CREATIVE

CREATIVE TECHNOLOGY LTD

SXFI CARRIER

THE NEW SOUNDBAR DIMENSION

Super X-Fi headphone holography

23 BEST OF CES 2019 – 2020 AWARDS SUPER X–FI TECHNOLOGY

ANNUAL REPORT 2020

EXPERIENCE THE MAGICAL AUDIO REALITY OF SUPER X-FI®

Super X-Fi® captures the listening experience of a high-end multi-speaker system in a professional studio and recreates the same expansive experience in your headphones using computational audio to custom fit sound for every individual, through a sophisticated Head and Ear-Mapping process.

GAMES THAT SOUND LIKE YOU'RE ON AN **ACTIVE BATTLEFIELD**
MOVIES THAT SOUND LIKE YOU'RE IN AN **ACTUAL CINEMA**
MUSIC THAT SOUNDS LIKE YOU'RE AT A **LIVE CONCERT**

SXFI THEATER
Headphones (optional)

Creative SXFI CARRIER heralds a new dimension in soundbar technology with built-in Super X-Fi® Headphone Holography to create a new multi-speaker cinema experience on headphones that also works in tandem with its Dolby Atmos experience. The SXFI CARRIER carries on the engineering marvel of the award-winning X-Fi Sonic Carrier which has been dubbed by industry experts as the "soundbar of the gods".

Jointly developed by Creative and Dolby Laboratories, SXFI CARRIER has the same sound signature as the 15.2 Sonic Carrier at less than half the size and at a fraction of the price. Even with a scaled-down size, SXFI CARRIER can transform your living room to provide a full-fledged cinema experience.

When there's a need to enjoy your movies privately at night without disturbing your family or neighbours, put on SXFI THEATER headphones (optional) to enjoy the same cinematic experience as you would on the soundbar.

Creative SXFI AIR GAMER brings you the best of two worlds in Super X-Fi® Headphone Holography with USB audio for games and movies, and *Bluetooth* for music. Besides Super X-Fi Headphone Holography, SXFI AIR GAMER comes with:

- **CommanderMic**: Unique acoustic design and inPerson® Microphone technology provides noise suppression and the capture of natural nuances in your voice
- **BATTLE Mode**: Have the upper hand by spotting enemy fire quickly, and to accurately pinpoint their location
- **Conference Calls**: Super X-Fi naturalizes the speech from online conferences or school lessons, so the other parties sound like they are in front of the user, in the same room. The resulting realistic audio reduces listening fatigue and increases comprehension
- **MusicCall™**: Attend calls as if other parties are present in the same room while music is simultaneously playing in the background
- **Comfortable Oversized Perforated Protein Leather Earpads**

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CHAIRMAN'S MESSAGE

Dear Shareholders,

Fiscal 2020 was a challenging year for Creative. The global economic environment was highly uncertain, marked initially by the ongoing global trade tensions and later in the year the outbreak of the COVID-19 pandemic. The various lockdown measures imposed in many countries around the world in response to the pandemic resulted in supply chain and other business disruptions, and a global economic downturn. Under these conditions, the overall market for our products was difficult and unpredictable.

However, in the midst of these difficult and uncertain market conditions, we have continued with our investments in research and development, and introduced a number of new products during the year, including products incorporating our Super X-Fi technology. The contributions from these new products enabled us to achieve a growth in sales for the year.

Sales for fiscal year 2020 were US$61 million compared to US$55 million for fiscal year 2019. Gross profit as a percentage of sales was 28% in fiscal 2020 compared to 29% in fiscal 2019. Net loss for fiscal 2020 was US$18 million, compared to a net loss of US$4 million in fiscal 2019. However, there was an improvement in operating results for the Group in fiscal 2020. Net results for fiscal 2019 included a higher contribution from other gains, comprising mainly US$18 million from litigation settlements. Further highlights of the Group's financial performance are detailed in the "Financial Highlights and Review" section of the annual report.

While the COVID-19 pandemic has adversely affected the world, it has actually presented an opportunity for our products to shine. With more people spending time at home through lockdowns, domestic and personal entertainment became more prevalent than ever before. People are paying more attention to how technology can improve the way they Work-Learn-Play at home – our Super X-Fi technology fits perfectly into this genre.

Besides enhancing movies, games and music, Super X-Fi naturalizes the speech heard from headphones. This also enhances online work conferences or school lessons since the sound appears to actually come from the other parties in front of the user, in the same room. It is more natural than conventional headphone audio where the sound appears to be stuck inside one's head, and has the significant benefit of reducing headphone fatigue and increasing comprehension compared to conventional headphone audio.

In early 2020, we launched Super X-Fi Gen2, which improved the holographic audio quality across the product range for an even more natural headphone experience. This continued the Group's unprecedented award-winning run at CES (Consumer Electronics Show) at Las Vegas, the world's foremost electronics showcase, for a total of 23 best-of-show awards over the last two editions. With Gen2, Super X-Fi products were better received than before, as the enhanced realism of Super X-Fi made the benefits clearer to users.

Super X-Fi has also made progress in the OEM segment. We recently released SXFI AUDIO, the integrated solution for next-generation entertainment devices such as gaming laptops, TVs and mobile devices.

Entering fiscal year 2021, the world faces the possibility of a prolonged pandemic. I believe the importance of Super X-Fi will take on greater significance. For example, the new SXFI GAMER features CommanderMic, a boom microphone with SXFI InPerson microphone technology which significantly enhances speech pick-up while suppressing background noise. Besides winning rave reviews and topping various recommendation lists amongst the gaming media, it is also ideal for online lessons and work conference calls, as users benefit from the realistic audio experience and reduced headphone fatigue with Super X-Fi.

The upcoming SXFI AIR GAMER combines the key features of both SXFI AIR and SXFI GAMER to become a hybrid wireless-USB headphone. It offers the best of two worlds, with low-latency USB audio for games and movies, and wireless Bluetooth for music. It will serve as another highlight of our headphone range which benefits users in this current climate, especially when they Work-Learn-Play from home.

Following in the footsteps of the award-winning Sonic Carrier (dubbed 'the Soundbar of the Gods' by industry experts), the upcoming SXFI CARRIER, when launched later in fiscal year 2021, will be a game-changer. Jointly developed with Dolby Laboratories, it will be the world's first soundbar with Super X-Fi Headphone Holography, and the first-of-its-kind Dolby Atmos Speaker System. It redefines the performance limits of what a compact soundbar can achieve – it has the similar sound signature of the Sonic Carrier, at only a fraction of its price.

With cinema-going virtually a 'forbidden luxury', the SXFI CARRIER gives users the full cinema experience in the safety and comfort of their own homes. Moreover, with Super X-Fi, users can enjoy Dolby Atmos through headphones as well, and they will always be in the audio sweet spot. Previewed at CES 2020, the SXFI CARRIER has already won several best-of-show awards.

A new development targeting the post-COVID economy is the SXFI LIVE technology. Enabling content providers to provide their audiences with Super X-Fi audio via live feed for the real spatial experience – using just regular headphones, the audience will feel as if they are at the stadium or theater itself, even if they are not there in person. In the current climate, almost all events are streamed live by default. This provides SXFI LIVE with a potentially huge service market such as corporate events, live sports and concerts.

Looking ahead for the current fiscal year, there is significant uncertainty in the pace of economic recovery from the COVID-19 pandemic and the outlook for the global economy. However, the Group's new products are expected to continue to drive revenue growth. The ongoing COVID-19 restrictive measures, including restrictions on entertainment venues, home-based learning and work from home arrangements, can provide additional growth opportunities for Super X-Fi products that address the demand for a better audio experience for home entertainment, home-based learning and working from home. These will help the Group work towards re-growing our business and improving our financial performance for the year. I believe we are finally seeing the light at the end of the tunnel.

Thank you.

Sim Wong Hoo
Chairman & Chief Executive Officer

FINANCIAL HIGHLIGHTS AND REVIEW

For the financial year ended 30 June 2020

Overview

	US$million	
	2020	2019
Sales, net	61.2	54.9
Gross profit	17.1	16.0
Gross profit margin	28%	29%
Expenses	36.2	40.3
Net loss	(17.6)	(3.8)

Sales for the financial year ended 30 June 2020 ("FY2020") were US$61.2 million compared to US$54.9 million for the financial year ended 30 June 2019 ("FY2019"). Gross profit in FY2020 was US$17.1 million at a margin of 28% compared to US$16.0 million at a margin of 29% in FY2019. Net loss in FY2020 was US$17.6 million compared to US$3.8 million in FY2019.

Sales

Net sales for FY2020 increased by 11% compared to FY2019 due mainly to increase in revenue in the second half year of FY2020. In the first half year of FY2020, revenue increase was 6% compared to the first half year of FY2019. In the second half year of FY2020, despite the downturn in the global economy resulting from the outbreak of the COVID-19 pandemic, revenue grew by 17% compared to the same period in FY2019. In particular, there was a significant growth in revenue in the fourth quarter of FY2020. Net sales in the third quarter of FY2020 was US$13.7 million compared to US$12.7 million in the third quarter of FY2019, an increase of 8%. Net sales in the fourth quarter of FY2020 was US$16.3 million compared to US$12.8 million in the fourth quarter of FY2019, an increase of 27%. In the second half year of FY2020, there was an increase in revenue from new products launched during the financial year. In addition, in the fourth quarter of FY2020, despite the various lockdown measures imposed in many countries around the world in response to the outbreak of the COVID-19 pandemic, there was a substantial increase in sales of certain audio, speaker and headphone products.

