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CHAIRMAN'S MESSAGE

Dear Shareholders,

Fiscal 2010 continued to be another difficult and challenging year for Creative. Our financial performance continued to be adversely affected by the uncertain market conditions, particularly in Europe and the US.

The global economic environment remained uncertain, and the overall market for our products remained difficult and unpredictable. However, with the aggressive restructuring efforts we have taken in the previous year, we are now a much leaner company with a lower operating cost structure, which allows us to weather these challenges.

In the previous financial year, with the onset of the crisis in the global financial markets and the resulting global economic downturn, we took aggressive measures to position Creative to meet the challenges in the tough period ahead of us. We undertook a complete restructuring of our worldwide sales and marketing operations, including closing or consolidating certain operations that were too costly or under performing. We significantly lowered our operating expenses by sharply reducing our international headcount and infrastructure costs, primarily in Europe and the US, even as such actions negatively impacted on revenue, resulting in substantially lower revenues.

During fiscal year 2010, we have continued with the restructuring and consolidation efforts, and worked towards building a leaner company with a lower operating cost structure that is more in line with resulting lower revenues.

The result of these efforts is reflected in the financial results for the year – significant improvements in gross margins and a large reduction in operating expenses, albeit with substantially lower revenues, and a significant reduction in net loss for the year.

Sales for fiscal year 2010 were US$275 million, 41% lower than the previous fiscal year sales of US$466 million. Gross profit as a percentage of sales came in at 25% in fiscal 2010, a significant improvement from 17% in fiscal 2009. Net loss for fiscal 2010 was US$38 million, compared to a net loss of US$138 million in fiscal 2009.

In my message to you last year, I shared with you the progress on the development of our Zii Platform and the ZMS System Module, and our plan to utilize the Zii Platform in a new line of our own Zii-branded products, including portable media players, speakers, audio solutions and other personal digital entertainment devices.

We had also announced our planned marketing program to sell these solutions, using our Zii Platform and ZMS-05 System Module, into the huge 'Shanzhai' OEM market in China. These enterprising OEMs can leverage on our state-of-the-art technologies and brand equities to rapidly bring a plethora of high quality and low cost Zii-powered products to market.

For the past year, despite the difficult market conditions, we have continued with our significant ongoing investments in research and development for products and services under the Zii Platform. While strong focus has been placed on the Zii Platform, we have also continued with the development and launch of new products in our other product categories.

In early 2010, we pioneered a new line of wireless speaker system, ZiiSound, with the launch of our "Pure Music Everywhere" campaign that was fronted by our comprehensive range of industry-leading wireless speakers, aimed especially at the mobile device market such as the iPod, iPhone and iPad. The lineup consisted of the flagship ZiiSound D5, the Inspire S2 Wireless, the Creative D200, the Creative D100 and the Creative T12 wireless speaker systems. These elegantly designed speaker systems effortlessly stream music from any compatible stereo Bluetooth devices, delivering the purest wireless audio listening experience in their respective classes.

We also introduced "Pure Listening" solutions that comprised in-ear earphones such as the premium Aurvana In-Ear2, the EP-3NC active noise-cancelling earphones, and the versatile HS-930i headset.

Expanding our Sound Blaster Wireless Ecosystem, we have introduced the Sound Blaster Wireless Headphones and Sound Blaster Wireless Rock Speaker, two new ways to enjoy music wirelessly inside or outside the home.

Looking ahead, for the current fiscal year, we expect to start seeing the results from our ongoing investments in research and development with the introduction of more new products and services under the Zii Platform, mainly in the second half of the financial year. These new product will cover both our Zii-branded products, as well as OEM Zii-powered products.

In addition to continuing our investment in product research and development, to support the marketing and sales of the new products and services, we expect to incur additional sales and marketing expenses, in line with the revenue from such new products and services.

The Group is also expected to incur more capital expenditure in the current financial year, mainly by its subsidiary, QMax Communications Pte Ltd, as it starts to invest in a new island-wide fourth generation (4G) WiMAX Wireless Broadband network in Singapore. The new WiMAX network is expected to provide opportunities to introduce service offerings that can be synergistic with some of the new products and services under the Zii Platform.

Going forward, as we sharpen our focus on the Zii Platform, we will soon deploy Zii products that can herald the future of movie entertainment and future mobile learning. The ZiiEagle Vision will present a new, fun, effective and safe way to enjoy all future movies, while the ZiiBook will provide a captivating learning experience for our kids, both indoors and outdoors. I am very excited about this coming future and would invite you to share our Vision.

Thank you.

Sim Wong Hoo
Chairman & Chief Executive Officer

FINANCIAL HIGHLIGHTS AND REVIEW

– For the financial year ended 30 June 2010

Overview

	US$million	
	2010	**2009**
Sales, net	275.3	466.1
Gross profit	68.9	80.3
Gross profit margin	25%	17%
Expenses	118.8	169.4
Net (loss) profit	(38.4)	(137.9)

Sales for the financial year ended 30 June 2010 (“FY2010”) was US$275.3 million compared to US$466.1 million for the financial year ended 30 June 2009 (“FY2009”). Gross profit in FY2010 was US$68.9 million at a margin of 25% compared to US$80.3 million at a margin of 17% in FY2009. Net loss in FY2010 was US$38.4 million compared to US$137.9 million in FY2009.

Sales

The Group’s sales decreased by 41% to US$275.3 million in FY2010 compared to US$466.1 million in FY2009. The lower sales in FY2010 was mainly due to the global economic downturn in FY2009 and the Group’s decision to consolidate certain businesses in order to focus on specific markets that provide best opportunities to improve business going forward.

	US$million	
Sales by Product Category	**2010**	**2009**
Personal Digital Entertainment	81.9	202.1
Audio	51.6	66.6
Speakers and Headphones	98.8	122.8
All Other Products	43.0	74.6
	275.3	466.1

By product category, sales of personal digital entertainment products which included digital audio players, as a percentage of sales, had decreased from 43% in FY2009 to 30% in FY2010.

	US$million	
Sales by Region	**2010**	**2009**
Asia Pacific	125.9	159.1
The Americas	58.3	125.0
Europe	91.1	182.0
	275.3	466.1

By geographical region, the decrease in sales was mainly due to the Americas and Europe regions which were more severely affected by the global economic downturn. Sales in the Americas region had decreased from 27% in FY2009 to 21% in FY2010 and sales in the Europe region had decreased from 39% in FY2009 to 33% in FY2010. Sales in the Asia Pacific region had increased from 34% in FY2009 to 46% in FY2010.

Gross Profit

Gross profit was US$68.9 million in FY2010 compared to US$80.3 million in FY2009. Gross profit margin as a percentage of sales improved by 8% to 25% in FY2010 compared to 17% in FY2009. The improvement in gross profit margin in FY2010 compared to FY2009 was a result of the consolidation of the Group’s businesses to focus on specific markets and a reduction in sales of personal digital entertainment products which typically have lower gross profit margin.

Expenses

Total expenses decreased by US$50.6 million to US$118.8 million in FY2010 compared to US$169.4 million in FY2009.

Following the restructuring efforts in FY2009 to reduce operating costs, and in line with the decrease in sales, selling, general and administrative expenses decreased by US$36.6 million or 38% to US$59.9 million in FY2010 compared to US$96.5 million in FY2009.

Research and development expenses in FY2010 were US$58.8 million compared to US$61.7 million in FY2009. The Group needs to continue to invest in product research and development in areas that are strategic to the Group and cut back only in product areas that are not strategic to the Group.

Restructuring charges of US$11.2 million in FY2009 were related to severance payments and costs associated with headcount reductions, primarily in the Group's global field organisations and facilities costs from consolidation of certain international offices.

Net Loss

Net loss in FY2010 was US$38.4 million compared to US$137.9 million in FY2009.

Net loss in FY2010 included a US$9.7 million gain on disposal of investments in associated companies and currency translation losses of US$8.2 million.

Net loss in FY2009 included an allowance for impairment of loan to non-related party of US$12.8 million, currency translation losses of US$24.9 million and US$13.4 million impairment loss of financial assets, available-for-sale following the onset of the global financial crisis.

Income tax was a credit of US$8.3 million in FY2010 due to several factors. A deferred tax asset of US$11.8 million was recognised in FY2010 due to the expiration of the Company's pioneer status where pioneer losses brought forward from the previous financial years could be used to offset against certain future tax liabilities. Additionally, a deferred tax liability of US$2.0 million was written back in FY2010 pertaining to offshore interest income remitted to Singapore which was not taxable due to a tax concession granted by the Singapore tax authorities. These were offset by an additional provision of US$5.5 million for deferred tax liabilities in FY2010. Income tax was a credit of US$0.5 million in FY2009.

Balance Sheet

Inventories for the Group was US$46.1 million as at 30 June 2010, an increased of US$8.5 million from the previous year. The increase was due to additional inventories for certain new speaker and headphone products which were in line with the production plan.

The decrease in trade receivables by US$13.4 million and trade payables by US$6.2 million to US$29.0 million and US$24.1 million respectively as at 30 June 2010 were in line with the significant reduction in sales.

Financial assets, available-for-sale as at 30 June 2010 increased by US$6.1 million to US$33.9 million compared to US$27.8 million as at 30 June 2009. The increase was due to the fair value gains on revaluation of the investments.

Other non-current assets as at 30 June 2010 decreased by US$9.5 million to US$22.2 million compared to US$31.7 million as at 30 June 2009. The decrease was mainly due to the utilisation of security deposit for the payment of the Group's headquarters office building rental.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS AND EXECUTIVE OFFICERS

Creative's directors and executive officers are as follows:-

Name	Age	Position
Sim Wong Hoo	55	Chairman of the Board and Chief Executive Officer
Lee Kheng Nam	62	Director
Ng Kai Wa	54	Director
Lee Gwong-Yih	55	Director
Ng Keh Long	51	Chief Financial Officer

SIM WONG HOO founded Creative in Singapore in 1981 and has been its Chairman of the Board and Chief Executive Officer since its inception.

LEE KHENG NAM became a Director of Creative in 1991. Mr Lee is currently a non-executive chairman of Vertex Management (II) Pte Ltd, and has been appointed as non-executive chairman of Vertex Venture Holdings Ltd ("VVH") on 1 September 2008, which are wholly-owned subsidiaries of Temasek Holdings (Private) Limited, engaged in the venture capital direct investment and fund management business. He is also the Chairman of Advantec Pte Ltd, an investment holding company. From March 1995 to February 2004, Mr Lee was the President of Vertex Management Pte Ltd and executive director of VVH. He is a Director of 2 listed companies - Creative Technology Ltd and China Finance Online Co Ltd. Mr. Lee formerly served on the boards of Centillium Communications Inc, Chartered Semiconductor Manufacturing Ltd, GRIC Communications Inc., ActivCard Corp and Gemplus International S.A. Prior to joining the Singapore Technologies Group, Mr. Lee was with NatSteel group as the Manager of the Project Development Department and the Ministry of National Development where he was Deputy Director of Planning. Mr. Lee holds a Bachelor of Science degree in Mechanical Engineering (First Class Honours) from Queen's University, Canada and a Master of Science degree in Operations Research & Systems Analysis from the U.S. Naval Postgraduate School.

NG KAI WA became a Director of Creative in 2005. He has been the Co-Founder, Chairman and Chief Executive Officer of InnoMedia Pte Ltd since 1995. InnoMedia is a leading supplier of broadband IP Telephony solutions that deliver high quality-voice and video over IP network, targeted to the broadband service providers, enterprises, consumers and OEM customers. Prior to that, he was the Co-Founder, Chief Technology Officer and Vice Chairman of the Board of Creative Technology Ltd. Mr. Ng holds an Executive Master of Business Administration Degree from the National University of Singapore and a Diploma in Electronic and Electrical Engineering from Ngee Ann Polytechnic.

LEE GWONG-YIH became a Director of Creative in 2009. He is currently Chairman of the Board of CyberTAN Technology, Inc., a leading networking company listed in Taiwan, and Chairman of ApaceWave Technologies, Inc., a broadband wireless company. From September 1999 to January 2004, Mr. Lee served as General Manager and Senior Director at Cisco Systems, Inc. In March 1998, Mr. Lee established TransMedia Communications, a communication equipment company, and served as its President and Chief Executive Officer until September 1999 when TransMedia Communications was acquired by Cisco Systems, Inc. Mr. Lee holds a Bachelor of Science degree in Control Engineering from National Chiao-Tung University in Taiwan and a Master of Science degree in Electrical Engineering from New York University.

NG KEH LONG joined the Company in April 1993 as Financial Controller and held various financial positions until May 1996, when he was appointed as Vice President, Corporate Treasurer and Acting Chief Financial Officer. In 1998 he was appointed as Chief Financial Officer. Prior to joining Creative, he was a Senior Manager with Price Waterhouse (now PricewaterhouseCoopers LLP), where he gained more than ten years' experience in finance, accounting and auditing. Mr. Ng is a member of the Institute of Certified Public Accountants in Singapore.

