road, Suite 205
Scotts Valley, CA 95066
Tel: +1-831-440 2800
Fax: +1-831-438 8509

3Dlabs (Alabama) Inc.
9668 Madison Boulevard,
Madison, AL 35758
Tel: +1-256-319 1100
Fax: +1-256-319 1286
Website: www.3dlabs.com

INSIDE ASIA

China
Creative Technology (China) Co. Ltd
No. 16 Lane 647, Songtao Road,
Zhangjiang Hi-Tech Park,
Pudong New District, Shanghai 201203
People's Republic of China
Tel: +86-21-6100 1100
Fax: +86-21-5027 0401

Creative Future Computer Co. Ltd
15 WanQuanZhuang Road,
HaiDian District,
Beijing 100089, People's Republic of China
Tel: +86-10-8255 1800
Fax: +86-10-8255 1108

Creative Technology (Qingdao) Co. Ltd
Huashan Township, Jimo City,
Qingdao, Shandong 266216
People's Republic of China
Tel: +86-532-456 0336
Fax: +86-532-456 0338

Hong Kong
Creative Labs (HK) Ltd
Units 2807, 28/F Tower 1 Metroplaza
223 Hing Fong Road,
Kwai Fong, N.T.
Hong Kong
Tel: +852-2957 9100
Fax: +852-2957 9190

Japan
Creative Media K.K.
3F Kanda Eight Bldg,
4-6-7 Soto-Kanda, Chiyoda Ward,
Tokyo 101-0021, Japan
Tel: +81-3-3256 5577
Fax: +81-3-3256 5221

Malaysia
Creative Labs Sdn Bhd
B-2-43 (2nd floor) Jalan Kuchai Maju 2
Off Jalan Kuchai Lama
58200 Kuala Lumpur, Malaysia

CREATIVE

Taiwan
Creative Labs Taiwan Co., Ltd
10F.-2, No. 21, Sec.6 Chung Hsiao E. Road,
Nangang District, Taipei City 115
R.O.C. Taiwan
Tel: +886-2-2788 0050
Fax: +886-2-2788 1265

Australia
Creative Labs Pty Ltd
PO BOX 7514
Silverwater, NSW 2128
Australia
Tel: +61-2-9021 9800
Fax: +61-2-9021 9899

United Arab Emirates
Creative Labs (M.E.) FZE
PO BOX 17506
Jebel Ali Free Zone, Dubai
United Arab Emirates
Tel: +971-4-881 0260
Fax: +971-4-881 0261

INSIDE EUROPE

Benelux
Creative Labs NV,
Royal House, Coremansstraat 34 bus 2
B-2600 Berchem, Belgium
Tel: +32-3-2878777
Fax: +32-3-2308550

Denmark
Creative Labs A/S
Gydevang 39-41
DK-3450, Allerød, Denmark
Tel: +45-48-168 400
Fax: +45-48-168 401

France
Creative Labs, SAS
102-116 Rue Victor Hugo
92686 Levallois-Perret Cedex, France
Tel: +33-1-55 21 33 50
Fax: +33-1-55 21 33 51

Germany
Creative Labs GmbH
Feringastrasse 4
G-85774 Unterföhring, Germany
Tel: +49-89-992 8710
Fax: +49-89-9928 7122

Italy
Creative Labs Srl
Strada 4 ED A/2
20090 Assago Milanofiori, (MI), Italy
Tel: +39-02-822 8161
Fax: +39-02-5750 0768

Poland
Creative Labs Sp. z o.o
02-708 Warsaw
ul. Bzowa 21, Poland
Tel: +48-22-853 02 65
Fax: +48-22-843 2283

Portugal
Creative Labs Lda.
Edificio Monsanto
Rua Alto do Montijo, Lt. 1 / 2
2794-088 Carnaxide, Portugal
Tel: +351 214 169 010
Fax: +351 214 169 011

Russia
Creative Labs Rep Office Russia
Davidkovskaya Street 12, Building 3
Entrance B, Ground Floor
121352 Moscow, Russia
Tel: +7-495-980 0844
Fax: +7-495-980 0844 ext 105

Spain
Creative Labs, S.L.
Constitución 1, 4º - 3º
Edificio Diagonal 2
08960 Sant Just Desvern, Barcelona, Spain
Tel: +34-93-470 3150
Fax: +34-93-499 0811

Sweden
Creative Technologies Scandinavia AB
Spånga Center, Stormbyvägen 2-4,
S-163 29 Spånga, Sweden
Tel: +46-8-564 72020
Fax: +46-8-795 7835

United Kingdom
Creative Labs (UK) Ltd
Belmont Place, Belmont Road
Maidenhead, Berkshire, SL6 6TB
United Kingdom
Tel: +44-1628 776747
Fax: +44-1628 645530

3Dlabs Ltd
Meadlake Place, Thorpe Lea Road,
Egham, Surrey, TW 20 8HE, United Kingdom
Tel: +44-178-4470 555
Fax: +44-178-4470 699

CREATIVE

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Sim Wong Hoo,	Chairman
Tan Lip-Bu,	Director
Tang Chun Choy,	Director
Lee Kheng Nam,	Director
Ng Kai Wa,	Director

CORPORATE HEADQUARTERS

31 International Business Park
Creative Resource
Singapore 609921
Tel: 65-6895-4000

US HEADQUARTERS

1901 McCarthy Boulevard
Milpitas CA 95035 USA
Tel: 1-408-428-6600

EUROPE HEADQUARTERS

Ballycoolin Business Park
Blanchardstown, Dublin 15
Republic of Ireland
Tel: 353-1-820-6444

CORPORATE COUNSEL

Arfat Selvam Alliance LLC
16 Collyer Quay
#11-02 Hitachi Tower
Singapore 049318

COMPANY SECRETARY

Ng Keh Long
31 International Business Park
Creative Resource
Singapore 609921

REGISTRAR/TRANSFER AGENT

Lim Associates (Pte) Ltd
10 Collyer Quay
#19-08 Ocean Building
Singapore 049315
&
Mellon Investor Services LLC
Shareholder Relations
P.O. Box 358015
Pittsburgh, PA 15252-8015 USA
or
480 Washington Boulevard
Jersey City, NJ 07310-1900 USA

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers
8 Cross Street #17-00
PWC Building
Singapore 048424