	US$million	
Sales by Product Category	2020	2019
Audio, speakers and headphones	59.9	53.0
Personal digital entertainment	1.0	1.5
Other products	0.3	0.4
	61.2	54.9

Sales of audio, speakers and headphones in FY2020 have increased compared to FY2019 while sales of personal digital entertainment and other products have decreased in FY2020 compared to FY2019.

	US$million	
Sales by Region	2020	2019
Asia Pacific	26.8	28.2
The Americas	15.1	11.0
Europe	19.3	15.7
	61.2	54.9

By geographical region, sales in the Asia Pacific region for FY2020 decreased by 5% compared to FY2019, and as a percentage of total sales was 44% in FY2020 compared to 51% in FY2019. Sales in the Americas region for FY2020 increased by 37% compared to FY2019, and as a percentage of total sales was 25% in FY2020 compared to 20% in FY2019. Sales in the Europe region for FY2020 increased by 23% compared to FY2019, and as a percentage of total sales was 31% of total sales in FY2020, compared to 29% FY2019.

FINANCIAL HIGHLIGHTS AND REVIEW

For the financial year ended 30 June 2020

Gross Profit

Gross profit was US$17.1 million in FY2020 compared to US$16.0 million in FY2019. Gross profit margin as a percentage of sales was 28% in FY2020 compared to 29% in FY2019. Gross profit margin at 28% in FY2020 was slightly lower compared to FY2019 due mainly to an increased in cost of sales for certain products sold in the US resulting from US tariffs levied on these products from China. Gross profit for FY2020 was in line with the sales mix.

Expenses

Total expenses decreased from US$40.3 million in FY2019 to US$36.2 million in FY2020.

Selling, general and administrative expenses were US$22.8 million in FY2020 compared to US$27.1 million in FY2019. The decrease is due mainly to lower legal expenses for on-going litigations.

Research and development expenses were US$13.3 million in FY2020 compared to US$13.2 million in FY2019.

Net Profit

Net loss in FY2020 was US$17.6 million compared to US$3.8 million in FY2019. Net loss in FY2020 includes interest income of US$1.2 million, other income of US$1.6 million, other gains of US$0.1 million and other losses of US$1.2 million. Net loss in FY2019 includes interest income of US$1.8 million, other gains of US$18.0 million and other losses of US$0.8 million.

Other income of US$1.6 million in FY2020 relates mainly to grant income pertaining to COVID-19 relief packages.

Other gains were US$0.1 million in FY2020 compared to US$18.0 million in FY2019. Other gains in FY2019 were due mainly to US$17.9 million gains from litigation settlements.

Other losses of US$1.2 million in FY2020 relates mainly to fair value loss on financial assets at fair value through profit or loss. Other losses of US$0.8 million in FY2019 relates mainly to exchange loss and fair value loss on financial assets at fair value through profit or loss.

Balance Sheet

The US$11.0 million decrease in cash and cash equivalents was due mainly to operating loss in FY2020. The increase in trade receivables by US$0.8 million to US$5.2 million as at 30 June 2020 and decrease in inventories by US$3.0 million to US$12.3 million as at 30 June 2020 was due mainly to increased sales towards the end of FY2020. The increase in other current assets by US$1.4 million to US$2.7 million as at 30 June 2020 was due mainly to government grant receivable from the COVID-19 relief packages.

Financial assets at fair value through profit or loss (“FVPL”) as at 30 June 2020 has decreased compared to 30 June 2019 due mainly to fair value loss on revaluation.

Right-of-use assets and lease liabilities as at 30 June 2020 were in relation to the adoption of SFRS(I) 16 on 1 July 2019.

The increase in trade payables from US$3.9 million as at 30 June 2019 to US$6.4 million as at 30 June 2020 was due mainly to the regular month end payment cycle falling after the year end closing date on 26 June 2020. The increase in accrued liabilities and provisions by US$2.1 million to US$15.2 million as at 30 June 2020 was due mainly to deferred grant income pertaining to COVID-19 and increase in operating activities.

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	65	Chairman of the Board and Chief Executive Officer
Lee Kheng Nam	72	Independent Non-Executive Director
Ng Kai Wa	64	Independent Non-Executive Director
Lee Gwong-Yih	65	Independent Non-Executive Director
Ng Keh Long	61	Chief Financial Officer

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

LEE KHENG NAM has been a Director of Creative since 1991. He is presently a Venture Partner of GGV Capital and also Chairman of Advantec Pte Ltd, an investment holding company. Mr. Lee is also currently Deputy Chairman of Vertex Venture Holdings Ltd (VVH), wholly-owned subsidiary of Temasek Holdings (Private) Limited engaged in the venture capital direct investment and fund management business. Mr. Lee was General Manager (1988 to February 1995) and subsequently President of Vertex Management Pte Ltd (VMPL) and executive Director of VVH from March 1995 to February 2004. Prior to this, he was with NatSteel group of companies as the Manager of the Project Development Department and the Ministry of National Development where he was Deputy Director of Planning. He sits on the boards of several companies, both local and overseas, including Thunes, Blaise Inc, Structo Pte Ltd and Zero2.5 Biotech Pte Ltd. He formerly served on the boards of Heptagon Advanced Micro Optics (acquired by ams AG), China Finance Online, Gemplus International S.A. (later merged to become Gemalto) and Chartered Semiconductor Manufacturing Ltd. 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 and 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 access IP Telephony, and SIP Trunking solutions to Cable MSOs, broadband service providers and distribution partners. 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 Managing Director of Translink Capital. Prior to joining Translink Capital in 2014, Mr. Lee was Chairman and Chief Executive Officer of the CyberTAN Technology, Inc. since 2006. CyberTAN is a publicly listed company on the Taiwan Stock Exchange, and an affiliated company of Foxconn Group. Prior to CyberTAN, Mr Lee founded two start-up companies, Transmedia in March of 1998 and Digicom Systems in May of 1987. Both companies were successfully acquired by Cisco Systems and Creative in 1999 and 1994 respectively. In addition, he serves on the board for ITRI International, and is an Advisor for Foxconn. Mr Lee has also been granted as an outstanding alumni from National Chiao-Tung University, Taiwan, and a distinguished Engineering award from CIE/USA, the Chinese Institute of Engineers Organization. Mr Lee holds a Master of Science degree in Electrical Engineering from the State University of New York at Stony Brook and a Bachelor of Science degree in Electrical Engineering from National Chiao-Tung University, Taiwan.

NG KEH LONG joined the Company in April 1993 as Financial Controller and held various financial positions until 1998 when 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.

CORPORATE GOVERNANCE

For the financial year ended 30 June 2020

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 provisions set out in the Code of Corporate Governance issued in August 2018 (the "Code"). Creative's approach on corporate governance takes into consideration the principles and provisions set out in the Code, substantially complied with the key principles and provisions set out in the Code except where specifically identified and disclosed in this report.

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. The Board also reviews management performance and sets the Company's values and standards and ensures that obligations to shareholders and other stakeholders are understood and met. Sustainability issues are also considered as part of its strategic formulations.

All Directors exercise due diligence and independent judgement, and are obliged to act in good faith and consider at all times, the interest of the Company. When a conflict of interest arises, the concerned Director must disclose such interest, recuse himself from discussions and decisions involving the matter and abstain from voting on resolutions regarding the matter.

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"). Each Board Committee is governed and regulated by its own terms of reference, which sets out the scope of its duties and responsibilities, regulations and procedures governing the manner in which the Board Committee is to operate and how decisions are to be taken.

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 Constitution 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 number of Board and Board Committee meetings held in the financial year ended 30 June 2020 and the attendance of directors during these meetings is as follows:

Name of Director (Number of Meetings Held)	**Board** (6)	**Audit Committee** (6)	**Remuneration Committee** (1)	**Nominating Committee** (1)
Sim Wong Hoo	6	–	1	1
Lee Kheng Nam	6	6	1	1
Ng Kai Wa	6	6	1	1
Lee Gwong-Yih	6	6	–	–

When a Director has multiple board representations, such director has to ensure that sufficient time and attention is given to the affairs of the Company.

Upon appointment of each new director, a letter is provided setting out the director's duties and obligations. The Group also conducts an orientation programme for new directors to familiarize them with the business activities and corporate governance practices. The Company will provide training for first-time director in areas such as accounting, legal and industry-specific knowledge as appropriate. None of the directors is first-time director.

Directors are updated regularly on the Group's strategic directions, financial performance, updates on corporate governance practices, relevant new laws, regulations and changing business risks during Board meetings or at specially-convened sessions.

Directors are also encouraged to request for sponsorship from the Company to attend courses to update their knowledge and better equip themselves to discharge their duties as Directors.

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. Information provided includes board papers with updates on key performance indicators, and background or explanatory information relating to matters to be brought before the Board. 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. This enables the Board to make informed and sound business decisions and be kept abreast of key challenges, opportunities and developments for the Group.

The Company Secretary attends all Board meetings and ensures that all Board procedures are followed. The Company Secretary keeps the Directors informed of any significant developments or events relating to the Group. He ensures good communication flows within the Board and between Management and the Directors. 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 appointment and removal of the Company Secretary is subject to the approval of the Board.

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 2: BOARD COMPOSITION AND GUIDANCE

The Board comprises four members, one of whom is an Executive Director and three of whom are independent non-Executive Directors. The criteria of independence are based on the definition given in the Code and in the Listing Rules of SGX-ST. Key information regarding the Directors is disclosed in Board of Directors and Executive Officers. Together the Board has a diverse wealth of experience as well as skills and knowledge and the diversity of experience, skills and competencies of the Directors enhance the effectiveness of the Board in carrying out its responsibilities.