CORPORATE GOVERNANCE

– For the financial year ended 30 June 2010

Creative Technology Ltd ("Creative" or the "Company", and together with its subsidiaries, the "Group") is committed to maintaining good corporate governance in accordance with the principles and guidelines set out in the Code of Corporate Governance released by the Council on Corporate Disclosure and Governance in 2005 (the "Code"). Creative's approach on corporate governance takes into consideration the principles and guidelines set out in the Code.

This report outlines the main corporate governance practices that were in place throughout the financial year, with specific references to each of the principles of the Code.

PRINCIPLE 1: THE BOARD'S CONDUCT OF ITS AFFAIRS

The principal functions of the Board of Directors of the Company (the "Board") are to provide guidance and to decide on certain important matters, including those involving the review and approval of strategic plans, direction and policies, to review the Group's performance, to review the adequacy and integrity of internal controls, and to approve material acquisitions and disposals of assets.

These functions are either carried out directly by the Board or through committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee, established by the Board (collectively referred to as "Board Committees").

Matters which are specifically reserved to the full Board for decision-making include those involving the review and approval of strategic plans, direction and policies, material acquisitions and disposals of assets, corporate or financial restructuring and share issuances, dividends and other returns to shareholders.

The Articles of Association of the Company allow the Company's Directors to participate in a Board meeting by telephone conference or video conference whereby all persons participating in the meeting are able to communicate as a group, without requiring the Directors' physical presence at the meeting.

The composition of the Board, the Audit Committee, and the frequency and attendance of the Directors in the financial year ended 30 June 2010 are disclosed below.

Name of Director	**Board**	**Audit Committee**
(Number of Meetings Held)	(8)	(6)
Sim Wong Hoo	8	–
Lee Kheng Nam	8	6
Ng Kai Wa	6	5
Lee Gwong-Yih	8	6

The members of the Nominating Committee and the Remuneration Committee perform their respective functions mainly via consultations and discussions with each other.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The Board comprises four members, one of whom is an Executive Director and three of whom are independent non-Executive Directors. Key information regarding the Directors is disclosed in Board of Directors and Executive Officers.

The Executive Director is Mr Sim Wong Hoo, the Chairman and Chief Executive Officer of the Company. He is also a substantial shareholder.

CORPORATE GOVERNANCE

– For the financial year ended 30 June 2010

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE (cont'd)

The independent non-Executive Directors are Mr Lee Kheng Nam, Mr Ng Kai Wa and Mr Lee Gwong-Yih.

The Board is of the view that the current Board, with independent non-Executive Directors making up at least one-third of the Board, provides for a strong and independent element on the Board capable of exercising objective judgement on corporate affairs of the Group. No individual or small group of individuals dominates the Board's decision-making.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has the same Chairman and Chief Executive Officer ("CEO"), Mr Sim Wong Hoo. The Company believes that the independent non-Executive Directors have demonstrated high commitment in their role as Directors and have ensured that there is a good balance of power and authority. As such, there is no need for the role of the Chairman and CEO to be separated.

Mr Sim Wong Hoo is a substantial shareholder of the Company with a shareholding of approximately 33.45%. With his substantial shareholding, his interest is aligned with the Company and that of the other shareholders.

PRINCIPLE 4: BOARD MEMBERSHIP

The Nominating Committee (the "NC") consists of three members, two of whom are independent non-Executive Directors. The Chairman of the NC, Mr Ng Kai Wa, is an independent non-Executive Director. The other two members are Mr Sim Wong Hoo, an Executive Director, and Mr Lee Kheng Nam, an independent non-Executive Director.

The principal functions of the NC are, among other matters, to recommend all Board and Board Committee appointments, re-appointments or re-elections, to determine the independence of each Director, and to identify new Directors who have the diversity of experience and appropriate knowledge and skills to contribute effectively to the Board.

New Directors are at present appointed by way of a Board resolution, after the NC approves their appointment. The Company's Articles of Association provides that all Directors except Executive Directors are to retire at least once every three years by rotation, if they are appointed by the Company at a general meeting, and a newly appointed Director must submit himself for re-election at the next Annual General Meeting. The retiring Director is nonetheless eligible for re-election by shareholders at every Annual General Meeting. Accordingly, Mr Ng Kai Wa will, on the date of the Annual General Meeting, retire as Director. The NC recommends his re-appointment as Director at the Annual General Meeting to be held on 28 October 2010.

PRINCIPLE 5: BOARD PERFORMANCE

A review of the Board's performance will be undertaken collectively by the Board as a whole. The Company believes that the Board's performance is ultimately reflected in the performance of the Group. The Board, through the delegation of its authority to the NC, ensures that the Directors appointed to the Board possess the relevant necessary background, experience, knowledge and skills so as to enable each Director to bring to the Board an independent and objective perspective to contribute to the effectiveness of the Board.

The Company believes that apart from the Directors' fiduciary duties (i.e. acting in good faith, with due diligence and care, and in the best interests of the Company and its shareholders), the Board's key responsibilities are to set strategic directions and to ensure that the long term objective of enhancing shareholders' wealth is achieved.

PRINCIPLE 6: ACCESS TO INFORMATION

In order to ensure that the Board is able to fulfill its responsibilities, management provides the Board members with regular updates of the performance and financial position of the Group including quarterly updates. Management staff and the Company's auditors, who can provide insight into the matters for discussion, are also invited from time to time to attend such meetings. The Company Secretary attends all Board meetings and ensures that all Board procedures are followed. The Company Secretary, together with other management staff of the Company, also ensures that the Company complies with the applicable statutory and regulatory rules.

The Directors have separate and independent access to the Company's senior management and the Company Secretary at all times. Should the Directors, whether as a group or individually, need independent professional advice, the Company will appoint a professional advisor selected by the group or individual, and approved by the Chairman and CEO, to render the advice. The cost of such independent professional advice will be borne by the Company.

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION
PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The Remuneration Committee (the "RC") consists of three Directors, two of whom are independent non-Executive Directors. The Chairman of the RC is Mr Sim Wong Hoo, an Executive Director. The other two members are Mr Lee Kheng Nam and Mr Ng Kai Wa, both of whom are independent non-Executive Directors.

The principal functions of the RC are, among other matters, to recommend to the Board the structure of the compensation programme for each Board member and the CEO (or executive of equivalent rank) to ensure that the programme is competitive and sufficient to attract, retain and motivate each Board member and CEO of the required quality to run the Company successfully; to review each Board member's and CEO's compensation annually and determine appropriate adjustments where necessary; and to review any other long term incentive schemes which may be set up from time to time. The RC members are also members of the committees administering the Creative Employee Share Option Plans and the Creative Performance Share Plan.

Mr Sim Wong Hoo, the Chairman and CEO of the Company, and the Chairman of the RC, has received a nominal sum of S$1 as his annual remuneration for the financial years ended 30 June 2009 and 2010. He has also opted to be excluded from participating in the Creative Performance Share Plan.

Taking into consideration the remuneration package of Mr Sim Wong Hoo, there is minimal risk of any potential conflict of interest, and his ability to perform the role of the Chairman of the RC is similar to that of a non-Executive Director. Accordingly, the Board is of the view that he is suitable to perform the role of the Chairman of the RC.

The Company adopts a remuneration policy for employees comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Company's and the individual employee's performance. Another element of the variable component is the grant of performance shares to employees under the Company's Performance Share Plan. This seeks to align the interests of the employees with that of the shareholders. Staff appraisals are conducted twice a year.

Each non-Executive Director is paid an annual Director's fee of S$60,000 (pro-rated where length of service is less than one year) and is subject to shareholders' approval at the Annual General Meeting. The Director's fee proposed to be paid to each of the Directors for the financial year ended 30 June 2010 is as follows:

Name of Director	Director's Fee*
Lee Kheng Nam	S$60,000
Ng Kai Wa	S$60,000
Lee Gwong-Yih	S$60,000

** Executive Directors are not paid a Director's Fee.*

The number of top five key executives of the Group (who are also not Directors) in remuneration bands is as follows:

Remuneration Bands	Number of Key Executives
S$750,000 to S$1,000,000	2
S$500,000 to S$749,999	1
S$250,000 to S$499,999	2
Below S$250,000	–

CORPORATE GOVERNANCE

– For the financial year ended 30 June 2010

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION
PRINCIPLE 9: DISCLOSURE ON REMUNERATION (cont'd)

For confidentiality and competitive reasons, the Company is not disclosing each individual executive's remuneration and their names.

None of the employees of the Group whose annual remuneration exceeds S$150,000 are immediate family members of the CEO or any other Director of the Company.

Details of the Creative Employee Share Option Plans and Creative Performance Share Plan are set out in the Notes to the Financial Statements.

PRINCIPLE 10: ACCOUNTABILITY

The Company provides shareholders with quarterly and annual financial results of the Group within the regulatory reporting periods, i.e. results for the first 3 quarters are released to shareholders within 45 days of the end of each quarter whilst the annual results are released within 60 days from the financial year end. In presenting the Group's annual and quarterly results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance and financial position with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which it operates.

The management provides all Directors with financial updates of the Group's performance, when required.

PRINCIPLE 11: AUDIT COMMITTEE

The Audit Committee (the "AC") consists of three Directors, all of whom are independent non-Executive Directors. The Chairman of the AC is Mr Lee Kheng Nam. The other two members are Mr Ng Kai Wa and Mr Lee Gwong-Yih. All members of the AC have the appropriate accounting or relevant financial expertise or experience.

The principal functions of the AC, among other matters, are:
- to review the quarterly and full year financial statements to be issued by the Group with management and, where appropriate, with the Company's external auditors, before their submission to the Board;
- to review the scope and results of the audit and its cost-effectiveness and the independence and objectivity of the external auditors;
- to review the effectiveness of the internal audit function;
- to make recommendations to the Board on the appointment, re-appointment and/or removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors; and
- to review interested person transactions.

The number of meetings convened by the AC is set out in Principle 1: The Board's Conduct of its Affairs.

PRINCIPLE 12: INTERNAL CONTROLS

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The AC, on behalf of the Board, has reviewed the effectiveness of the internal control system put in place by the Company and is satisfied that there are adequate internal controls in the Company. The Directors regularly review the effectiveness of the internal controls, including operational controls.

The Company has in place a whistle-blowing procedure where staff of the Group can raise in confidence concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters. Under these procedures, arrangements are in place for independent investigation of such matters raised and for appropriate follow up action to be taken.

PRINCIPLE 13: INTERNAL AUDIT

The Internal Audit ("IA") team is independent of the activities that it audits. The Head of IA's primary reporting line is to the Chairman of the AC with an administrative line of reporting to the Chief Financial Officer of the Company. The AC reviews the annual IA plans and resources to ensure that the IA has the necessary resources to adequately perform its functions. The AC also reviews the IA's reports and activities on a quarterly basis.

PRINCIPLE 14: COMMUNICATION WITH SHAREHOLDERS

The Company announces its quarterly and full year results within the regulatory period. Material and price-sensitive information is publicly released via SGXNET on a timely basis. All shareholders of the Company receive the annual report of the Company and the notice of the Annual General Meeting, for which a notice is also advertised in the press and released via SGXNET. Shareholders and investors can access information on the Company at its website at www.creative.com which provides, inter alia, corporate announcements, press releases and the latest financial results as disclosed by the Company on SGXNET. From time to time, the Company holds briefings with analysts and the media to coincide with the release of the Group's results.

PRINCIPLE 15: GREATER SHAREHOLDER PARTICIPATION

At general meetings of the Company, shareholders are given the opportunity to communicate their views and ask the Directors and management questions regarding matters affecting the Company. The Board, external auditors and senior management are normally available at the Annual General Meeting to respond to, and to assist the Directors in responding to shareholders' questions.

In accordance with the Articles of Association of the Company, shareholders may appoint not more than two proxies to attend and vote on their behalf. A proxy need not be a member of the Company.

DEALINGS IN SECURITIES

In line with the recommended practices on dealings in securities set out in the SGX-ST Listing Rules, the Company provides internal guidance with regards to dealing in the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities on short-term considerations and while in possession of unpublished material price-sensitive information in relation to such securities, and during the period commencing two weeks before the announcement of Group's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Group's full year financial statements.

DIRECTORS' REPORT

– For the financial year ended 30 June 2010

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 30 June 2010 and the balance sheet of the Company as at 30 June 2010.

1. DIRECTORS

The directors of the Company in office at the date of this report are as follows:

Sim Wong Hoo
Lee Kheng Nam
Ng Kai Wa
Lee Gwong-Yih

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" and "Performance shares" on pages 13 and 14 of this report.

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee			Holdings in which director is deemed to have an interest		
Name of director	**At 21.7.2010**	**At 30.6.2010**	**At 1.7.2009**	**At 21.7.2010**	**At 30.6.2010**	**At 1.7.2009**
Creative Technology Ltd (Number of ordinary shares)						
Sim Wong Hoo	23,270,652	23,270,652	23,270,652	–	–	–
Lee Kheng Nam	–	–	–	10,000	10,000	10,000
Ng Kai Wa	2,362,005	2,362,005	2,362,005	–	–	–

In addition, by virtue of his interest of not less than 20% of the issued capital of Creative Technology Ltd., Sim Wong Hoo is also deemed under the Companies Act to have interests in all of the Company's subsidiaries.

(b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Creative Technology (1999) Share Option Scheme ("1999 Scheme") as set out below and under "Share options" on pages 13 and 14 of this report.

	Number of unissued ordinary shares under share option	
Name of director	**At 30.6.2010**	**At 1.7.2009**
Lee Kheng Nam	80,000	80,000
Ng Kai Wa	80,000	80,000

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

5. SHARE OPTIONS

(a) Employee share option plans

The Creative Technology (1999) Share Option Scheme ("1999 Scheme") was approved by shareholders at an Extraordinary General Meeting on 30 December 1998 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 (1 July) of each of the five financial years ended 30 June 2001, 2002, 2003, 2004 and 2005 by four percent of the issued share capital of the Company as at the last day of the immediate preceding financial 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 the options is determined at the average of the closing prices of the Company's shares as quoted on the Singapore Exchange Securities Trading Limited ("SGX-ST") or the National Association of Securities Dealers Automated Quotations ("NASDAQ") for five market days preceding the date of the grant.

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. Effective 12 November 2007, amendments were made to the 1999 Scheme to allow the use of treasury shares to satisfy share based exercises. The options under the 1999 Scheme do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

The 1999 Scheme expired on 29 December 2008. The existing options granted will continue to vest according to the terms and conditions of the 1999 Scheme and the respective grants.

During the financial year ended 30 June 2009, the Company granted 277,000 share options under the 1999 Scheme at an exercise price per share of US$2.64. The weighted average fair value per share was US$0.64 using the Black Scholes option pricing model.

Details of the Directors' share options are set out as follows:

	Number of unissued ordinary shares of the Company under option			
Name of director	Granted in financial year ended 30.6.2010	Aggregate granted since commencement of scheme to 30.6.2010	Aggregate exercised since commencement of scheme to 30.6.2010	Aggregate outstanding as at 30.6.2010
Lee Kheng Nam	–	160,000	80,000	80,000
Ng Kai Wa	–	80,000	–	80,000

During the financial year ended 30 June 2010, the Company re-issued 7,000 (2009: 2,000) treasury shares pursuant to exercises under the 1999 Scheme.

DIRECTORS' REPORT

– For the financial year ended 30 June 2010

5. SHARE OPTIONS (cont'd)

(b) Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the 1999 Scheme outstanding at the end of the financial year was as follows:

Grant date	Number of unissued ordinary shares under option at 30.6.2010	Weighted average exercise price	Expiry date
October 2001	982,610	US$4.53	17 October 2011
January 2002	325,067	US$7.60	2 January 2012
June 2002	214,178	US$3.39	19 October 2010 to 29 December 2011
October 2002	5,500	US$6.41	11 October 2012
April 2003	17,500	US$6.31	30 April 2013
January 2004	37,500	US$10.31	5 January 2014
October 2005	2,228,000	US$7.43	18 October 2015
December 2005	160,000	US$8.21	12 December 2010
December 2007	2,566,500	US$4.70	31 December 2017
December 2008	277,000	US$2.64	24 December 2018
	6,813,855		

6. PERFORMANCE SHARES

The Creative Performance Share Plan (the "Plan") was approved by shareholders at an Extraordinary General Meeting on 29 October 2009 under which awards (the "Award") of fully-paid shares, their equivalent cash value or combinations thereof, will be issued free of charge, to eligible employees and non-executive directors of the Company and its subsidiaries, provided that certain prescribed performance targets are met and/or upon expiry of the prescribed vesting periods.

The aggregate number of shares for which an Award may be granted on any date under the Plan, when added to the number of shares issued and/or issuable in respect of all Awards granted under the Plan and all shares, options or awards granted under any other share option or share scheme of the Company then in force, shall not exceed 15% of the total issued shares of the Company (excluding treasury shares) on the day preceding that date. Outstanding options under the 1999 Scheme are excluded from the computation of the 15% limit for the Plan. The Plan shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on 29 October 2009.

During the financial year ended 30 June 2010, 2,793,600 performance shares were granted to non-executive directors and employees on 31 March 2010 under the Plan. Of the total performance shares granted, 716,950 shares were vested immediately on the date of grant. The remaining performance shares will be released over 4 annual performance periods subject to the completion of service and the achievement of prescribed performance targets in each of the performance periods.

Included in the performance shares granted during the financial year ended 30 June 2010 were 180,000 performance shares granted to the non-executive directors (60,000 shares to each of the three non-executive directors, namely, Lee Kheng Nam, Ng Kai Wa and Lee Gwong-Yih). There were no new shares issued and no existing shares transferred to any of the directors during the financial year ended 30 June 2010. Since the commencement of the Plan to the end of the financial year, there were no new shares issued and no existing shares transferred to any of the directors.

No participant was granted 5% or more of the total awards available under the Plan.

No performance shares were awarded to controlling shareholders of the Company or their associates.

7. AUDIT COMMITTEE

The members of the Audit Committee at the end of the financial year were as follows:

Lee Kheng Nam (Chairman)
Ng Kai Wa
Lee Gwong-Yih

All members of the Audit Committee were non-executive directors. In performing its functions, the Committee reviewed the audit plan and the overall scope of work of the Company's independent auditor. It met with the auditor to discuss the results of its examination and its evaluation of the system of internal accounting control of the Company and its subsidiaries. The Committee also reviewed interested person transactions, the effectiveness of the internal audit function and the assistance given by the Company's officers to the auditor.

The Committee reviewed the balance sheet of the Company and the consolidated financial statements of the Group as well as the independent auditor's report thereon and recommended to the Board of Directors the nomination of PricewaterhouseCoopers LLP as independent auditor of the Company at the forthcoming Annual General Meeting.

8. INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Sim Wong Hoo Director	Lee Kheng Nam Director

28 September 2010

STATEMENT BY DIRECTORS

– For the financial year ended 30 June 2010

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 18 to 61 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

Sim Wong Hoo
Director

Lee Kheng Nam
Director

28 September 2010

INDEPENDENT AUDITOR'S REPORT

to the members of Creative Technology Ltd.

We have audited the accompanying financial statements of Creative Technology Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 18 to 61, which comprise the balance sheets of the Company and of the Group as at 30 June 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (Cap. 50) (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

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

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

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

Opinion
In our opinion,

(a) the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

28 September 2010

CONSOLIDATED INCOME STATEMENT

– For the financial year ended 30 June 2010

		Group	
	Note	**2010 US$'000**	2009 US$'000
Sales, net		**275,307**	466,074
Cost of goods sold		**206,372**	385,728
Gross profit		**68,935**	80,346
Expenses:			
Selling, general and administrative		**(59,927)**	(96,519)
Research and development		**(58,832)**	(61,743)
Restructuring charges		**–**	(11,168)
Total expenses	4	**(118,759)**	(169,430)
Other income	6	**801**	4,277
Other gains (losses), net	7	**3,376**	(50,951)
Share of loss of associated companies		**(953)**	(2,498)
Interest expense		**(80)**	(135)
Loss before income tax		**(46,680)**	(138,391)
Income tax credit	8	**8,289**	515
Net loss		**(38,391)**	(137,876)
Attributable to:			
Equity holders of the Company		**(38,796)**	(137,873)
Non-controlling interests		**405**	(3)
Loss per share for loss attributable to equity holders of the Company	9		
- Basic (US$ per share)		**(0.56)**	(1.88)
- Diluted (US$ per share)		**(0.56)**	(1.88)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

– For the financial year ended 30 June 2010

	Group	
	2010	2009
	US$'000	US$'000
Net loss	**(38,391)**	(137,876)
Other comprehensive income:		
Fair value gains of financial assets, available-for-sale	**6,721**	3,774
Total comprehensive loss for the financial year	**(31,670)**	(134,102)
Attributable to:		
Equity holders of the Company	**(32,075)**	(134,099)
Non-controlling interests	**405**	(3)
Total comprehensive loss for the financial year	**(31,670)**	(134,102)

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

– As at 30 June 2010

		Group		Company	
	Note	**2010 US$'000**	2009 US$'000	**2010 US$'000**	2009 US$'000
ASSETS					
Current assets:					
Cash and cash equivalents	10	**214,025**	250,551	**197,803**	218,472
Trade receivables	11	**28,999**	42,365	**4,355**	6,017
Amounts due from subsidiaries	12	**-**	-	**28,880**	43,379
Inventories	13	**46,120**	37,600	**25,502**	18,104
Other current assets	14	**20,990**	21,448	**4,306**	4,934
		310,134	351,964	**260,846**	290,906
Non-current assets:					
Financial assets, available-for-sale	15	**33,895**	27,753	**-**	-
Other non-current receivables	16	**582**	977	**-**	-
Amounts due from subsidiaries	12	**-**	-	**184,282**	186,395
Investments in associated companies		**-**	1,372	**-**	-
Investments in subsidiaries	17	**-**	-	**45,390**	45,390
Property and equipment	18	**29,411**	33,944	**1,394**	2,060
Intangible assets	19	**6,324**	6,719	**-**	-
Other non-current assets	20	**22,205**	31,693	**998**	768
		92,417	102,458	**232,064**	234,613
Total assets		**402,551**	454,422	**492,910**	525,519
LIABILITIES					
Current liabilities:					
Trade payables	21	**24,089**	30,296	**18,218**	18,608
Amounts due to subsidiaries	12	-	-	**23,238**	17,174
Accrued liabilities and provisions	22	**65,249**	70,014	**30,777**	28,852
Current income tax liabilities		**2,235**	2,203	**1,951**	2,000
Current portion of long term obligations		**-**	10	**-**	10
		91,573	102,523	**74,184**	66,644
Non-current liabilities:					
Amounts due to subsidiaries	12	**-**	-	**21,044**	20,526
Deferred income tax liabilities	23	**21,202**	29,510	**-**	13,800
		21,202	29,510	**21,044**	34,326
Total liabilities		**112,775**	132,033	**95,228**	100,970
NET ASSETS		**289,776**	322,389	**397,682**	424,549
EQUITY					
Share capital	24	**266,753**	266,753	**266,753**	266,753
Treasury shares	24	**(19,122)**	(21,475)	**(19,122)**	(21,475)
Fair value reserve		**13,872**	7,151	**-**	-
Other reserves	25	**62,285**	60,512	**34,821**	33,049
Retained earnings	26	**(34,654)**	9,072	**115,230**	146,222
		289,134	322,013	**397,682**	424,549
Non-controlling interests		**642**	376	**-**	-
Total equity		**289,776**	322,389	**397,682**	424,549

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

– For the financial year ended 30 June 2010

	Note	Share capital US$'000	Treasury shares US$'000	Fair value reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
2010									
Beginning of financial year		266,753	(21,475)	7,151	60,512	9,072	322,013	376	322,389
Utilisation of treasury shares for shares issued under employee options plans and performance share plan	24, 25	–	2,353	–	(2,327)	–	26	–	26
Dividends paid	27	–	–	–	–	(4,930)	(4,930)	(140)	(5,070)
Employee share-based expense	25	–	–	–	4,100	–	4,100	–	4,100
Currency translation difference		–	–	–	–	–	–	1	1
Total comprehensive income (loss) for the financial year		–	–	6,721	–	(38,796)	(32,075)	405	(31,670)
End of financial year		**266,753**	**(19,122)**	**13,872**	**62,285**	**(34,654)**	**289,134**	**642**	**289,776**
2009									
Beginning of financial year		300,100	(32,113)	3,377	59,286	146,945	477,595	379	477,974
Purchase of treasury shares	24	–	(22,719)	–	–	–	(22,719)	–	(22,719)
Utilisation of treasury shares for shares issued under employee options plans	24, 25	–	10	–	(4)	–	6	–	6
Cancellation of treasury shares	24	(33,347)	33,347	–	–	–	–	–	–
Employee share-based expense	25	–	–	–	1,230	–	1,230	–	1,230
Total comprehensive income (loss) for the financial year		–	–	3,774	–	(137,873)	(134,099)	(3)	(134,102)
End of financial year		266,753	(21,475)	7,151	60,512	9,072	322,013	376	322,389