Creative recognises and embraces the benefits of diversity on the Board, and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

The Board's Diversity Policy provides that, in reviewing Board composition, the Board will consider the benefits of all aspects of diversity, including diversity of skills, experience, background, gender, age and other relevant factors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made based on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

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

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

The three independent Directors have served on the Board for more than nine years from the respective dates of their first appointment. They are Mr Lee Kheng Nam, Mr Ng Kai Wa and Mr Lee Gwong-Yih. The Board had conducted a rigorous review on their status, taking into consideration all other factors in accessing the independence of a Director. These factors include, inter alia, if the Director has any interest, business relationship and/or other material contractual relationship with the Group which could reasonably be perceived to compromise his independence and interfere with the exercise of his independent business judgement with a view to the best interests of the Group.

CORPORATE GOVERNANCE

For the financial year ended 30 June 2020

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

After due and careful review, the Board had determined Mr Lee Kheng Nam, Mr Ng Kai Wa and Mr Lee Gwong-Yih are independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers which are likely to affect, or could appear to affect, their judgement. The Board is of the view that their more than nine years of service has not affected their objectivity. They have continued to demonstrate ability to exercise strong independent judgement and act in the interests of the Company. Further, having gained in-depth understanding of the business of the Group, Mr Lee Kheng Nam, Mr Ng Kai Wa and Mr Lee Gwong-Yih provide the Company with the experience and knowledge of the industry. Their contributions will be valuable to the Company.

The independent non-Executive Directors contribute to the Board by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide different perspectives to the Group's business. While reviewing Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities. Where appropriate and necessary, the non-Executive Directors would also meet without the presence of Management.

The Board is of the view that the current Board, with independent non-Executive Directors making up a majority 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. Mr Sim Wong Hoo has played an instrumental role in developing the business, and has provided the Group with strong leadership and vision. Even though the Company does not have separate persons for the Chairman and CEO, 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 33.06%. With his substantial shareholding, his interest is aligned with the Company and that of the other shareholders.

Mr Sim, the Chairman provides strategic guidance and leads the Board. He is responsible for ensuring the effectiveness of the Board and its governance processes. With the assistance of the Company Secretary, he sets the agenda for Board meetings and ensures complete and accurate information is provided to the Board to facilitates good decision-making in particular on strategic issues. At meetings, he promotes a culture of open dialogue and debate, facilitating the effective contribution of all Directors. He also maintains effective communication with shareholders. At shareholder meetings, he ensures constructive dialogue between shareholders, Directors and Management. He is also responsible for making strategic proposals to the Board and implementing the Group's strategies and policies as well as the Board's decision. He assumes executive responsibility for the day-to-day management of the Group.

Mr Lee Kheng Nam is the Lead Independent Director. As the Lead Independent Director, he leads and encourages dialogue between independent directors and provides feedback to the Chairman and CEO. As the Lead Independent Director, he is also available as the alternate channel for shareholders, should shareholders fail to resolve concerns through the normal channels of the Chairman and CEO, Chief Financial Officer or when such normal channels are inappropriate.

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 and also the lead independent 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.

The key terms of reference of the NC include the following:

- Review the Board's succession plans and make recommendations to the Board on all appointments and re-appointments of Directors of the Company;
- Review the independence of Directors;
- Assess the effectiveness of the Board as a whole and contribution by each individual Director; and
- Review the training and professional development programmes for the Board.

When a Director has multiple board representations, such director has to ensure that sufficient time and attention is given to the affairs of the Company. On the issue of multiple board representations, the Board is of the view that it should be left to the judgement and discretion of each Director. As such, the NC and the Board have decided not to set any maximum number of listed company board representations that any director may hold. The NC is satisfied that sufficient time and attention are being given by all the Directors to the affairs of the Company. The key information of each Director is disclosed in their profile as set out in the "Board of Directors" of the Annual Report 2020.

The NC has conducted an annual review of the independence of the Independent Directors, using the criteria of independence in the Code, and the Listing Rules of SGX-ST and has ascertained that they are independent.

The Board does not have a practice of appointing alternate directors. There were no alternate directors in this financial year.

The Board has adopted a process for the selection, appointment and re-appointment of directors to the Board. The NC reviews the compositions of the Board periodically. It assesses and shortlists candidates for a position on the Board when a need arises. The search and nomination process for new Directors, if any, will be through recommendations of Directors and Management and external search services. Potential candidates are interviewed by the NC to access suitability and commitment.

New Directors are at present appointed by way of a Board resolution, after the NC approves their appointment. The NC ensures that new directors are aware of their duties and obligations. The Company's Constitution 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 Lee Gwong-Yih 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 30 October 2020.

PRINCIPLE 5: BOARD PERFORMANCE

The NC assesses the effectiveness of the Board as a whole and its board committees and each individual director, and also assesses the contribution by the Chairman and each individual director to the effectiveness of the Board. The Company believes that the Board's performance is ultimately reflected in the performance of the Group. The Company assesses the Board's performance through its ability to steer the Group in the right direction and the support it renders to Management. In evaluating directors' performance, factors including the directors' attendance, participation and level of participation and contributions at the main board and board committee meetings and other Company activities, are also taken into consideration.

The NC uses its best efforts to ensure 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' value is achieved.

CORPORATE GOVERNANCE

For the financial year ended 30 June 2020

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION
PRINCIPLE 8: 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 fair, 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 committee administering the Creative Share Option Scheme (2019).

The RC has access to relevant remuneration data and would seek expert advice from external remuneration consultants whenever required. During the year, there was no requirement for the engagement of external consultants.

Mr Sim Wong Hoo, the Chairman and CEO of the Company, and the Chairman of the RC, has been receiving a nominal sum of S$1 as his annual remuneration since the financial year ended 30 June 2008. He has also opted to be excluded from participating in the Creative Share Option Scheme (2019).

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 performance based 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 share options to employees under the Company's share option and performance share plan. The Company's employees participate in the performance review process that assesses the individual's performance against set performance targets. Performance against these targets is a factor determining remuneration. This seeks to align the interests of the employees with that of the shareholders.

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 2020 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.*

Each non-Executive Director also participates in the Company's share option and performance share plan. The details of the Directors' performance share awards are set out in the Directors' Statement. Non-Executive Directors are not paid any salary, bonus, or other remuneration.

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

Remuneration Bands	Number of Key Executives
S$250,000 to S$499,999	4
Less than S$250,000	1

For confidentiality and competitive reasons, the Company is not disclosing each individual executive's remuneration and their names. The aggregate total remuneration paid to the top five key executives for the financial year ended 30 June 2020 was S$1,543,000.

None of the employees of the Group whose annual remuneration exceeds S$100,000 are substantial shareholders of the Company, or are immediate family members of the CEO or any other Director of the Company or a substantial shareholder of the Company.

Details of the Creative Share Option Scheme (2019) and Creative Performance Share Plan are set out in the Notes to the Financial Statements.

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the overall risk management and internal control framework, but recognises that no cost effective risk management and internal control systems 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 the occurrence of material errors, poor judgement in decision-making, human errors, frauds or other irregularities.

The Board reviews the Group's business and operational activities as presented by the management to identify areas of significant risks and recommends as appropriate, the measures to control and mitigate such risks. Annually, the Board reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls.

For the financial year ended 30 June 2020, the Board has received assurance from the CEO and CFO that:

- the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- the risk management and internal control systems have been adequate and effective to address the risks which the Group considers relevant and material to its operations.

The Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems have been adequate and effective for the risks which the Group considers relevant and material to its operations for the financial year ended 30 June 2020. This opinion is arrived at based on the framework established and maintained by the Group, the work performed by the internal and external auditors, reviews carried out by Management, as well as assurances received from the CEO and CFO.

PRINCIPLE 10: AUDIT COMMITTEE

Given the growing emphasis accorded to risk management, the Board has nominated the Audit Committee ("AC") to assist the Board in risk management responsibilities and function.

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. The Board considers Mr Lee Kheng Nam, who has the appropriate financial management knowledge and experience, well qualified to chair the AC. The other members of the AC also have the appropriate accounting or relevant financial expertise or experience to discharge their responsibilities.

CORPORATE GOVERNANCE

For the financial year ended 30 June 2020

PRINCIPLE 10: AUDIT COMMITTEE (cont'd)

The principal functions of the AC, among other matters, are:

- to review and recommend for approval of the Board the half year and full year financial results and related announcement to be released on SGXNet;
- to review the assurance from the CEO and the CFO on the financial records and financial statements.
- to assist the Board to review and oversee the internal controls and the Group's Enterprise Risk Management Framework;
- to provide guidance to management and renders assistance to the Board to determine the nature and extent of significant risks which the Board would be willing to take in achieving the Group's strategic objectives;
- to review the adequacy, effectiveness, scope and results of the audit and its cost-effectiveness and the independence and objectivity of the external auditors;
- to review the scope of work of the appointed internal auditors and evaluate the adequacy, effectiveness and independence of the internal auditors;
- to review the findings of the internal and external auditors and the response from the management;
- to make recommendations to the Board on the appointment, re-appointment and/or removal of internal and external auditors, and to approve the remuneration and terms of engagement of the internal and external auditors;
- to review interested person transactions;
- to review whistle-blowing investigations within the Group and ensuring appropriate follow-up in accordance with the Group's whistle-blowing policy; and
- to report any material matters, findings and recommendations to the Board.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The number of meetings convened by the AC is set out in Principle 1: The Board's Conduct of its Affairs. For the financial year, the AC has met with the external auditors in the absence of key management personnel.