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

– For the financial year ended 30 June 2010

	Note	Group 2010 US$'000	Group 2009 US$'000
Cash flows from operating activities:			
Net loss		**(38,391)**	(137,876)
Adjustments for:			
Income tax credit		**(8,289)**	(515)
Depreciation of property and equipment		**10,704**	8,260
Amortisation of intangible assets		**478**	75
Employee share-based expense		**4,100**	1,230
Share of loss of associated companies		**953**	2,498
Loss on disposal of property and equipment		**126**	231
Impairment loss of financial assets, available-for-sale		**1,079**	13,374
Net impairment loss of investments in associated companies		**80**	148
Gain on disposal of financial assets, available-for-sale		**(365)**	(305)
Gain on disposal of investments in subsidiaries		**–**	(39)
Gain on disposal of investments in associated companies		**(9,710)**	–
Currency translation losses		**7,669**	17,735
Dividend income		**(171)**	(312)
Interest income		**(630)**	(3,965)
Interest expense		**80**	135
		(32,287)	(99,326)
Changes in working capital, net of effects from acquisition and disposal of subsidiaries			
Trade receivables		**13,366**	32,313
Inventories		**(8,520)**	63,143
Other assets and receivables		**9,374**	56,436
Trade payables		**(6,207)**	(41,087)
Accrued liabilities and provisions		**(4,845)**	(25,619)
Cash used in operations		**(29,119)**	(14,140)
Interest received		**614**	3,995
Interest paid		**(5)**	(132)
Income tax refunded (paid)		**249**	(2,571)
Net cash used in operating activities		**(28,261)**	(12,848)
Cash flows from investing activities:			
Purchase of property and equipment		**(6,313)**	(3,300)
Proceeds from sale of property and equipment		**16**	315
Proceeds from disposal of investments in associated companies		**11,025**	–
Proceeds from sale of financial assets, available-for-sale		**365**	440
Cash outflow from sale of investments in subsidiaries	17	**–**	(270)
Purchase of new subsidiaries (net of cash acquired)	17	**–**	(600)
Purchase of financial assets, available-for-sale		**(500)**	(202)
Purchase of investments in associated companies		**(278)**	–
Purchase of intangible assets		**(83)**	(1,465)
Dividend received		**171**	312
Net cash provided by (used in) investing activities		**4,403**	(4,770)
Cash flows from financing activities:			
Proceeds from exercise of share options		**21**	10
Purchase of treasury shares		**–**	(22,719)
Repayments of borrowings		**–**	(100,000)
Repayments of capital leases		**(10)**	(22)
Dividends paid to equity holders of the Company		**(4,930)**	–
Dividends paid to non-controlling interests		**(140)**	–
Net cash used in financing activities		**(5,059)**	(122,731)
Net decrease in cash and cash equivalents		**(28,917)**	(140,349)
Cash and cash equivalents at beginning of financial year	10	**250,551**	408,644
Effects of currency translation on cash and cash equivalents		**(7,609)**	(17,744)
Cash and cash equivalents at end of financial year	10	**214,025**	250,551

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Creative Technology Ltd. (the "Company") is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and incorporated and domiciled in Singapore. The address of its registered office is:

31 International Business Park
Creative Resource
Singapore 609921.

The principal activities of the Company and its subsidiaries consist of the design, manufacture and distribution of digitised sound and video boards, computers and related multimedia and personal digital entertainment products.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The Group and the Company conduct 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$"). The Group and the Company operate on a thirteen week calendar closing on the Friday closest to the natural calendar quarter. The Group's financial year 2010 ended on 2 July 2010, the Friday nearest to 30 June 2010, while the prior financial year ended on 3 July 2009. All financial years are described by their natural calendar dates.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2010

On 1 July 2009, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or revised FRS and INT FRS that are relevant to the Group:

FRS 1 (revised) *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. All non-owner changes in equity are shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has chosen to present two statements. Where comparative information is restated or reclassified, a restated balance sheet is required to be presented as at the beginning comparative period. There is no restatement of the balance sheet as at 1 July 2008 in the current financial year.

FRS 27 (revised) *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009). The revisions to FRS 27 principally change the accounting for transactions with non-controlling interests. As the changes have been implemented prospectively, no adjustments were necessary to any of the amounts previously recognised

NOTES TO THE FINANCIAL STATEMENTS
– For the financial year ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)
2.1 Basis of preparation (cont'd)

in the financial statements. Accordingly, these changes do not have any impact on the financial statements for the current financial year.

Amendment to FRS 107 *Improving Disclosures about Financial Statements* (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy (see note 29). The adoption of the amendment results in additional disclosures but does not have an impact on the accounting policies and measurement bases adopted by the Group.

FRS 108, *Operating Segments* (effective for annual periods beginning on or after 1 January 2009) replaces FRS 14, *Segment Reporting,* and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Segment revenue, segment profits and segment assets are also measured on a basis that is consistent with internal reporting. This standard was early adopted by the Group in the previous financial year.

2.2 Group accounting

(a) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition, irrespective of the extent of non-controlling interests. Please refer to the paragraph "Intangible assets – Goodwill on acquisitions" for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, and generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Dilution gains and losses arising from investments in associated companies are recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

2.3 Intangible assets

(a) Goodwill on acquisitions

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries and associated companies at the date of acquisition.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold.

(b) Acquired trademarks and licenses

Trademarks and licenses acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over the shorter of the contractual rights and estimated useful lives of the assets, ranging from one to ten years.

The amortisation period and amortisation method are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Impairment of non-financial assets

(a) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in an associated company is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

(b) Intangible assets
Property and equipment
Investments in subsidiaries and associated companies

Intangible assets, property and equipment and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand and short-term bank deposits with various banks which are subject to an insignificant risk of change in value.

2.6 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and financial assets, available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “cash and cash equivalents”, “trade receivables”, “amounts due from subsidiaries”, other receivables and loan within “other current assets” and “other non-current receivables” on the balance sheet.

(ii) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Financial assets, available-for-sale are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on financial assets, available-for-sale are recognised separately in profit or loss. Changes in fair values of available-for-sale equity securities are recognised in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Financial assets (cont'd)

(ii) Financial assets, available-for-sale

A significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.7 Inventories

Inventories are carried at the lower of cost and net realisable value. 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 labour and an appropriate proportion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Property and equipment

(a) Measurement

Property and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Cost recognised includes purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

No depreciation is provided on freehold land. Depreciation is calculated using the straight line method to allocate their depreciable amounts over the estimated useful lives as follows:

Leasehold land and buildings	- 20 to 50 years
Machinery and equipment	- 1 to 6 years
Furniture, fixtures and office equipment	- 1 to 8 years
Leasehold improvements	- Shorter of lease term or useful life

The residual values, estimated useful lives and depreciation methods are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent measurement

Subsequent expenditure relating to property and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss when incurred.

2.10 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

(a) Warranties

The warranty provision represents 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.

(b) Provision for legal claims and fees

Management records provisions when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated.

(c) Other provisions

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss.

2.13 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales are presented net of value-added tax, rebates and discounts, and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, the Group has delivered the products to the customers, the customers have accepted the products, significant risks and rewards of ownership have been transferred and when it is probable that the collectability of the related receivables is reasonably assured.

Allowances are provided for estimated returns and discounts 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 recognising revenue, the Group records estimated reductions to revenue for customer and distributor programs and incentive offerings, including price protection, promotions, other volume-based incentives and rebates.

2.15 Research and development costs

As the Group cannot definitively distinguish the research phase from the development phase of its internal projects to create intangible assets, the Group treats the expenditure on its internal projects as if they were incurred in the research phase only. Accordingly, all research and development costs are recognised as an expense when incurred.

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss.

2.17 Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. When a lease is terminated before the lease period expires, any payment made (or received) by the Group as penalty is recognised as an expense (or income) when termination takes place.

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund or Pension on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Share-based compensation

Share options

The share options plan is an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in profit or loss with a corresponding increase in share-based compensation reserves over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to share-based compensation reserves over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in other reserves are credited to share capital account when new ordinary shares are issued, or to the "treasury shares" account when treasury shares are re-issued to the employees.

Performance shares

The performance share plan contemplates the award of fully-paid ordinary shares, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets are met and/or upon expiry of the prescribed vesting periods.

The fair value of employee services received in exchange for the grant of the awards is recognised as a share-based compensation expense in profit or loss with a corresponding increase in the share-based compensation reserves over the vesting period. The amount is determined by reference to the fair value of the performance shares on the grant date.

If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the ordinary shares granted at the grant date. The compensation expense is charged to profit or loss on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the prescribed vesting periods from date of grant. No adjustments to the amounts charged to profit or loss are made whether or not the market condition is met.

For performance share grants with non-market conditions, the Company revises its estimates of the number of share grants expected to vest and corresponding adjustments are made to profit or loss and share-based compensation reserves.

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is the United States Dollar ("US$"), which reflects the economic environment in which the activities of the Company are largely exposed to. The financial statements are presented in United States Dollar.

(b) Transactions and balances

Transactions in a currency other than the United States Dollar ("foreign currency") are translated into the United States Dollar using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates prevailing at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency by way of assets and liabilities being translated at the closing exchange rates prevailing at the date of the balance sheet, and income and expenses being translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions).

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the date of the balance sheet.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

2.21 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Where the Company's ordinary shares are repurchased ("treasury shares"), the consideration paid, including any directly attributable incremental cost, is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share options and performance share plan, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised as a change in equity of the Company.

2.22 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Revenue recognition

Allowances are provided for estimated returns and discounts. Management analyses historical returns, current economic trends and changes in customer demand and acceptance of its products when evaluating the adequacy of the sales returns allowance. Such allowances are adjusted periodically to reflect actual and anticipated experience. When recognising revenue, the Group records estimated reductions to revenue for customer and distributor programs and incentive offerings, including price protection, promotions, other volume-based incentives and rebates. Significant management judgement and estimates must be used in connection with establishing these allowances in any accounting period. The Group may take action when necessary in response to market conditions to increase customer incentive offerings, possibly resulting in an incremental reduction of revenue at the time the incentive is offered. The Group's net revenue for the financial year ended 30 June 2010 was US$275,307,000 (2009: US$466,074,000).

(b) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(c) Product warranties

The warranty period for the bulk of the Group's products typically ranges between 1 to 3 years. The product warranty provision 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. If actual experience of product returns or cost of repair differs from management's estimates, revisions to the estimated warranty provision would be required and could have a material effect on the Group's future results of operations. The Group's warranty provision as at 30 June 2010 was US$2,784,000 (2009: US$2,899,000).

(d) Valuation of inventories

The Group states inventories at the lower of cost and net realisable value. The Group records a write-down for inventories of components and products which have become obsolete or are in excess of anticipated demand or net realisable value. Management performs a detailed assessment of inventory at each balance sheet date to establish provisions for excess and obsolete inventories. Management's 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. The markets for PC peripherals and personal digital entertainment products are subject to a rapid and unpredictable pace of product and component obsolescence and demand changes. If future demand or market conditions for the Group's products are less favourable than forecasted or if unforeseen technological changes negatively impact the utility of component inventory, the Group may be required to record write-downs which would negatively affect gross margins in the period when the write-downs are recorded and its operating results and financial position could be adversely affected. The carrying amount of the Group's inventories at 30 June 2010 was US$46,120,000 (2009: US$37,600,000).

(e) Impairment of financial assets, available-for-sale

The Group's investments are inherently risky because the markets for the technologies or products that the companies 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

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (cont'd)

(e) Impairment of financial assets, available-for-sale (cont'd)

basis for the investment is established. Fair values for listed equity securities are determined using quoted market prices. Fair values for unlisted equity securities are determined by using valuation techniques. The Group uses a variety of methods, such as asset values, and makes assumptions that are based on market conditions existing at each balance sheet date.

In order to determine whether a decline in value is other-than-temporary, the Group 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 the Group's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. The carrying amount of the Group's financial assets, available-for-sale at 30 June 2010 was US$33,895,000 (2009: US$27,753,000).

(f) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(g) Assessment of the probability of the outcome of current litigation

The Group records provisions for loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated.

(h) Income taxes

In preparing its financial statements, the Group estimates its income taxes for each of the jurisdictions in which it operates. This involves estimating the actual current tax exposure, assessing temporary differences resulting from differing treatment of items, such as reserves and provisions for tax and accounting purposes and accounting for uncertainty in income taxes. These differences result in current and deferred income tax liabilities, which are included within the Group's consolidated balance sheet. The Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised. The Group's income tax liabilities were US$2,235,000 (2009: US$2,203,000) and deferred income tax liabilities were US$21,202,000 (2009: US$29,510,000) at 30 June 2010.

4. EXPENSES BY NATURE

	Group	
	2010 US$'000	2009 US$'000
Amortisation of intangible assets (Note 19)	**478**	75
Depreciation of property and equipment (Note 18)	**10,704**	8,260
Employee compensation (Note 5)	**82,611**	117,950
Advertising expenses	**5,497**	8,399
Rental expenses on operating leases	**15,124**	19,025
Research and development expenses	**9,972**	12,780
Travel, entertainment and transportation expenses	**3,046**	5,094
(Reversal of inventory write-off / write-down) / inventory write-off / write-down	**(3,527)**	4,252
Allowance for impairment of trade receivables and bad debts written off (Note 29(b))	**273**	2,460
Restructuring expenses – other exit costs	**–**	2,665
Freight charges	**11,468**	19,556
Legal fees	**3,386**	4,635
Insurance	**776**	1,322
Warranty (Note 22(a))	**1,915**	6,103

The restructuring charges of US$11,168,000 (Note 22) presented on the consolidated income statement for the financial year ended 30 June 2009 comprised termination benefits and costs associated with headcount reductions, primarily in the Group's global field organisations and facilities costs from consolidation of certain international offices. Termination benefits of US$8,503,000 (Note 5) represented the costs of involuntary termination benefits and other exit costs of US$2,665,000 comprised mainly of lease cancellation charges imposed on non-cancellable operating leases.