In the review of the financial statements for the financial year ended 30 June 2020, the AC has reviewed with the CFO and the external auditors on changes to accounting standards and significant issues and assumptions which are relevant to the Group and have a direct impact on the group's financial statements. The AC also considered the report from the external auditors, including their findings on the key areas of audit focus. Significant matters that were discussed with management and external auditors have been included as key audit matters in the independent auditors' report for the financial year ended 30 June 2020. Refer to pages 22 to 25 of this Annual Report.

The management provides all Directors with financial updates of the Group's performance, on a regular basis and when required, to enable the Board to make a balance and informed assessment of the Group's performance, position and prospect. The CEO and the CFO also provide assurance to the Board on the integrity of the financial statements of the Company and its subsidiaries.

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. In relation to whistle blowing by non-employees, the whistle blower may report any impropriety and/or concern in writing to the CFO or the AC at the registered office address of the Company.

The Board has approved the outsourcing of the Company's internal audit function as they are of the view that the current size and scope of the Group's operations does not warrant having internal audit function within the organization. GovernAce Advisory & Solutions Pte. Ltd. ("GovernAce") has been appointed to perform risk assessment and conducts review to assess the adequacy and effectiveness of the Group's internal controls. The AC reviews and endorses the internal audit plan and the internal audit reports which include the audit findings and recommendations of the internal auditors and management's responses to such findings. Any material non-compliance or failures in the internal audit function and the recommendations for improvements are reported to the AC. The AC also reviews the progress of any corrective, preventive or improvement measures as required.

The AC is satisfied that GovernAce has the appropriate resource to discharge its duties effectively as the staff assigned are members of the Institute of Internal Auditors, and adhere to standards set by nationally recognised professional bodies. GovernAce has unfettered access to all the Company's documents, records, properties and personnel. For the financial year ended 30 June 2020, the AC is satisfied that the internal audit function is adequate and effective.

During the year, the AC has met with the external auditors without the presence of Management.

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

The Group is committed to treat all shareholders fairly and equitably. The Group recognises, protects and facilitates the exercise of shareholders' rights, and continually reviews and updates such governance arrangements.

The Company ensures that there is adequate, timely and sufficient information pertaining to changes in the Group's business which could be likely to materially affect the share price or value.

The Company ensures that shareholders have the opportunity to participate effectively and vote at the general meetings. Shareholders are also informed of the rules including voting procedures that govern the general meetings.

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 and senior management are available at the Annual General Meeting to respond to, and to assist the Directors in responding to shareholders' questions. The Company's external auditors are also present to address shareholders' queries relating to the conduct of the audit and the preparation and content of the auditor's report. Shareholders also have the opportunity to communicate with the Directors after the meeting. The Company prepares minutes of the general meetings relating to the agenda of the meeting and responses from the Board and Management. The minutes are available to shareholders upon their request.

In accordance with the Constitution 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. Relevant intermediaries such as the Central Provident Fund and custodian banks are entitled to appoint more than two proxies to attend and vote at the meeting. Shareholders who hold shares through these relevant intermediaries will be allowed to attend and vote at the forthcoming AGM subject to being appointed a proxy by their respective relevant intermediaries.

Every matter requiring shareholders' approval is proposed on a separate resolution. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

The Company has adopted electronic poll voting for the general meetings to ensure greater transparency and efficiency in the voting process and results. Shareholders are invited to vote on each of the resolutions by poll, using an electronic voting system. The voting results of all votes cast for or against each resolution are screened at the meeting and announced via the SGXNet after the meeting.

The Company pays an annual dividend, taking into consideration the Company's financial performance, present cash position, projected cash flow generated from operations and projected capital requirements. This is provided that the amount of dividend declared does not exceed the Company's retained earnings.

CORPORATE GOVERNANCE

For the financial year ended 30 June 2020

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

The Company provides shareholders with half yearly and annual financial results of the Group within the regulatory reporting periods, i.e. results for the half year are released to shareholders within 45 days after the half year period whilst the annual results are released within 60 days from the financial year end. In presenting the Group's annual and half yearly 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.

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 https://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. Shareholders may also seek clarification on investor related issues by email provided in the Company's website at https://creative.com.

General Meetings are the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views or inputs and address shareholders' concerns at the general meetings.

Specific guidelines have been laid down for compliance in respect of all public communications. The Company does not practise selective disclosure in the communication of material information. In addition, the Company has also put in place operational procedures to respond promptly to queries from SGX-ST on any unusual trading activities in its securities.

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

The Company recognises the importance of engaging and balancing the needs and interests of key stakeholders as part of its overall responsibility to ensure that the best interests of the Company are served.

The Company has in place a process to identify its various stakeholders and understand their viewpoints as well as actively communicating with them to align the Company's expectation and goals. The Group engages with the key stakeholders through various platforms. Details of the stakeholders engaged by the Group can be found in the Company's Sustainability Report in the Annual Report 2020.

The Group maintains a corporate website at https://creative.com which stakeholders can access information on the Group. Stakeholders can communicate with the Company by email provided in the Company's website at https://creative.com.

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 the Company, 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 one month before the announcement of the Group's half year and full year financial statements.

SUSTAINABILITY REPORT

For the financial year ended 30 June 2020

The Group recognizes the importance of delivering long term value and sustainable returns to all our stakeholders. Sustainability has always been integral to Creative's operations. Creative works to keep its environmental, social and governance performance positive by being a responsible, diverse and equal opportunities employer, a global leader for product innovation in the audio and personal digital entertainment segments, and maintaining high standards in corporate governance.

BOARD STATEMENT

The Board is responsible for the long-term strategic direction of the Company and that it has considered sustainability issues as part of its strategic formulation. The Board is committed to the Group's efforts towards the employment of sustainable practices as it is our strategic approach to integrate sustainability in all aspects of our business and operations.

STAKEHOLDER ENGAGEMENT

We understand the importance of stakeholder engagement. Regular engagement with our stakeholders provides input for determining our focus areas, to identify and assess our sustainability issues. This process enables the Company to prioritise strategic decisions and shape the direction of the business. It also helps us build and maintain good relationship with the stakeholders.

Stakeholder Group	Engagement Activities
Shareholders	• Timely and accurate information to shareholders through announcement on SGXNet and our website (https://creative.com). This includes half yearly financial results, major events and new product launches. • Annual reports. • Annual general meetings.
Regulatory authorities	• Dialogue, feedback sessions and meetings.
Customers	• Engagement with customers is facilitated by our Customer Care team, social media channels, website and online community. • Information on products are also communicated via press releases, blogs, media events, trade shows and exhibitions. • Feedback is also received through our network of business partners, including retailers and distributors.
Business partners	• Engagement with our supply chain business partners includes regular meetings, factory visits and audits, during which our requirements are communicated, and good working relationships are established. • Our sales team works closely with the distributors, retailers and other business partners to understand customer needs and product performance.
Employees	• We endorse an open-door environment, and employees feel they can interact at every level, to provide ideas and feedbacks. • Town hall meetings are held regularly, where employees are updated on company development and its business goals. Employees also participate actively during such meetings.

SUSTAINABILITY REPORT

For the financial year ended 30 June 2020

MATERIAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

Following regular internal and external engagement with our stakeholders, Creative continues to assess and review the material environmental, social and governance factors.

Environment

Our vision is to reduce and minimize adverse impact on the environment through a commitment for continuous improvement. We conduct our business operations responsibly and efficiently, constantly seek to minimize our environmental footprint and make efficient use of limited resources.

As a global leader for product innovation in audio and personal digital entertainment segments, Creative offers consumers a complete, high quality digital entertainment experience through Creative's hardware, software applications and services. Finding a perfect balance between form and function, Creative strives to create value to our customers for every product purchased.

Excellence in design and engineering is at the heart of what we do. Our goal is to bring products which consumers love, using groundbreaking technology and leading-edge designs for not just the technically-savvy consumers, but for everyone who enjoys entertainment. With strong focus on user-friendly interface, multiple features and cool industrial designs, the Creative brand is synonymous with lifestyle personal digital entertainment.

To achieve this, we believe in investment in research and development, spending $13.3 million in FY2020 on research and development on product development, industrial design and innovation in technology, with emphasis on developing responsible products.

Improving the energy efficiency of our products is a driving factor in our product development. This allows us to reduce the carbon footprint of our products. We have put in great effort to improve battery life and product energy efficiency during our product innovation process. This is done without sacrificing product performance or consumer experience. Our main powered products consume less than 0.5 watts of power in standby or off mode and less than 2 watts in networked standby, in compliance with EU energy efficiency requirements. All our products operating on rechargeable batteries also meet the U.S. Department of Energy requirement in terms of Unit Energy Consumption. All power adaptors supplied with our products comply with the U.S. Department of Energy and European Commission Level VI energy efficiency requirements, which requires power adaptors to have at least 88% average efficiency, and consume less than or equal to 0.1 watts of power for output power rated less than 49 watts, and consume less than or equal to 0.21 watts of power for output power rated more than 49 watts.

Packaging is an important aspect of our product design. It helps to deliver products to market safely, provides information to consumer, and is also a branding and marketing tool. We continue to work on improving our packaging to be more environmentally friendly, and will take into consideration the amount and type of packaging materials used in our products.

Our use of hazardous materials is limited to those materials which are necessary due to unavailable substitutes that is scientifically or technically practicable. Our products do not contain restricted materials exceeding the allowable threshold limits. Restricted materials are hazardous to the environment and pollute landfills, and are dangerous in terms of occupational exposure during manufacturing and recycling. We are compliant with Restriction of Hazardous Substance (RoHS) Registration, Evaluation, Authorisation and Restriction of Chemicals (REACh).

Our products are not only designed to be energy efficient and with limited use of restricted materials. They are also designed to have less impact on the environment at the end of their life cycle. We are registered with various compliance schemes in Europe for collection and recycling of WEEE (Waste Electrical and Electronic Equipment), batteries and packaging. The Company pays for the future recycling when putting products in circulation.

The Company ensures raw materials and packaging materials used are sourced from responsible and reliable suppliers. Our suppliers are mostly certified to ISO14001 – Environmental Management System. They have also given commitment on their social and environmental responsibility, with compliance to the RBA (Responsible Business Alliance) Code of Conduct which establishes standards to ensure that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically.

In our assessment, product distribution and logistics is another important environmental factor. We are working to optimize our approach to product distribution and logistics, focusing on logistical efficiency and reliability, cost efficiency, environmental footprint. With proper planning and scheduling, where possible, our products were transported to the market by sea freight, and cargoes are consolidated in the most efficient manner. Use of regional hubs has also helped in reducing the carbon footprint.

Creative strives to avoid unnecessary impact on the environment and to reduce environmental impact. We practice green initiatives in the workplace by reducing energy consumption, implementing energy-efficient measures and increasing paper recycling to reduce resource depletion.

One of the measures adopted is to reduce paper usage. Electronic documents are used whenever possible, without having to print hard copy. Invoices and statements of accounts to customers are sent through emails. Electronic approvals were implemented where possible, for various systems, like human resource systems and purchase requisition systems.

The Group also encourages employees to reduce business travel. Creative has offices in Asia, Europe and America. Interoffice communications are made through conference calls or electronic mails whenever possible. A fully integrated, seamless ERP system also helps in sharing of data for operations.

Social

Creative is operating in a highly competitive industry, we believe our people are the building block of the Company, where the ability to attract, develop and retain the right and best people, is paramount to the success of the Company.

We encourage a work environment that embraces inclusiveness, diversity and teamwork, with employees from various countries, ethnicities and age groups. We value diversity of our people which in turn helps foster innovation and enable us to better understand our customers.

Creative is an equal opportunity employer. Prospective employees are evaluated based on their qualifications, capabilities and experience, regardless of gender, age or ethnicity. Employee evaluations are conducted through a transparent appraisal process. Creative offers employees competitive remuneration packages commensurate with their experience, performance and job responsibilities.

To compete in an ever-changing industry, we believe in investing in employee training and development. Creative provides the necessary resources and support for employees who are keen to learn and develop their functional, technical, and professional skills. This will broaden and deepen employees' professional knowledge and skills, and also help employees to reach their fullest potential.

At Creative, we place emphasis within our organization to promote workplace safety and healthy work environment for our staff and visitors. A safe and healthy work environment enhances employee retention and morale.

Governance

Creative strongly believes that good corporate governance processes are essential for corporate sustainability. We are committed to adhere to a high standard of corporate governance, accountability and transparency to safeguard the interests of all stakeholders.

The Board monitors the effectiveness of management and reviews the Group's corporate governance practices. The Board adheres to the principles and provisions of the Singapore's Code of Corporate Governance 2018. We have also adopted a Code of Business Conduct and Ethics which sets out the principles and policies upon which our businesses are to be conducted, and implemented a Whistle Blowing Policy which provides a mechanism for employees to raise concerns about possible improprieties in financial reporting or other improper business conduct, whilst protecting the whistleblowers from reprisal within the limits of the law.

For detailed discussion on the Group's corporate governance practices, please refer to the "Corporate Governance" section of the Annual Report.

DIRECTORS' STATEMENT

For the financial year ended 30 June 2020

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 30 June 2020 and the balance sheet of the Company as at 30 June 2020.

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 26 to 72 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2020 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; 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.

1. DIRECTORS

The directors of the Company in office at the date of this statement 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" in this statement.

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 21.7.2020**	**At 30.6.2020**	**At 1.7.2019**	**At 21.7.2019**	**At 30.6.2019**	**At 1.7.2018**
Creative Technology Ltd						
(Number of ordinary shares)						
Sim Wong Hoo	23,270,652	23,270,652	23,270,652	–	–	–
Lee Kheng Nam	45,000	45,000	45,000	10,000	10,000	10,000
Ng Kai Wa	2,148,555	2,148,555	2,148,555	–	–	–
Lee Gwong-Yih	45,000	45,000	45,000	–	–	–

In addition, by virtue of his interest of not less than 20% of the issued capital of Creative Technology Ltd., Mr 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, none of the directors holding office at the end of the financial year had any interests in options to subscribe for ordinary shares of the Company granted pursuant to the Creative Share Option Scheme (2019) (the "Scheme") as set out under "Share options" in this statement.

4. SHARE OPTIONS

(a) Share option plans

The Creative Share Option Scheme (2019) ("Scheme") was approved and adopted by shareholders at an Extraordinary General Meeting on 30 October 2019 which allows options to be granted to group employees (including executive directors) and group non-executive directors. The committee, at the date of this statement, administering the Scheme comprises the following directors ("Committee"):

Mr Sim Wong Hoo
Mr Lee Kheng Nam
Mr Ng Kai Wa

Mr Sim Wong Hoo, a controlling shareholder of the Company will not participate in the Scheme.

Under the terms of the Scheme, the Committee may grant options to eligible participants to subscribe for shares at a subscription price set at the market price or at a discount to the market price on the capital of the Company, subject inter alia to the following:

(i) the aggregate number of shares over which options may be granted when added to the number of shares issued and issuable in respect of all options granted under the Scheme and in respect of all other share-based incentive schemes of the Company then in force, shall not exceed 15% of the total issued shares (excluding treasury shares) of the Company on the date preceding the offer date of an option.

(ii) the number of shares to be offered to any participant of the Scheme shall be determined at the absolute discretion of the Committee, who shall take into account (where applicable) criteria such as employment level, grade, years of service, performance, contributions, potential for future development and such other criteria as the Committee may consider appropriate.

Subject to any adjustment pursuant to any variation of the share capital of the Company, the subscription price for each share under the Scheme shall be:

(a) a price equal to the average of the last dealt prices for Creative shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the five consecutive market days immediately preceding the offer date of that option, rounded up to the nearest whole cent, or

(b) the discounted value of the share price determined under (a) above, provided that the maximum discount shall not exceed 20% of (a) above or such other percentage or amount as may be determined by the Committee and permitted by SGX-ST and approved by the shareholders of the Company in a general meeting.

(c) prior approval of shareholders of the Company in general meeting shall have been obtained for discount exceeding 20% of the market price if it is prescribed or permitted for the time being by SGX-ST.

The Committee has the discretion to decide on the option vesting schedule in the letter of offer. For options where the exercise price is equal to the market price, the options shall not vest less than 1 year from the date of grant. For options where the exercise price is granted at a discount to the market price, the options shall not vest less than 2 years from the date of grant.

Options expire after the tenth anniversary of the date of grant for employees and fifth anniversary for non-employees unless they are cancelled or have lapsed.

The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten years from 30 October 2019 provided always that the Scheme may continue beyond the above stipulated period with the approval of the shareholders by an ordinary resolution in general meeting and the approval by any of the relevant authorities which may then be required.

DIRECTORS' STATEMENT

For the financial year ended 30 June 2020

4. SHARE OPTIONS (cont'd)

(b) Share options outstanding

Since the adoption of the Scheme to the financial year ended 30 June 2020, no options were granted. As at 30 June 2020, there were no outstanding unissued ordinary shares under options granted to group employees and group non-executive directors under the Scheme.

5. 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 Creative Technology (1999) Share Option 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.

On 31 March 2010, 2,793,600 performance shares were granted to non-executive directors and employees 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.

There were no awards granted under the Plan during the financial years ended 30 June 2020 and 2019. However, as at 30 June 2018, the Committee has extended the performance period till 31 December 2018 for 208,000 performance shares granted on 31 March 2010 that were subject to the achievement of prescribed performance targets. 65,000 performance shares were released under the Plan during the financial year ended 30 June 2019 and the remaining 143,000 unreleased performance shares were cancelled. As at 30 June 2020, there are no outstanding Awards under the Plan.

The Plan has expired on 29 October 2019.

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

Name of director	Granted in financial year ended 30.6.2020	Aggregate granted since commencement of Plan to 30.6.2020	Aggregate released since commencement of Plan to 30.6.2020	Aggregate lapsed since commencement of Plan to 30.6.2020	Aggregate outstanding as at 30.6.2020
Lee Kheng Nam	–	60,000	45,000	15,000	–
Ng Kai Wa	–	60,000	45,000	15,000	–
Lee Gwong-Yih	–	60,000	45,000	15,000	–

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.

6. AUDIT COMMITTEE

At the end of the financial year, the Audit Committee comprises the following members, all of whom are independent non-executive directors:

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

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. In performing its functions, the Committee reviewed the overall scope of work of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the auditors to discuss the results of their examination and evaluation of the system of internal accounting control of the Company and its subsidiaries. The Committee also reviewed the requirements for approval and disclosure of interested person transactions.

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.

7. INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept reappointment.

On behalf of the directors

Sim Wong Hoo	Lee Kheng Nam
Director	Director

18 September 2020

INDEPENDENT AUDITOR'S REPORT

to the members of Creative Technology Ltd.

Report on the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Creative Technology Ltd ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated income statement of the Group for the year ended 30 June 2020;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the balance sheet of the Group as at 30 June 2020;
- the balance sheet of the Company as at 30 June 2020;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the financial year ended 30 June 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Inventory valuation The total gross inventory and provision for obsolescence as of 30 June 2020 amounted to US$20.7 million and US$8.4 million, respectively. Inventory valuation is a key audit matter because the inventory and related provision are • Material to the financial statements; • Subject to a high level of judgement; • Exposed to uncertainty, due to the short product life cycle of audio and personal digital entertainment products, changing demands of consumers, as well as rapid technological changes.	**Our work done is as follows:** 1. Assessed the assumptions and considered the nature and suitability of historical data used in estimating the provisions; 2. Compared the inventory on hand against future sales projections, taking into account new models released during the year and historical sales performance to assess adequacy of the provision; 3. Considered the compatibility of use in production of other products in determining the provision amount for raw materials; 4. Tested inventory balances to determine that they are carried at the lower of cost or net realisable value; and 5. Checked the Group's disclosure in the financial statements for this matter. Based on our procedures, we found management's assessment in respect of inventory valuation to be reasonable. We also found that the disclosures in the financial statements in respect of this matter to be appropriate and adequate.

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

to the members of Creative Technology Ltd.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Chian Yorn.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 18 September 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 30 June 2020

	Note	Group 30 June 2020 US$'000	Group 30 June 2019 US$'000
Sales, net		**61,155**	54,924
Cost of goods sold	4	**(44,059)**	(38,943)
Gross profit		**17,096**	15,981
Expenses:			
Selling, general and administrative		**(22,826)**	(27,077)
Research and development		**(13,340)**	(13,259)
Total expenses	4	**(36,166)**	(40,336)
Interest income		**1,215**	1,756
Other income	6	**1,624**	1
Other gains	7	**146**	17,965
Other losses	8	**(1,212)**	(804)
Interest expense on lease liabilities		**(288)**	–
Loss before income tax		**(17,585)**	(5,437)
Income tax credit	9	**16**	1,606
Net loss		**(17,569)**	(3,831)
Attributable to:			
Equity holders of the Company		**(17,572)**	(3,835)
Non-controlling interests		**3**	4
Loss per share attributable to equity holders of the Company	10		
- Basic (US$ per share)		**(0.25)**	(0.05)
- Diluted (US$ per share)		**(0.25)**	(0.05)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2020

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Net loss	**(17,569)**	(3,831)
Other comprehensive (loss) income:		
Items that will not be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income ("Financial assets at FVOCI"):		
- Fair value (loss) gains	**(128)**	1,369
Total comprehensive loss for the financial year	**(17,697)**	(2,462)
Total comprehensive (loss) income attributable to:		
Equity holders of the Company	**(17,700)**	(2,466)
Non-controlling interests	**3**	4
Total comprehensive loss for the financial year	**(17,697)**	(2,462)

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

BALANCE SHEETS

As at 30 June 2020

	Note	Group		Company	
		30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
ASSETS					
Current assets:					
Cash and cash equivalents	11	**96,770**	107,766	**93,706**	102,639
Trade receivables	12	**5,215**	4,441	**158**	134
Amounts due from subsidiaries	13	**–**	–	**3,313**	9,822
Inventories	14	**12,328**	15,279	**409**	1,476
Other current assets	15	**2,712**	1,316	**525**	312
		117,025	128,802	**98,111**	114,383
Non-current assets:					
Financial assets at fair value through profit or loss (FVPL)	16	**918**	1,847	**–**	–
Financial assets at fair value through other comprehensive income (FVOCI)	17	**6,085**	6,213	**–**	–
Amounts due from subsidiaries	13	**–**	–	**6,921**	8,915
Investments in subsidiaries	19	**–**	–	**12,222**	13,865
Property and equipment	20	**877**	677	**73**	82
Right-of-use assets	21	**5,403**	–	**5,001**	–
Other non-current assets	23	**156**	156	**–**	–
		13,439	8,893	**24,217**	22,862
Total assets		**130,464**	137,695	**122,328**	137,245
LIABILITIES					
Current liabilities:					
Trade payables	24	**6,427**	3,908	**285**	285
Amounts due to subsidiaries	13	**–**	–	**13,028**	20,757
Accrued liabilities and provisions	25	**15,207**	13,096	**7,343**	7,169
Contract liabilities	26	**2,102**	1,804	**–**	2
Lease liabilities	21	**2,103**	–	**1,775**	–
Current income tax liabilities		**1**	6	**–**	–
		25,840	18,814	**22,431**	28,213
Non-current liabilities:					
Amounts due to subsidiaries	13	**–**	–	**36,421**	36,953
Lease liabilities	21	**3,435**	–	**3,358**	–
Deferred income tax liabilities	27	**8,826**	8,826	**–**	–
		12,261	8,826	**39,779**	36,953
Total liabilities		**38,101**	27,640	**62,210**	65,166
NET ASSETS		**92,363**	110,055	**60,118**	72,079
EQUITY					
Share capital	28	**266,753**	266,753	**266,753**	266,753
Treasury shares	28	**(16,035)**	(16,035)	**(16,035)**	(16,035)
Fair value reserve		**836**	964	**–**	–
Other reserves	29	**40,652**	45,628	**27,113**	32,089
Accumulated losses	30	**(200,164)**	(187,573)	**(217,713)**	(210,728)
		92,042	109,737	**60,118**	72,079
Non-controlling interests		**321**	318	**–**	–
Total equity		**92,363**	110,055	**60,118**	72,079

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2020

	Note	Share capital US$'000	Treasury shares US$'000	Fair value reserve US$'000	Other reserves US$'000	Accumulated losses US$'000	Total US$'000	Non–controlling interests US$'000	Total equity US$'000
2020									
Balance at 1 July 2019		266,753	(16,035)	964	45,628	(187,573)	109,737	318	110,055
Loss for the year		–	–	–	–	(17,572)	(17,572)	3	(17,569)
Other comprehensive loss for the year		–	–	(128)	–	–	(128)	–	(128)
Total comprehensive (loss) income for the year		–	–	(128)	–	(17,572)	(17,700)	3	(17,697)
Unclaimed dividends		–	–	–	–	5	5	–	5
Transfer upon liquidation of subsidiary companies	29	–	–	–	(4,976)	4,976	–	–	–
Total transactions with owners, recognised directly in equity		–	–	–	(4,976)	4,981	5	–	5
Balance at 30 June 2020		**266,753**	**(16,035)**	**836**	**40,652**	**(200,164)**	**92,042**	**321**	**92,363**
2019									
Balance at 1 July 2018		266,753	(16,262)	(220)	62,279	(199,824)	112,726	314	113,040
Loss for the year		–	–	–	–	(3,835)	(3,835)	4	(3,831)
Other comprehensive income for the year		–	–	1,369	–	–	1,369	–	1,369
Total comprehensive income (loss) for the year		–	–	1,369	–	(3,835)	(2,466)	4	(2,462)
Utilisation of treasury shares for shares issued under employee performance share plan	29	–	227	–	(227)	–	–	–	–
Employee share-based expense	29	–	–	–	(524)	–	(524)	–	(524)
Unclaimed dividends		–	–	–	–	1	1	–	1
Transfer upon disposal of investments		–	–	(185)	–	185	–	–	–
Transfer upon liquidation of subsidiary companies	29	–	–	–	(15,900)	15,900	–	–	–
Total transactions with owners, recognised directly in equity		–	227	(185)	(16,651)	16,086	(523)	–	(523)
Balance at 30 June 2019		266,753	(16,035)	964	45,628	(187,573)	109,737	318	110,055

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2020

	Note	Group 30 June 2020 US$'000	30 June 2019 US$'000
Cash flows from operating activities:			
Net loss		**(17,569)**	(3,831)
Adjustments for:			
Income tax credit		**(16)**	(1,606)
Depreciation		**2,240**	151
Employee share-based expense		**–**	(524)
Loss (gain) on disposal of property and equipment		**1**	(1)
Fair value loss on financial assets at FVPL		**889**	453
Currency translation loss		**560**	347
Dividend income		**–**	(1)
Interest income		**(1,215)**	(1,756)
Interest expense on lease liabilities		**288**	–
		(14,822)	(6,768)
Changes in working capital			
Trade receivables		**(774)**	1,535
Inventories		**2,951**	1,303
Other assets and receivables		**(1,453)**	(90)
Trade payables		**2,519**	(1,908)
Accrued liabilities and provisions		**2,051**	(1,784)
Contract liabilities		**298**	(1,148)
Cash used in operations		**(9,230)**	(8,860)
Interest received		**1,272**	1,764
Income tax received		**11**	11
Net cash used in operating activities		**(7,947)**	(7,085)
Cash flows from investing activities:			
Purchase of property and equipment		**(418)**	(81)
Proceeds from sale of property and equipment		**–**	2
Proceeds from sale of financial assets at FVPL		**40**	607
Proceeds from sale of financial assets at FVOCI		**–**	186
Purchase of financial assets at FVOCI		**–**	(335)
Dividend received		**–**	1
Net cash (used in) provided by investing activities		**(378)**	380
Cash flows from financing activities:			
Principal payment of lease liabilities		**(1,655)**	–
Interest paid on lease liabilities		**(288)**	–
Unclaimed dividends		**5**	1
Net cash (used in) provided by financing activities		**(1,938)**	1
Net decrease in cash and cash equivalents		**(10,263)**	(6,704)
Cash and cash equivalents at beginning of financial year	11	**107,766**	114,817
Effects of currency translation on cash and cash equivalents		**(733)**	(347)
Cash and cash equivalents at end of financial year	11	**96,770**	107,766

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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
#03-01 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 the Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2020 ended on 26 June 2020, the Friday nearest to 30 June 2020, while the prior financial year ended on 28 June 2019. All financial years are described by their natural calendar dates.