A substantial portion of restructuring charges was related to the selling, general and administrative function for the financial year ended 30 June 2009.

5. EMPLOYEE COMPENSATION

	Group	
	2010	2009
	US$'000	US$'000
Wages and salaries	**72,934**	101,578
Employer's contribution to defined contribution plans including Central Provident Fund	**5,577**	6,639
Termination benefits (Note 4)	**–**	8,503
Employee share-based expense (Note 25)	**4,100**	1,230
	82,611	117,950

6. OTHER INCOME

	Group	
	2010	2009
	US$'000	US$'000
Interest income	**630**	3,965
Dividend income	**171**	312
	801	4,277

7. OTHER GAINS (LOSSES), NET

	Group	
	2010	2009
	US$'000	US$'000
Impairment loss of financial assets, available-for-sale (Note 15)	**(1,079)**	(13,374)
Net impairment loss of investments in associated companies	**(80)**	(148)
Gain on disposal of financial assets, available-for-sale	**365**	305
Gain on disposal of investments in subsidiaries	**–**	39
Gain on disposal of investments in associated companies	**9,710**	–
Currency translation losses	**(8,203)**	(24,925)
Loss on disposal of property and equipment	**(126)**	(231)
Allowance for impairment of loan to non-related party (Notes 14 and 16)	-	(12,762)
Government grant	**1,912**	–
Other gains	**877**	145
	3,376	(50,951)

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

8. INCOME TAXES

	Group	
	2010 US$'000	2009 US$'000
Tax credit attributable to loss is made up of:		
Current income tax:		
- Tax expense for current financial year	**121**	879
- Over provision in prior financial years	**(240)**	(1,431)
- Withholding tax	**138**	212
	19	(340)
Deferred income tax:		
- Tax (credit) expense for current financial year (Note 23)	**(6,300)**	553
- (Over) under provision in prior financial years (Note 23)	**(8)**	52
- Singapore tax concession on offshore interest income remitted (Note 23)	**(2,000)**	–
- Effect of change in Singapore tax rate (Note 23)	**–**	(780)
	(8,308)	(175)
	(8,289)	(515)

The tax credit on loss differs from the amount that would arise using the Singapore standard rate of income tax as explained below:

	Group	
	2010 US$'000	2009 US$'000
Loss before income tax	**(46,680)**	(138,391)
Tax calculated at tax rate of 17% (2009: 17%)	**(7,936)**	(23,526)
Effects of		
- tax exempt loss	**1,249**	18,640
- income not subject to tax	**(1,535)**	(193)
- expenses not deductible for tax purposes	**1,159**	1,900
- change in Singapore tax rate	**–**	(780)
- Singapore tax concession on offshore interest income remitted	**(2,000)**	–
- different tax rates in other countries	**4,442**	3,183
- deferred tax assets not recognised	**9,596**	3,147
- deferred tax assets on pioneer losses previously not recognised	**(11,800)**	–
- utilisation of tax losses and other reserves	**(1,354)**	(1,719)
- over provision in prior financial years	**(248)**	(1,379)
- withholding tax	**138**	212
Tax credit	**(8,289)**	(515)

The Company was granted a Pioneer Certificate under the International Headquarters Award which expired on 31 March 2010. Under the Pioneer Certificate, profits arising from qualifying activities were exempted from income tax in Singapore, subject to certain conditions. Due to the expiration of the Company's pioneer status where pioneer losses brought forward from the previous financial years could be used to offset against certain future tax liabilities, a deferred tax asset of US$11,800,000 was recognised in the financial year ended 30 June 2010. Additionally, a deferred tax liability of US$2,000,000 was written back in the financial year ended 30 June 2010 pertaining to offshore interest income remitted to Singapore which was not taxable due to a tax concession granted by the Singapore tax authorities. These were offset by an additional provision of US$5,500,000 for deferred tax liabilities in the financial year ended 30 June 2010.

9. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2010	2009
Net loss attributable to equity holders of the Company (US$'000)	**(38,796)**	(137,873)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**68,895**	73,350
Basic loss per share (US$ per share)	**(0.56)**	(1.88)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. Other than the dilutive effect of share 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.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to net loss.

For the financial years ended 30 June 2010 and 30 June 2009, diluted earnings per share is the same as basic earnings per share. Approximately 110,000 shares (2009: 11,000 shares) were excluded from the computation of dilutive earnings per share, as the effect of including such shares would be anti-dilutive.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Cash at bank and on hand	**69,179**	53,711	**55,934**	25,457
Short-term bank deposits	**144,846**	196,840	**141,869**	193,015
	214,025	250,551	**197,803**	218,472

11. TRADE RECEIVABLES

	Group		Company	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Trade receivables				
- Associated companies	**120**	454	**120**	318
- Non-related parties	**38,084**	53,861	**8,444**	9,967
	38,204	54,315	**8,564**	10,285
Less: Allowance for sales returns and impairment of receivables - non-related parties	**(9,205)**	(11,950)	**(4,209)**	(4,268)
Trade receivables - net	**28,999**	42,365	**4,355**	6,017

NOTES TO THE FINANCIAL STATEMENTS
– For the financial year ended 30 June 2010

12. AMOUNTS DUE FROM (TO) SUBSIDIARIES

	Company	
	2010 **US$'000**	2009 US$'000
Amounts due from subsidiaries - current		
- Trade	**47,510**	67,805
- Non-trade	**4,440**	8,399
	51,950	76,204
Less: Allowance for impairment	**(23,070)**	(32,825)
	28,880	43,379
Amounts due from subsidiaries - non-current		
- Trade	**22,327**	19,736
- Non-trade	**208,533**	203,679
	230,860	223,415
Less: Allowance for impairment	**(46,578)**	(37,020)
	184,282	186,395
Amounts due to subsidiaries - current		
- Trade	**(4,777)**	(6,665)
- Non-trade	**(18,461)**	(10,509)
	(23,238)	(17,174)
Amounts due to subsidiaries - non-current		
- Trade	**(20,243)**	(19,652)
- Non-trade	**(801)**	(874)
	(21,044)	(20,526)

The non-trade amounts due from and due to subsidiaries are interest-free and unsecured.

The current portions of non-trade amounts due from and due to subsidiaries are repayable on demand. There are no fixed repayment terms for the non-current portions of non-trade amounts due from and due to subsidiaries.

Management has assessed the fair values of the non-current amounts due from and due to subsidiaries and concluded that the fair values at balance sheet date approximate carrying values.

13. INVENTORIES

	Group		Company	
	2010 **US$'000**	2009 US$'000	**2010** **US$'000**	2009 US$'000
Raw materials	**19,239**	13,486	**12,888**	9,808
Work-in-progress	**166**	273	**122**	264
Finished products	**26,715**	23,841	**12,492**	8,032
	46,120	37,600	**25,502**	18,104

The cost of inventories recognised in "cost of goods sold" amounts to US$179,719,000 (2009: US$323,758,000).

14. OTHER CURRENT ASSETS

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Prepaid expenses and security deposits	**17,172**	14,726	**2,456**	1,852
Prepaid non-income taxes	**1,522**	2,484	**449**	701
Other receivables from associated companies	**244**	886	**244**	413
Other receivables from non-related parties	**2,052**	3,352	**1,157**	1,968
Loan to non-related party	**12,762**	8,508	**12,762**	8,508
	33,752	29,956	**17,068**	13,442
Less: Allowance for impairment of loan to non-related party (Note 7)	**(12,762)**	(8,508)	**(12,762)**	(8,508)
	20,990	21,448	**4,306**	4,934

In July 2007, the Company divested 80.1% of its interest in its then wholly owned manufacturing subsidiary in Malaysia ("ex-subsidiary"). Prior to divestment date, the Company had made loans to the ex-subsidiary for the purchase of properties, construction of factory and working capital purposes amounting to approximately US$36,900,000 (Malaysia Ringgit ("RM") 130 million). Under the terms of the divestment agreement, this amount would be repaid in various instalments up to 1 June 2011 of which US$24,100,000 (RM85 million) had been repaid to date. Of the outstanding balance of US$12,762,000 (RM45 million), US$4,254,000 (RM15 million) was due on 1 June 2009 and US$4,254,000 (RM15 million) was due on 1 June 2010 but the ex-subsidiary had failed to repay these amounts as at 30 June 2010. The remaining balance of US$4,254,000 (RM15 million) will be due on 1 June 2011. The Company was informed that the ex-subsidiary had decided to end all manufacturing business with the Company in view of the ex-subsidiary's unfavourable business and financial situation.

In view of the above, the total outstanding balance of US$12,762,000 (RM45 million) potentially may not be recoverable and the Company has considered it appropriate to maintain the provisions previously made.

The other receivables from associated companies and non-related parties are unsecured, interest-free and repayable on demand.

15. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Beginning of financial year	**27,753**	37,247	–	405
Fair value gains recognised in equity	**6,721**	3,774	–	–
Additions	**500**	202	–	–
Disposals	**–**	(96)	–	–
Impairment losses (Note 7)	**(1,079)**	(13,374)	–	(405)
End of financial year	**33,895**	27,753	–	–

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– For the financial year ended 30 June 2010

15. FINANCIAL ASSETS, AVAILABLE-FOR-SALE (cont'd)

Available-for-sale financial assets are analysed as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Listed equity securities	**22,530**	15,470	**–**	–
Unlisted equity securities	**11,365**	12,283	**–**	–
	33,895	27,753	**–**	–

The Group has recognised impairment losses of US$1,079,000 (2009: US$13,374,000) against securities whose fair values were below cost during the financial year.

16. OTHER NON-CURRENT RECEIVABLES

	Group		Company	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Loan to non-related party (Note 14)	**–**	4,254	**–**	4,254
Loan to associated company	**582**	977	**–**	-
	582	5,231	**–**	4,254
Less: Allowance for impairment of loan to non-related party (Note 7)	**–**	(4,254)	**–**	(4,254)
	582	977	**–**	–

The loan to an associated company is unsecured and interest-free with no fixed repayment terms.

Management has assessed the fair values of other non-current receivables and concluded that the fair values as at balance sheet date approximate carrying values.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 US$'000	2009 US$'000
Equity investments at cost		
Beginning of financial year	**248,854**	248,990
Additions	**–**	138
Liquidations / disposals	**(768)**	(274)
End of financial year	**248,086**	248,854
Accumulated impairment		
Beginning of financial year	**(203,464)**	(203,464)
Write-off	**768**	–
End of financial year	**(202,696)**	(203,464)
Net carrying value at end of financial year	**45,390**	45,390

In the financial year ended 30 June 2009, the Group acquired the remaining 51.2% interest in Qmax Pte Ltd for a consideration of US$1,162,000 in cash and US$511,000 in shares of Qala Singapore Pte Ltd, additional 14.3% interest in Grandeye Limited for a cash consideration of US$668,000 and 100% of Creative Knowledge Limited for a cash consideration of US$4,000.

The aggregate effects of the acquisition and disposal of subsidiaries on the cashflows of the Group in the financial year ended 30 June 2009 were:

	Group	
	Acquisition	Disposal
	Fair value/ carrying amount in acquiree's books US$'000	Carrying amount US$'000
2009		
Identifiable assets and liabilities		
Cash and cash equivalents	1,173	(270)
Trade receivables	1,635	(999)
Inventories	1,094	(139)
Other current assets	4,487	(564)
Property and equipment (Note 18)	6,313	(1,105)
Intangible assets (Note 19)	1,098	–
Total assets	15,800	(3,077)
Trade payables	(14,405)	1,518
Accrued liabilities and provisions	(4,991)	687
Deferred income tax liabilities (Note 23)	(36)	–
Total liabilities	(19,432)	2,205
Identifiable net liabilities / assets	(3,632)	(872)
Less: Non-controlling interests	–	363
Identifiable net liabilities acquired / assets disposed	(3,632)	(509)
Add: Equity share of losses recorded previously	1,235	
Goodwill (Note 19)	4,231	
Cash consideration paid	1,834	
Less: Currency translation differences	(61)	
Less: Cash and cash equivalents in subsidiaries acquired	(1,173)	
Net cash outflow on acquisition	600	

The aggregate cash outflows arising from the disposal of Qala Singapore Pte Ltd in 2009 were:

	Group US$'000
Identifiable net assets disposed (as above)	509
Gain on disposal	39
Currency translation differences	(37)
Shares received in-lieu of cash	(511)
	–
Less: Cash and cash equivalents in subsidiary disposed	(270)
Net cash outflow on disposal	(270)

Details of significant subsidiaries are included in Note 34.

NOTES TO THE FINANCIAL STATEMENTS
– For the financial year ended 30 June 2010

18. PROPERTY AND EQUIPMENT

	Freehold land US$'000	Leasehold land US$'000	Leasehold improvements US$'000	Buildings US$'000	Machinery and equipment US$'000	Furniture, fixtures and office equipment US$'000	Total US$'000
Group							
2010							
Cost							
Beginning of financial year	2,625	430	11,410	25,432	34,009	61,139	135,045
Additions	–	–	99	–	1,667	4,547	6,313
Disposals	–	–	(366)	(14)	(462)	(3,206)	(4,048)
End of financial year	2,625	430	11,143	25,418	35,214	62,480	137,310
Accumulated depreciation							
Beginning of financial year	–	55	8,743	8,253	26,537	57,513	101,101
Depreciation charge (Note 4)	–	9	913	934	5,213	3,635	10,704
Disposals	–	–	(359)	(5)	(438)	(3,104)	(3,906)
End of financial year	–	64	9,297	9,182	31,312	58,044	107,899
Net book value							
End of financial year	**2,625**	**366**	**1,846**	**16,236**	**3,902**	**4,436**	**29,411**
2009							
Cost							
Beginning of financial year	2,625	430	10,933	25,432	34,323	68,708	142,451
Acquisition of subsidiaries (Note 17)	–	–	–	–	6,082	231	6,313
Additions	–	–	1,083	–	890	1,327	3,300
Disposal of subsidiary (Note 17)	–	–	–	–	(2,063)	(286)	(2,349)
Disposals	–	–	(606)	–	(5,223)	(8,841)	(14,670)
End of financial year	2,625	430	11,410	25,432	34,009	61,139	135,045
Accumulated depreciation							
Beginning of financial year	–	46	8,361	7,319	29,078	63,404	108,208
Depreciation charge (Note 4)	–	9	963	934	3,461	2,893	8,260
Disposal of subsidiary (Note 17)	–	–	–	–	(1,018)	(226)	(1,244)
Disposals	–	–	(581)	–	(4,984)	(8,558)	(14,123)
End of financial year	–	55	8,743	8,253	26,537	57,513	101,101
Net book value							
End of financial year	2,625	375	2,667	17,179	7,472	3,626	33,944

	Leasehold improvements US$'000	Machinery and equipment US$'000	Furniture, fixtures and office equipment US$'000	Total US$'000
Company				
2010				
Cost				
Beginning of financial year	5,662	15,461	18,951	40,074
Additions	41	265	299	605
Disposals	(226)	(53)	(185)	(464)
End of financial year	5,477	15,673	19,065	40,215
Accumulated depreciation				
Beginning of financial year	5,339	14,909	17,766	38,014
Depreciation charge	241	286	722	1,249
Disposals	(226)	(33)	(183)	(442)
End of financial year	5,354	15,162	18,305	38,821
Net book value				
End of financial year	**123**	**511**	**760**	**1,394**
2009				
Cost				
Beginning of financial year	5,397	15,118	23,866	44,381
Additions	355	406	820	1,581
Disposals	(90)	(63)	(5,735)	(5,888)
End of financial year	5,662	15,461	18,951	40,074
Accumulated depreciation				
Beginning of financial year	5,226	14,818	22,613	42,657
Depreciation charge	202	154	878	1,234
Disposals	(89)	(63)	(5,725)	(5,877)
End of financial year	5,339	14,909	17,766	38,014
Net book value				
End of financial year	323	552	1,185	2,060

The property and equipment held under finance leases as at the financial year ended 30 June 2010 was US$Nil (2009: US$9,000).

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

19. INTANGIBLE ASSETS

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Composition:				
Goodwill arising on consolidation (Note (a))	**4,231**	4,231	**–**	–
Trademarks and licences (Note (b))	**2,093**	2,488	**–**	–
	6,324	6,719	**–**	–

(a) Goodwill arising on consolidation

	Group	
	2010	2009
	US$'000	US$'000
Cost		
Beginning of financial year	**4,231**	–
Acquisition of subsidiaries (Note 17)	**–**	4,231
End of financial year	**4,231**	4,231

Goodwill of US$4,231,000 (Note 17) in the financial year ended 30 June 2009 arose from the acquisitions of Qmax Pte Ltd included in the Asia Pacific region and Grandeye Limited included in the Europe region of US$2,262,000 and US$1,969,000 respectively. Management has assessed that there is no impairment to goodwill as at 30 June 2010.

(b) Trademarks and licences

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Cost				
Beginning of financial year	**35,953**	33,390	**16,533**	16,533
Acquisition of subsidiaries (Note 17)	**–**	1,098	**–**	–
Additions	**83**	1,465	**–**	–
End of financial year	**36,036**	35,953	**16,533**	16,533
Accumulated amortisation				
Beginning of financial year	**33,465**	33,390	**16,533**	16,533
Amortisation charge (Note 4)	**478**	75	**–**	–
End of financial year	**33,943**	33,465	**16,533**	16,533
Net book value	**2,093**	2,488	**–**	–

(c) Amortisation expense included in profit or loss is analysed as follows:

	Group	
	2010	2009
	US$'000	US$'000
Cost of goods sold	**371**	75
Research and development expenses	**107**	–
	478	75

20. OTHER NON-CURRENT ASSETS

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Security deposits	**21,081**	30,327	**–**	–
Others	**1,124**	1,366	**998**	768
	22,205	31,693	**998**	768

The Group's security deposits pertain to the sales and leaseback of its headquarters office building to an unrelated third party. Under the terms of the sale and purchase agreement, the Group agreed to leaseback the property for a period of five years starting from June 2008 with an option for additional periods of three and two years. The security deposit and advance rental payment for the leaseback of the property were included in the Balance Sheet as "other current assets" (Note 14) for the current portion and "other non-current assets" for the non-current portion.

21. TRADE PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Trade payables				
- Non-related parties	**24,066**	30,272	**18,195**	18,584
- Associated companies	**23**	24	**23**	24
	24,089	30,296	**18,218**	18,608

22. ACCRUED LIABILITIES AND PROVISIONS

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Marketing accruals	**10,689**	14,253	**429**	530
Payroll accruals	**12,205**	12,519	**7,900**	7,854
Warranty (Note (a))	**2,784**	2,899	**2,779**	2,893
Restructuring (Note (b))	**1,791**	5,038	**–**	–
Royalty accruals	**3,005**	3,197	**918**	1,137
Legal claims and fees (Note (c))	**6,342**	6,030	**5,900**	5,239
Deposits and other creditors	**5,889**	3,373	**2,531**	1,050
Subcontract accruals	**6,800**	6,800	**6,800**	6,800
Other accruals	**15,744**	15,905	**3,520**	3,349
	65,249	70,014	**30,777**	28,852

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

22. ACCRUED LIABILITIES AND PROVISIONS (cont'd)

(a) Warranty

The warranty period for the bulk of the products typically ranges between 1 to 3 years. The product warranty provision 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 provision for warranty are as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Beginning of financial year	**2,899**	5,815	**2,893**	5,300
Provision made (Note 4)	**1,915**	6,103	**1,855**	5,954
Provision utilised	**(2,030)**	(9,019)	**(1,969)**	(8,361)
End of financial year	**2,784**	2,899	**2,779**	2,893

(b) Restructuring

Please refer to Note 4 for the nature of restructuring provision.

Movements in provision for restructuring are as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Beginning of financial year	**5,038**	9,046	**–**	–
Provision made (Note 4)	**–**	11,168	**–**	527
Provision utilised	**(2,354)**	(15,176)	**–**	(527)
Provision written back	**(893)**	–	**–**	–
End of financial year	**1,791**	5,038	**–**	–

(c) Legal claims and fees

The provision for legal claims is in respect of certain legal claims brought against the Group. In the opinion of management, after taking appropriate legal advice, the outcomes of these legal claims are not expected to give rise to any significant loss beyond the amounts provided at 30 June 2010. Management considers that disclosure of further details of these claims will seriously prejudice the Group's negotiating position and accordingly, further information on the nature of the obligation has not been provided.

23. DEFERRED INCOME TAX LIABILITIES

Movements in deferred income tax account are as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Beginning of financial year	**29,510**	29,746	**13,800**	14,044
Singapore tax concession on offshore interest income remitted recognised in profit or loss (Note 8)	**(2,000)**	–	**(2,000)**	–
Effect of change in Singapore tax rate recognised in profit or loss (Note 8)	**–**	(780)	**–**	(780)
Currency translation differences	**–**	(97)	**–**	(17)
Acquisition of subsidiaries (Note 17)	**–**	36	**–**	–
(Credited) charged to profit or loss (Note 8)	**(6,300)**	553	**(11,800)**	553
(Over) under provision in prior financial years (Note 8)	**(8)**	52	**–**	–
End of financial year	**21,202**	29,510	**–**	13,800

Deferred tax liabilities consist of the following:

	Unremitted offshore interest income US$'000	**Undistributed profits of foreign subsidiaries US$'000**	**Transfer pricing and withholding tax US$'000**	**Others US$'000**	**Total US$'000**
Group					
2010					
Beginning of financial year	7,388	6,412	11,702	4,008	29,510
Singapore tax concession on offshore interest remitted recognised in profit or loss	(2,000)	–	–	–	(2,000)
Charged to profit or loss	–	–	5,500	–	5,500
Over provision in prior financial years	–	–	(2)	(6)	(8)
End of financial year	**5,388**	**6,412**	**17,200**	**4,002**	**33,002**
2009					
Beginning of financial year	7,745	6,299	11,702	4,000	29,746
Effect of change in Singapore tax rate recognised in profit or loss	(430)	(350)	–	–	(780)
Currency translation differences	–	(17)	–	(80)	(97)
Acquisition of subsidiaries	–	–	–	36	36
Charged to profit or loss	73	480	–	–	553
Under provision in prior financial years	–	–	–	52	52
End of financial year	7,388	6,412	11,702	4,008	29,510

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

23. DEFERRED INCOME TAX LIABILITIES (cont'd)

	Unremitted offshore interest income US$'000	Undistributed profits of foreign subsidiaries US$'000	Total US$'000
Company			
2010			
Beginning of financial year	7,388	6,412	13,800
Singapore tax concession on offshore interest remitted recognised in profit or loss	(2,000)	-	(2,000)
End of financial year	**5,388**	**6,412**	**11,800**
2009			
Beginning of financial year	7,745	6,299	14,044
Effect of change in Singapore tax rate recognised in profit or loss	(430)	(350)	(780)
Currency translation differences	–	(17)	(17)
Charged to profit or loss	73	480	553
End of financial year	7,388	6,412	13,800

Deferred tax assets consist of the following:

	Tax losses US$'000
Group and Company	
2010	
Beginning of financial year	–
Credited to profit or loss	(11,800)
End of financial year	**(11,800)**

The deferred income tax liabilities/assets are expected to be settled/recovered after one year.

Deferred income tax assets are recognised for tax losses and other reserves carried forward to the extent that realisation of the related tax benefits through future taxable profit is probable. A deferred tax asset of US$11,800,000 was recognised in the financial year ended 30 June 2010 due to the expiration of the Company's pioneer status where pioneer losses brought forward from the previous financial years can be used to offset certain future tax liabilities.

Respectively, the Group and the Company have unrecognised tax losses of approximately US$400,375,000 and US$94,011,000 (2009: US$296,164,000 and US$Nil) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. Approximately US$221 million of tax losses expire between 2011 and 2030. The Group also has United States tax deductions not included in unrecognised tax losses of approximately US$60,870,000 (2009: US$60,870,000) as a result of the exercise of employee share options of which the tax benefit has not been realised. The tax benefit of the deductions, when realised will be accounted for as a credit to other reserves rather than a reduction of the income tax expense.

24. SHARE CAPITAL AND TREASURY SHARES

	Number of ordinary shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital US$'000	Treasury shares US$'000
Group and Company				
2010				
Beginning of financial year	**75,000**	**(6,109)**	**266,753**	**(21,475)**
Utilisation of treasury shares for shares issued under employee options plans and performance share plan	**–**	**684**	**–**	**2,353**
End of financial year	**75,000**	**(5,425)**	**266,753**	**(19,122)**
2009				
Beginning of financial year	83,626	(6,981)	300,100	(32,113)
Purchase of treasury shares	-	(7,756)	-	(22,719)
Utilisation of treasury shares for shares issued under employee options plans	-	2	-	10
Cancellation of treasury shares	(8,626)	8,626	(33,347)	33,347
End of financial year	75,000	(6,109)	266,753	(21,475)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

(a) Treasury shares

The Company did not acquire any shares during the financial year ended 30 June 2010. In the prior financial year, the Company acquired 7,756,000 shares in the Company through purchases on the SGX-ST. The total amount paid to acquire the shares was US$22,719,000 and this was presented as a component within shareholders' equity.