The preparation of financial statements in conformity with SFRS(I) 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. The 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.

Adoption of SFRS(I) 16 Leases

On 1 July 2019, the Group has adopted SFRS(I) 16 Leases which is effective for its financial year beginning on 1 July 2019.

The Group's assessment of the impact of SFRS(I) 16 is set out below.

<u>When the Group is the lessee</u>

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

On adoption of SFRS(I) 16, the Group recognised right-of-use ("ROU") assets and lease liabilities of US$6,658,000 in relation to leases which had been classified as "operating leases" under SFRS(I) 1-17 Leases. These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 July 2019. ROU assets were measured at an amount equal to lease liabilities, adjusted for any lease payments made before the date of adoption. The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.10.

The Group has applied the standard using the simplified transition approach and have not restated comparative amounts for the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

Adoption of SFRS(I) 16 Leases (cont'd)

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

(i) For all contracts entered into before 1 July 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

(ii) On a lease-by-lease basis, the Group has:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounted for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluded initial direct costs in the measurement of the ROU assets at the date of initial application;
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

An explanation of the differences between operating lease commitments previously disclosed in the Group's financial statements as at 30 June 2019 and the lease liabilities recognised in the balance sheet as at 1 July 2019 is as follows:

	US$'000
Operating lease commitment disclosed as at 30 June 2019	7,691
Less: Short-term and low-value leases	(17)
Less: Committed non-cancellable leases with lease terms commencing after 1 July 2019	(373)
Less: Discounting effect using weighted average incremental borrowing rate of 4.5%	(643)
Lease liabilities recognised as at 1 July 2019	6,658

2.2 Group accounting

(a) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

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.

Acquisition-related costs are expensed as incurred.

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 Group'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 Company. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Intangible assets (cont'd)

(a) Goodwill on acquisitions (cont'd)

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.

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
Right-of-use assets
Investments in subsidiaries and associated companies

Intangible assets, property and equipment, right-of-use assets 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 and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

<u>At initial recognition</u>

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

<u>At subsequent measurement</u>

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade receivables, other current and non-current assets and financial assets at FVPL.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset.

The Group managed these group of financial assets by collecting the contractual cash flow and these cash flow represents solely payment of principal and interest and are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Financial assets (cont'd)

(a) Classification and measurement (cont'd)

(i) Debt instruments (cont'd)

Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in other gains and other losses.

(ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity instruments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in other gains and other losses, except where the Group has elected to classify the investments as FVOCI. Movements in fair values of investments classified as FVOCI are presented as fair value gains and losses in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as dividend income.

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition and evidence indicating the asset is impaired, lifetime expected credit loss will be calculated and recognised.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) 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 debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liabilities simultaneously.

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, 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 improvements	- Shorter of lease term or useful life
Buildings	- 20 to 30 years
Machinery and equipment	- 1 to 6 years
Furniture, fixtures and office equipment	- 1 to 8 years

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Right-of-use assets and leases

Before 1 July 2019

When the Group is the lessee - 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.

After 1 July 2019

When the Group is the lessee

At inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use ("ROU") assets

  The Group recognises a ROU asset and lease liability at the date which the underlying asset is available for use. ROU assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before commencement date, lease incentive received and for any remeasurement of lease liabilities.

  These ROU assets are subsequently depreciated using straight-line method from the commencement date to the end of the lease term.

- Lease liabilities

  The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

  Lease payments include fixed payment (including in-substance fixed payments), less any lease incentives receivables.

  For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

  Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

  Lease liability is measured at amortised cost using the effective interest method and shall be remeasured when:

  - There is a change in future lease payments arising from changes in the lease's implicit rate;
  - There is a change in the Group's assessment of whether it will exercise an extension option; or
  - There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

- Short term and low value leases

  Lease payments relating to short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements, are expensed to profit or loss on a straight-line basis over the lease term.

2.11 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.

2.12 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 Contract liabilities

Contract liabilities relates to accruals for sales return and sales rebates and incentives offered to customers.

When a customer has a right to return the product within a given period, the Group recognised sales return accruals and adjusted the expected value of returns against sales and cost of sales.

The Group offers sales rebates and incentives to certain customers and the estimated rebates and incentives were adjusted against sales and recognised in contract liabilities when the sales were made.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 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 at the balance sheet date approximate their carrying amounts.

2.15 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, returns, rebates and incentives, and after eliminating sales within the Group. The Group recognises revenue at the point 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. License income is recognised based on the assignment of rights in exchange for a usage-based royalty.

Allowances are accrued 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 programs and incentive offerings, including price protection, promotions, other volume-based incentives and rebates.

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

2.16 Grant income

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

2.17 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.

2.18 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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.

2.19 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Employee compensation (cont'd)

(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.

2.20 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.

2.21 Segment reporting

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

2.22 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 in other reserves of the Company.

2.23 Dividends to Company's shareholders

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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 accrued 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 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 2020 was US$61,155,000 (2019: US$54,924,000).

(b) 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 life cycle 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 2020 was US$12,328,000 (2019: US$15,279,000).

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

The Group is subject to certain legal proceedings, lawsuits and other claims. Assessments are made by management on a case-by-case basis to make a determination as to the impact, if any, on the business, liquidity, results of operations, financial condition or cashflows. Management believes that the ultimate outcome of the legal proceedings, lawsuits and other claims, individually and in aggregate will not have a material adverse impact to the Group. Management will only recognise the provision when, and only when the entity has a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The related provisions are recognised in Note 25.

(d) 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$1,000 (2019: US$6,000) and deferred income tax liabilities were US$8,826,000 (2019: US$8,826,000) at 30 June 2020.

4. EXPENSES BY NATURE

Included in the cost of goods sold, selling, general and administrative and research and development expenses are the following:

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Depreciation of property and equipment (Note 20)	**217**	151
Depreciation of ROU assets (Note 21)	**2,023**	–
Write-back impairment losses on trade receivables - net	**(442)**	(15)
Employee compensation (Note 5)	**26,571**	26,185
Advertising expenses	**2,321**	2,006
Rental expenses on operating leases	**17**	2,457
Research and development related expenses	**805**	1,042
Travel, entertainment and transportation expenses	**398**	575
Inventory write-off/write-down	**1,735**	1,571
Legal fees	**595**	5,662

5. EMPLOYEE COMPENSATION

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Wages and salaries	**24,456**	24,615
Employer's contribution to defined contribution plans including Central Provident Fund	**2,115**	2,094
Employee share-based expense (Note 29)	**–**	(524)
	26,571	26,185

6. OTHER INCOME

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Dividend income	**–**	1
Grant income	**1,624**	–
	1,624	1

Grant income in the financial year ended 30 June 2020 include grants from the Singapore government's relief pay outs pertaining to the COVID-19 pandemic as announced in the Singapore Budget.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

7. OTHER GAINS

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Litigation settlement	**–**	17,880
Others	**146**	85
	146	17,965

Litigation settlement in the financial year ended 30 June 2019 comprise of amounts received by a wholly-owned subsidiary, ZiiLabs Inc., Ltd ("ZiiLabs"), from a patent aggregator arising from settlement of ZiiLabs' patent infringement lawsuit filed in the United States during the financial year ended 30 June 2018.

8. OTHER LOSSES

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Loss on disposal of property and equipment	**1**	–
Fair value loss on financial assets at FVPL (Note 16)	**889**	453
Currency translation loss - net	**322**	351
	1,212	804

9. INCOME TAXES

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Tax expense attributable to profit (loss) is made up of:		
Current income tax:		
- Tax expense for current financial year	**1**	6
- Withholding tax	**21**	39
	22	45
Over provision in prior financial years:		
- Current income tax	**(38)**	(1,651)
	(16)	(1,606)

The tax expense on Group's results differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Loss before income tax	**(17,585)**	(5,437)
Tax calculated at tax rate of 17% (2019: 17%)	**(2,989)**	(924)
Effects of		
- tax exempt loss (income)	**252**	(1,694)
- income not subject to tax	**(509)**	(854)
- expenses not deductible for tax purposes	**217**	169
- different tax rates in other countries	**35**	235
- deferred tax assets not recognised	**3,260**	3,355
- utilisation of tax losses and capital allowances	**(265)**	(281)
- withholding tax	**21**	39
- over provision in previous financial years	**(38)**	(1,651)
Tax credit	**(16)**	(1,606)

A deferred tax liability of US$1,600,000 was written back in the financial year ended 30 June 2019. The write-back of the deferred tax liability relates to an adjustment to the Group's provision for the tax exposure of a foreign subsidiary.