The Company re-issued 7,000 (2009: 2,000) treasury shares during the financial year pursuant to the Creative Technology (1999) Share Option Scheme ("1999 Scheme") at the exercise price of US$3.58 (2009: US$2.92) each, for a total cash consideration of US$21,000 (2009: US$10,000). The Company also re-issued 677,000 (2009: Nil) treasury shares during the financial year pursuant to the Creative Performance Share Plan.

(b) Share options

The Creative Technology (1999) Share Option Scheme ("1999 Scheme") was approved by shareholders at an Extraordinary General Meeting on 30 December 1998 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 (1 July) of each of the five financial years ended 30 June 2001, 2002, 2003, 2004 and 2005 by four percent of the issued share capital of the Company as at the last day of the immediate preceding financial 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 the options is determined at the average of the closing prices of the Company's shares as quoted on the SGX-ST or the National Association of Securities Dealers Automated Quotations ("NASDAQ") for five market days preceding the date of the grant.

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. Effective 12 November 2007, amendments were made to the 1999 Scheme to allow the use of treasury shares to satisfy share based exercises. The options under the 1999 Scheme do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

24. SHARE CAPITAL AND TREASURY SHARES (cont'd)

(b) Share options (cont'd)

The 1999 Scheme expired on 29 December 2008. The existing options granted will continue to vest according to the terms and conditions of the 1999 Scheme and the respective grants.

During the financial year ended 30 June 2009, the Company granted 277,000 share options under the 1999 Scheme at an exercise price per share of US$2.64. The weighted average fair value per share was US$0.64 using the Black Scholes option pricing model.

The fair value of each share option granted is determined at the date of grant using the Black Scholes option-pricing model. This 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 is determined using the historical volatility of the Company's shares.

The following table presents the weighted average assumptions used in the Black Scholes option-pricing model for the share option grants.

	2010	2009
Exercise price	–	US$2.64
Expected volatility	–	40%
Risk-free interest rates	–	0.90% to 1.48%
Dividend yield	–	2.6%
Expected life of options (in years)	–	0.93 years after vest date

Movements in the number of unissued ordinary shares under option and their exercise prices were as follows:

	Number of options ('000)	**Weighted average exercise price (US$)**
Outstanding at 30 June 2008	**10,202**	**6.63**
Granted	277	2.64
Exercised	(2)	2.92
Cancelled/Forfeited/Expired	(1,463)	7.89
Outstanding at 30 June 2009	**9,014**	**6.31**
Exercised	(7)	3.58
Cancelled/Forfeited/Expired	(2,193)	8.20
Outstanding at 30 June 2010	**6,814**	**5.70**
Exercisable at 30 June 2010	**5,678**	**5.96**

Options exercised in the financial year ended 30 June 2010 resulted in 7,000 treasury shares (2009: 2,000) being re-issued at the exercise price of US$3.58 (2009: US$2.92) each. The weighted average share price at the date of exercise was US$4.27 (2009: US$4.42) per share.

The options outstanding as at 30 June 2010 and 30 June 2009 were in the following exercise price ranges:

	2010		2009	
Range of Exercise Prices	**Number of shares outstanding ('000)**	**Weighted average remaining contractual term (in years)**	Number of shares outstanding ('000)	Weighted average remaining contractual term (in years)
US$1.00 to US$2.99	**350**	**6.81**	350	7.81
US$3.00 to US$4.99	**3,674**	**5.63**	3,869	6.59
US$5.00 to US$6.99	**39**	**1.70**	43	2.47
US$7.00 to US$10.99	**2,751**	**4.54**	4,752	3.31
	6,814	**5.23**	9,014	4.89

(c) Performance shares

The Creative Performance Share Plan (the "Plan") was approved by shareholders at an Extraordinary General Meeting on 29 October 2009 under which awards (the "Award") of fully-paid shares, their equivalent cash value or combinations thereof, will be issued free of charge, to eligible employees and non-executive directors of the Company and its subsidiaries, provided that certain prescribed performance targets are met and/or upon expiry of the prescribed vesting periods.

During the financial year, 2,793,600 performance shares were granted on 31 March 2010 subject to the terms and conditions of the Plan. Of the total performance shares granted, 716,950 shares were vested immediately on the date of grant.

The fair value of the performance shares is determined at the grant date using the Monte Carlo simulation model which involves projecting future outcomes based on statistical distributions of key random variables including share price and volatility of returns. The fair values and assumption inputs used in the model are as follows:

Grant date	**Vesting date**	**Number of shares ('000)**	**Fair value per share US$**	**Expected volatility %**	**Dividend yield %**	**Risk-free interest rate %**	**Share price at grant date US$**
31.3.2010	31.3.2011	514.5	3.49	56.07	1.99	0.45	3.57
31.3.2010	31.3.2012	514.5	3.40	56.07	1.99	0.62	3.57
31.3.2010	31.3.2013	514.5	3.33	56.07	1.99	0.72	3.57
31.3.2010	31.3.2014	514.5	3.29	56.07	1.99	1.08	3.57

The movements of the number of performance shares during the financial year were as follows:

			Vested			
Grant date	**Outstanding at 1 July 2009 ('000)**	**Granted ('000)**	**Released ('000)**	**Not released ('000)**	**Cancelled ('000)**	**Outstanding and unvested at 30 June 2010 ('000)**
31 March 2010	–	2,794	(677)	(40)	(29)	2,048

NOTES TO THE FINANCIAL STATEMENTS
– For the financial year ended 30 June 2010

25. OTHER RESERVES

	Group		Company	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
(a) Composition:				
Capital reserves	**19,932**	19,932	**6,951**	6,951
Share-based compensation reserves (Note (b)(i))	**42,362**	40,589	**27,878**	26,107
Treasury shares reserve (Note (b)(ii))	**(9)**	(9)	**(8)**	(9)
	62,285	60,512	**34,821**	33,049

Other reserves are non-distributable.

Capital reserves arose from changes of interests in the group companies in prior financial years. Share-based compensation reserves comprised mainly of compensation expense for share options, tax benefits relating to exercise of non qualified share options by US employees and Chairman's gift of shares to employees.

	Group		Company	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
(b) Movements:				
(i) Share-based compensation reserves				
Beginning of financial year	**40,589**	39,359	**26,107**	24,877
Amortisation of deferred share compensation (Note 5)	**4,100**	1,230	**4,100**	1,230
Utilisation of shares issued under performance share plan	**(2,327)**	–	**(2,329)**	–
End of financial year	**42,362**	40,589	**27,878**	26,107
(ii) Treasury shares reserve				
Beginning of financial year	**(9)**	(5)	**(9)**	(5)
Utilisation of shares issued under employee options plans	**–**	(4)	**1**	(4)
End of financial year	**(9)**	(9)	**(8)**	(9)

26. RETAINED EARNINGS

Movements in retained earnings for the Company are as follows:

	Company	
	2010 US$'000	2009 US$'000
Beginning of financial year	**146,222**	135,148
Net (loss) profit	**(26,062)**	11,074
Dividends paid (Note 27)	**(4,930)**	–
End of financial year	**115,230**	146,222

27. DIVIDENDS

	Group and Company	
	2010	2009
	US$'000	US$'000
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of S$0.10 (2009: S$Nil) per share (Note 26)	**4,930**	–

At the Annual General Meeting to be held on 28 October 2010, a final exempt dividend of S$0.10 per share amounting to a total of US$4,995,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 30 June 2011.

28. COMMITMENTS

(a) Capital and other commitments

Capital and other expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Property and equipment	**16,787**	145	**344**	145
Other purchase obligations	**23,281**	15,118	**16,521**	12,848
	40,068	15,263	**16,865**	12,993

(b) Operating lease commitments – where the Group is a lessee

The Group leases land and certain of its facilities and equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2010	2009
	US$'000	US$'000
Not later than one year	**2,900**	3,988
Between one and five years	**4,527**	5,733
Later than five years	**–**	1,075
	7,427	10,796

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

28. COMMITMENTS (cont'd)

(c) Operating lease commitments – where the Group is a lessor

The Group leases out office space to non-related parties under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group	
	2010 **US$'000**	2009 US$'000
Not later than one year	**209**	145
Between one and five years	**–**	537
	209	682

29. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The Group's principal financial instruments, other than foreign exchange contracts, comprise bank loans, investments, cash at bank and short-term bank deposits. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors' resolutions, with banking mandates, which define the permitted financial instruments and facility limits, approved by the Board of Directors. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is the Group's policy not to engage in foreign exchange and/or derivatives speculation or trading or enters into any complex foreign exchange or derivatives transactions. It is not in the interest of the Group to speculate or trade in treasury instruments. From time to time, the Group enters into forward exchange contracts to reduce its exposure to currency translation gains and losses.

The main financial risks arising from the Group's operations and the use of financial instruments are market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk. Management does not view the Company on a standalone basis and therefore all risks relevant to the Group are considered and managed at the Group level. The policies for managing each of these risks at the Group level are summarised below.

(a) Market risk

(i) Price risk

As part of its long-term business strategy, from time to time, the Group makes strategic equity investments in companies that can provide the Group with technologies or products that management believes will give the Group a competitive advantage in the markets in which the Group competes. The Group has strategic investments in quoted equity shares. The Group manages the risk of unfavourable changes by cautious review of the investments before investing and continuous monitoring of the performance of investments held and assessing market risk relevant to which the investments operate. The market value of these investments will fluctuate with market conditions. The table below summarises the impact to the Group's fair value reserve in equity arising as a result of a 10% increase/decrease in prices of quoted equity securities. This analysis assumes that all other variables remain constant.

	Equity	
	10% increase US$'000	**10% decrease US$'000**
Group		
2010		
Quoted equity securities	**2,253**	**(2,253)**
2009		
Quoted equity securities	1,547	(1,547)

(ii) Interest rate risk

The Group has balances placed with reputable banks and financial institutions. The Group manages its interest rate risks on its interest income by placing the cash balances in varying maturities and interest rate terms with due consideration to operating cash flow requirements and optimising yield.

Bank borrowings were fully repaid in the prior financial year.

(iii) Currency risk

The functional currency of the Company is predominantly the US dollar and accordingly, gains and losses resulting from the translation of financial assets and liabilities denominated in currencies other than the US dollar are reflected in the determination of net loss. From time to time, the Group enters into forward exchange contracts to reduce its exposure to currency 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 loss. No forward exchange contracts were outstanding as at 30 June 2010 and 30 June 2009. The Group's currency exposure is as follows:

	US$'000 balance denominated in:					
	US$	**S$**	**EURO**	**GBP**	**Others**	**Total**
Group						
2010						
Financial assets						
Cash and cash equivalents	42,168	123,443	26,878	5,674	15,862	214,025
Financial assets, available-for-sale	19,060	10,879	–	–	3,956	33,895
Trade receivables	14,703	1,449	7,776	2,463	2,608	28,999
Other receivables	1,934	249	32	–	663	2,878
Other financial assets-deposits	174	31,686	–	41	276	32,177
	78,039	167,706	34,686	8,178	23,365	311,974
Financial liabilities						
Financial liabilities	(55,960)	(14,642)	(14,057)	(1,456)	(3,223)	(89,338)
Net financial assets	**22,079**	**153,064**	**20,629**	**6,722**	**20,142**	**222,636**
2009						
Financial assets						
Cash and cash equivalents	64,392	56,120	70,579	30,212	29,248	250,551
Financial assets, available-for-sale	17,097	8,624	–	–	2,032	27,753
Trade receivables	19,148	1,070	9,254	5,214	7,679	42,365
Other receivables	3,437	417	111	–	1,250	5,215
Other financial assets-deposits	–	40,524	–	45	226	40,795
	104,074	106,755	79,944	35,471	40,435	366,679
Financial liabilities						
Financial liabilities	(54,981)	(18,027)	(16,731)	(3,355)	(7,226)	(100,320)
Net financial assets	49,093	88,728	63,213	32,116	33,209	266,359

A change of 10% in foreign currency exchange rates relative to US$ at the reporting date would increase/decrease equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

29. FINANCIAL RISK MANAGEMENT (cont'd)

	Profit and Loss	
	10% strengthened US$'000	10% weakened US$'000
Group		
2010		
S$ against US$	**15,306**	**(15,306)**
Euro against US$	**2,063**	**(2,063)**
GBP against US$	**672**	**(672)**
Others against US$	**2,014**	**(2,014)**
2009		
S$ against US$	8,873	(8,873)
Euro against US$	6,321	(6,321)
GBP against US$	3,212	(3,212)
Others against US$	3,321	(3,321)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially subject the Group to significant concentrations of credit risk consist principally of cash and cash equivalents and trade receivables. The Group deals only with financial institutions with high credit ratings and limits the amount of credit exposure to any one financial institution. The Group sells its products to original equipment manufacturers, distributors and key retailers. The Group 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. The Group 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.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

As at 30 June 2010, there were no significant concentrations of credit risk and no customer (2009: Nil) individually accounted for 10% or more of net accounts receivable.

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2010 US$'000	2009 US$'000
Past due 1 to 60 days	**3,067**	7,715
Past due 61 to 120 days	**1,451**	3,438
Past due over 120 days	**4,882**	5,949
	9,400	17,102

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	Group	
	2010 US$'000	2009 US$'000
Past due 1 to 60 days	**520**	281
Past due 61 to 120 days	**210**	303
Past due over 120 days	**4,608**	4,976
	5,338	5,560
Less: Allowance for impairment	**(5,300)**	(5,379)
	38	181
Beginning of financial year	**5,379**	4,513
Currency translation differences	**17**	18
Acquisition of subsidiaries	**–**	35
Liquidation/disposal of subsidiaries	**(317)**	–
Allowance made (Note 4)	**273**	2,460
Allowance utilised	**(52)**	(1,647)
End of financial year	**5,300**	5,379

The impaired trade receivables arose mainly from sales to customers who significantly delayed their payments.

(c) Liquidity risk

To manage liquidity risk, the Group monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

As at 30 June 2010 and 30 June 2009, the Group's financial liabilities mature in less than 1 year's time.

(d) Capital risk

The Group's objectives when managing capital, which the Group defines as total equity, are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares or obtain new borrowings.

As at 30 June 2010, the Group does not have any outstanding bank borrowings and the Group is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

29. FINANCIAL RISK MANAGEMENT (cont'd)

(e) Fair value measurements

Effective 1 July 2009, the Group adopted the amendment to FRS 107 which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the assets and liabilities measured at fair value at 30 June 2010:

	US$'000			
	Level 1	**Level 2**	**Level 3**	**Total**
Group				
Financial assets, available-for-sale				
– Listed equity securities	22,530	–	–	22,530
– Unlisted equity securities	–	–	11,365	11,365
	22,530	**–**	**11,365**	**33,895**

Fair values for listed equity securities are determined using quoted market prices at the balance sheet date. These instruments are included in Level 1.

Fair values for unlisted equity securities are determined by using valuation techniques. The Group uses a variety of methods, such as asset values, and makes assumptions that are based on market conditions existing at each balance sheet date. These instruments are included in Level 3.

The following table presents the changes in Level 3 instruments for the financial year ended 30 June 2010:

	US$'000
Beginning of financial year	12,283
Purchases of level 3 securities	500
Fair value losses recognised in	
- other comprehensive income	(420)
- profit or loss	(998)
End of financial year	**11,365**

30. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

	Group	
	2010 US$'000	2009 US$'000
Sales of goods and/or services to associated companies	**1,641**	1,736
Purchases of goods and/or services from associated companies	**1,154**	744

Outstanding balances arising from sale/purchase of goods and services, are set out in Notes 11 and 21 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2010	2009
	US$'000	US$'000
Short-term employees benefits	**2,612**	2,634
Share-based expense	**1,216**	614
	3,828	3,248

Included in the above is total compensation to the Chairman and Chief Executive Officer of the Company amounting to S$1 (2009: S$1).

31. SEGMENT INFORMATION

Management determines the operating segments based on the reports reviewed and used by the chief operating decision-maker ("CODM") to make strategic decisions.

The CODM considers the business from a geographic segment perspective. Geographically, management considers the performance of the business of the sale of advanced multimedia solutions for personal computers and personal digital entertainment products in Asia Pacific, Europe and The Americas.

The reportable operating segments derive their revenue primarily from the sale of advanced multimedia solutions for personal computers and personal digital entertainment products. In addition, services within Asia Pacific include investment holding and this is included within the reportable operating segment as it is included in the reports provided to the CODM.

The segment information provided to the CODM for the reportable segments is as follows:

	Asia Pacific US$'000	**The Americas US$'000**	**Europe US$'000**	**Total US$'000**
Group				
2010				
Sales	125,946	58,311	91,050	**275,307**
(Loss) profit after total expenses	(57,349)	2,450	5,075	**(49,824)**
Other income	768	2	31	**801**
Other gains (losses), net	10,861	9	(7,494)	**3,376**
Share of loss of associated companies	(953)	–	–	**(953)**
Interest expense	(1)	–	(79)	**(80)**
(Loss) profit before income tax	(46,674)	2,461	(2,467)	**(46,680)**
Income tax credit (expense)	10,299	(2,217)	207	**8,289**
Net (loss) profit	(36,375)	244	(2,260)	**(38,391)**
Other segment items				
Additions to				
- property and equipment	6,129	29	155	**6,313**
- intangible assets	–	–	83	**83**
Depreciation	9,519	609	576	**10,704**
Amortisation	371	–	107	**478**
Impairment of financial assets, available-for sale	1,079	–	–	**1,079**
Segment assets	337,953	24,814	39,784	**402,551**
Segment liabilities	75,688	18,795	18,292	**112,775**

NOTES TO THE FINANCIAL STATEMENTS

– For the financial year ended 30 June 2010

31. SEGMENT INFORMATION (cont'd)

	Asia Pacific US$'000	The Americas US$'000	Europe US$'000	Total US$'000
Group				
2009				
Sales	159,051	125,040	181,983	466,074
(Loss) profit after total expenses	(74,764)	3,637	(17,957)	(89,084)
Other income	4,149	30	98	4,277
Other (losses), gains net	(46,748)	279	(4,482)	(50,951)
Share of loss of associated companies	(2,498)	–	–	(2,498)
Interest expense	(76)	(1)	(58)	(135)
(Loss) profit before income tax	(119,937)	3,945	(22,399)	(138,391)
Income tax credit (expense)	497	91	(73)	515
Net (loss) profit	(119,440)	4,036	(22,472)	(137,876)
Other segment items				
Additions to				
- property and equipment	3,168	47	85	3,300
- intangible assets	5,696	–	–	5,696
Depreciation	6,530	946	784	8,260
Amortisation	75	–	–	75
Impairment of financial assets, available-for sale	13,374	–	–	13,374
Segment assets	368,987	27,270	58,165	454,422
Segment liabilities	90,265	21,692	20,076	132,033

The revenue reported to the CODM excludes sales between segments. The revenue from external parties reported to the CODM is measured in a manner consistent with that in profit or loss. Geographic revenue information for the financial years ended 30 June 2010 and 30 June 2009 is based on the location of the selling entity.

The CODM assesses the performance of the operating segments based on net profit or loss. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The amounts provided to the CODM with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the CODM monitors the total assets attributable to each segment. All assets are allocated to reportable segments.

The amounts provided to the CODM with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to reportable segments.

Summary of net sales by product category:

	Group	
	2010 US$'000	2009 US$'000
Personal Digital Entertainment	**81,920**	202,078
Audio	**51,623**	66,531
Speakers and Headphones	**98,730**	122,829
All Other Products	**43,034**	74,636
	275,307	466,074

There was no customer who accounted for 10% or more of net revenues for the current and prior financial years.

32. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2010 or later periods and which the Group has not early adopted. The Group does not expect that adoption of these accounting standards or interpretations will have material impact on the Group's financial statements.

33. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of CREATIVE TECHNOLOGY LTD. on 28 September 2010.

34. LISTING OF SIGNIFICANT COMPANIES IN THE GROUP

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2010	2009
			%	%
Significant subsidiaries held by the Group				
Creative Labs, Inc. *(a)*	Distribution of digitised sound and video boards, computers and related multimedia products	United States of America	**100**	100
Creative Labs (Ireland) Ltd *(b)*	Distribution of digitised sound and video boards, computers and related multimedia products	Republic of Ireland	**100**	100
Creative Technology Centre Pte Ltd *(b)*	Property rental	Singapore	**100**	100
Qmax Pte Ltd and subsidiary companies *(b)*	Provision of data communications, telecommunications, wireless broadband and related services	Singapore	**100**	100
Creative Technology (Qingdao) Ltd *(c) (d)*	Design, development and manufacture of communication and related multimedia products	People's Republic of China	**100**	100
CTI Limited *(a)*	Investment holding	Bermuda	**100**	100
CTI II Limited *(a)*	Investment holding	Bermuda	**100**	100

(a) Not required to be audited under the laws of the country of incorporation
(b) Audited by PricewaterhouseCoopers LLP, Singapore
(c) Audited by Zhenqing Certified Public Accountants
(d) This subsidiary has a financial year end of 31 December by law in its country of incorporation

All the Singapore-incorporated subsidiaries were audited by the Company's auditor, PricewaterhouseCoopers LLP, Singapore.

There are no significant associated companies held by the Group.

SGX-ST LISTING MANUAL REQUIREMENTS

– For the financial year ended 30 June 2010

Additional Requirements of SGX-ST Listing Manual

DIRECTORS' REMUNERATION

The following information relates to remuneration of directors of the Company during the financial year:

	2010	2009
Number of directors of the Company in remuneration bands:		
- above S$500,000	**–**	–
- S$250,000 to below S$500,000	**–**	–
- below S$250,000	**4**	6
Total	**4**	6

The Company proposed to pay Director's fees of S$180,000 in the current financial year (2009: paid S$205,000) to its non-executive directors on its Board of Directors.

The Company paid a total remuneration of S$1 (2009: S$1) to its Chairman and Chief Executive Officer.

AUDITOR'S REMUNERATION

The following information relates to other fees of the auditors during the financial year:

	2010 US$'000	2009 US$'000
Other fees paid/payable to:		
- Auditor of the Company	**95**	144
- Other auditors *	**98**	226

** Include PricewaterhouseCoopers member firms outside Singapore*

The Audit Committee has reviewed all non-audit services provided by the auditor of the Company and in the Audit Committee's opinion, the non-audit services provided, will not affect the independence of the auditors.

PROPERTIES OF THE GROUP

The net book values of the leasehold and freehold properties held by the Group are as follows:

	2010 US$'000	2009 US$'000
Leasehold land and buildings	**4,520**	4,800
Freehold land and buildings	**14,707**	15,379
	19,227	20,179

MATERIAL CONTRACTS

There is no material contract entered into by the Company or any of its subsidiaries involving the interest of the chief executive officer, any director or controlling shareholder, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

STATISTICS OF SHAREHOLDING AS AT 13 SEPTEMBER 2010

Number of Issued Shares	:	75,000,000
Number of Issued Shares (excluding Treasury Shares)	:	69,574,655
Number / Percentage of Treasury Shares	:	5,425,345 (7.80%)
Class of Shares	:	Ordinary shares
Voting Rights (excluding Treasury Shares)	:	1 vote per share

Based on the information available to the Company as at 13 September 2010, 63.14% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

Size of shareholdings	Number of shareholders	Percentage of shareholders (%)	Number of shares	Percentage of shares (%)
1 - 999	6,630	48.53	1,954,832	2.81
1,000 - 10,000	6,683	48.91	15,661,814	22.51
10,001 - 1,000,000	345	2.52	14,935,592	21.47
1,000,001 and above	5	0.04	37,022,417	53.21
Total	**13,663**	**100.00**	**69,574,655**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	Name of shareholder	Number of shares	Percentage (%)
1	Sim Wong Hoo	23,270,652	33.45
2	Citibank Nominees Singapore Pte Ltd	6,711,463	9.65
3	Raffles Nominees (Pte) Ltd	3,001,193	4.31
4	DBS Nominees Pte Ltd	2,709,437	3.89
5	United Overseas Bank Nominees Pte Ltd	1,329,672	1.91
6	Ng Keh Long	965,000	1.39
7	OCBC Nominees Singapore Pte Ltd	857,950	1.23
8	Merrill Lynch (Singapore) Pte Ltd	722,147	1.04
9	UOB Kay Hian Pte Ltd	560,500	0.81
10	BNP Paribas Securities Services Singapore	466,904	0.67
11	DB Nominees (S) Pte Ltd	433,526	0.62
12	Sim Guan Huat	342,175	0.49
13	Phillip Securities Pte Ltd	306,250	0.44
14	Chan Siew Kim Alice	300,000	0.43
15	Craig Lawrence Mc Hugh	270,000	0.39
16	Kim Eng Securities Pte Ltd	269,820	0.39
17	Western Properties Pte Ltd	257,000	0.37
18	Teng Cheng Sin	230,100	0.33
19	HSBC (Singapore) Nominees Pte Ltd	218,862	0.31
20	OCBC Securities Private Ltd	208,900	0.30
	Total	**43,431,551**	**62.42**

Substantial shareholder	Number of ordinary shares Direct interest	Deemed interest
Sim Wong Hoo	23,270,652	–

CORPORATE INFORMATION

Board of Directors
Sim Wong Hoo, Chairman
Lee Kheng Nam, Director
Ng Kai Wa, Director
Lee Gwong-Yih, Director

Company Secretary
Ng Keh Long

Registered Office
31 International Business Park
Creative Resource
Singapore 609921
Tel: 65-6895-4000
Email: press_contact@ctl.creative.com

Share Registrar
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Corporate Counsel
Arfat Selvam Alliance LLC
55 Market Street
#08-01
Singapore 048941

Independent Auditor
PricewaterhouseCoopers LLP
8 Cross Street
#17-00 PWC Building
Singapore 048424
Audit Partner: Choo Eng Beng
Year of appointment: 2008