10. LOSS PER SHARE

	Group			
	30 June 2020		30 June 2019	
	Basic US$'000	**Diluted US$'000**	Basic US$'000	Diluted US$'000
Net loss attributable to equity holders of the Company	**(17,572)**	**(17,572)**	(3,835)	(3,835)
	Number of Shares		Number of Shares	
	'000	**'000**	'000	'000
Weighted average number of ordinary shares outstanding	**70,397**	**70,397**	70,397	70,397
Adjustments for dilutive effects of				
- performance shares	**–**	**–**	–	–
Weighted average number of ordinary shares used to compute loss per share	**70,397**	**70,397**	70,397	70,397
Loss per share (US$)	**(0.25)**	**(0.25)**	(0.05)	(0.05)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

10. LOSS PER SHARE (cont'd)

Basic loss 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.

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. Dilutive potential ordinary shares of the Company comprises share options and performance shares.

For share options, the weighted average number of shares in 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.

For performance shares, the weighted average number of shares in issue is adjusted as if all outstanding performance shares are released.

There are no outstanding share options and performance shares award for the financial year ended 30 June 2020. Thus, the diluted loss per share is the same as the basic loss per share for the current financial year.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Cash at bank and on hand	**68,517**	28,196	**65,453**	23,069
Short-term bank deposits	**28,253**	79,570	**28,253**	79,570
	96,770	107,766	**93,706**	102,639

12. TRADE RECEIVABLES

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Trade receivables				
- Non-related parties	**6,569**	6,278	**1,278**	1,889
Less: Impairment (Note 34(b))	**(1,354)**	(1,837)	**(1,120)**	(1,755)
Trade receivables - net	**5,215**	4,441	**158**	134

13. AMOUNTS DUE FROM (TO) SUBSIDIARIES

	Company	
	30 June 2020 US$'000	30 June 2019 US$'000
Amounts due from subsidiaries - current		
- Trade	**2,022**	2,022
- Non-trade	**59,538**	57,047
	61,560	59,069
Less: Allowance for impairment	**(58,247)**	(49,247)
	3,313	9,822
Amounts due from subsidiaries - non-current		
- Trade	**18,616**	18,617
- Non-trade	**33,677**	131,370
	52,293	149,987
Less: Allowance for impairment	**(45,372)**	(141,072)
	6,921	8,915
Amounts due to subsidiaries - current		
- Trade	**–**	(1,301)
- Non-trade	**(13,028)**	(19,456)
	(13,028)	(20,757)
Amounts due to subsidiaries - non-current		
- Trade	**–**	–
- Non-trade	**(36,421)**	(36,953)
	(36,421)	(36,953)

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 is no fixed repayment terms and repayments are not expected to be within twelve months for the non-current portions of 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.

14. INVENTORIES

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Raw materials	**399**	783	**145**	329
Finished products	**11,929**	14,496	**264**	1,147
	12,328	15,279	**409**	1,476

The cost of inventories recognised in "cost of goods sold" amounts to US$44,059,000 (2019: US$38,943,000).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2020

15. OTHER CURRENT ASSETS

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Prepayments	**1,126**	1,008	**48**	164
Deposits	**168**	140	**34**	28
Grant receivables	**892**	–	**336**	–
Other receivables from non-related parties	**526**	168	**107**	120
	2,712	1,316	**525**	312

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

16. FINANCIAL ASSETS AT FVPL

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Beginning of financial year	**1,847**	2,907	**–**	–
Fair value losses (Note 8)	**(889)**	(453)	**–**	–
Disposals	**(40)**	(607)	**–**	–
End of financial year	**918**	1,847	**–**	–

Financial assets at FVPL are non-quoted fund investments mandatorily measured at fair value through profit or loss.

17. FINANCIAL ASSETS AT FVOCI

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Beginning of financial year	**6,213**	4,695	**–**	–
Fair value (losses) gains	**(128)**	1,369	**–**	–
Additions	**–**	335	**–**	–
Disposals	**–**	(186)	**–**	–
End of financial year	**6,085**	6,213	**–**	–

Financial assets at FVOCI are analysed as follows:

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Listed equity securities	**2,185**	2,313	**–**	–
Unlisted equity securities	**3,900**	3,900	**–**	–
	6,085	6,213	**–**	–

18. INVESTMENTS AND LOAN TO ASSOCIATED COMPANIES

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Unquoted shares at cost	**1,886**	1,886
Loan to associated company	**2,250**	2,250
	4,136	4,136
Share of post-acquisition reserves	**(4,136)**	(4,136)
	–	–

The Group has no material associates as at the financial years ended 30 June 2020 and 2019.

The loan to associated company is unsecured and interest-free.

For the financial year ended 30 June 2020, the Group has no unrecognised share of losses (2019: Nil) in relation to its interests in associates.

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	30 June 2020 US$'000	30 June 2019 US$'000
Equity investments at cost		
Beginning of financial year	**228,666**	228,666
Liquidation	**(4,343)**	–
End of financial year	**224,323**	228,666
Accumulated impairment		
Beginning of financial year	**(214,801)**	(214,301)
Additions	**(700)**	(500)
Reversal following liquidation	**3,400**	–
End of financial year	**(212,101)**	(214,801)
Net carrying value at end of financial year	**12,222**	13,865

The impairment loss of US$700,000 in the financial year ended 30 June 2020 (2019: US$500,000) reflects the write-down of the carrying amount of the Company's investments in certain subsidiaries to the recoverable amount following a review of the subsidiaries' net assets value.

Details of significant subsidiaries are included in Note 40.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

20. PROPERTY AND EQUIPMENT

	Leasehold improvements US$'000	Land and buildings US$'000	Machinery and equipment US$'000	Furniture, fixtures and office equipment US$'000	Total US$'000
Group					
30 June 2020					
Cost					
Beginning of financial year	1,156	2,455	1,835	3,890	9,336
Additions	31	–	253	134	418
Disposals	(9)	–	(4)	(36)	(49)
End of financial year	1,178	2,455	2,084	3,988	9,705
Accumulated depreciation					
Beginning of financial year	1,136	1,892	1,804	3,827	8,659
Depreciation charge (Note 4)	19	–	47	151	217
Disposals	(9)	–	(4)	(35)	(48)
End of financial year	1,146	1,892	1,847	3,943	8,828
Net book value					
End of financial year	**32**	**563**	**237**	**45**	**877**
Group					
30 June 2019					
Cost					
Beginning of financial year	1,149	2,455	1,822	3,928	9,354
Additions	7	–	15	59	81
Disposals	–	–	(2)	(97)	(99)
End of financial year	1,156	2,455	1,835	3,890	9,336
Accumulated depreciation					
Beginning of financial year	1,116	1,866	1,790	3,834	8,606
Depreciation charge (Note 4)	20	26	15	90	151
Disposals	–	–	(1)	(97)	(98)
End of financial year	1,136	1,892	1,804	3,827	8,659
Net book value					
End of financial year	20	563	31	63	677

	Leasehold improvements US$'000	Machinery and equipment US$'000	Furniture, fixtures and office equipment US$'000	Total US$'000
Company				
30 June 2020				
Cost				
Beginning of financial year	932	1,712	3,059	5,703
Additions	–	41	45	86
Disposals	(9)	(4)	(33)	(46)
End of financial year	923	1,749	3,071	5,743
Accumulated depreciation				
Beginning of financial year	913	1,690	3,018	5,621
Depreciation charge	12	20	62	94
Disposals	(9)	(4)	(32)	(45)
End of financial year	916	1,706	3,048	5,670
Net book value				
End of financial year	**7**	**43**	**23**	**73**
Company				
30 June 2019				
Cost				
Beginning of financial year	925	1,701	3,128	5,754
Additions	7	13	24	44
Disposals	–	(2)	(93)	(95)
End of financial year	932	1,712	3,059	5,703
Accumulated depreciation				
Beginning of financial year	901	1,681	3,064	5,646
Depreciation charge	12	10	47	69
Disposals	–	(1)	(93)	(94)
End of financial year	913	1,690	3,018	5,621
Net book value				
End of financial year	19	22	41	82

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

21. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Movements in leasehold properties capitalised as ROU assets as follows:

	Group	Company
	30 June 2020 US$'000	30 June 2020 US$'000
Cost		
As at 1 July 2019 (Initial adoption of SFRS(I) 16)	6,658	6,307
Additions	768	331
End of financial year	7,426	6,638
Accumulated depreciation		
As at 1 July 2019	–	–
Additions	2,023	1,637
End of financial year	2,023	1,637
Net book value		
End of financial year	**5,403**	**5,001**

The amounts recognised in the consolidated income statement as follows:

	Group
	30 June 2020 US$'000
Depreciation on ROU assets	**2,023**
Lease expense – short term and low value leases	**17**
Interest expense on lease liabilities	**288**
	2,328

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Group
	30 June 2020 US$'000
As at 1 July 2019 (Initial adoption of SFRS(I) 16)	**6,658**
Changes in financing cash flows	
Payment of principal and interest on lease liabilities	**(1,943)**
Total changes from financing cash flows	**(1,943)**
Other changes – liabilities related	
New lease	**709**
Interest expense	**288**
Exchange difference	**(174)**
Total other changes – liabilities related	**823**
As at 30 June 2020	**5,538**

Total cash outflow for leases during the financial year is US$1,960,000.

22. INTANGIBLE ASSETS

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Goodwill arising on consolidation (Note (a))	**–**	–	**–**	–
Trademarks and licences (Note (b))	**–**	–	**–**	–
	–	–	**–**	–

(a) Goodwill arising on consolidation

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Cost		
Beginning of financial year	**2,262**	2,262
Reversal following liquidation	**(2,262)**	–
End of financial year	**–**	2,262
Accumulated impairment		
Beginning and end of financial year	**2,262**	2,262
Reversal following liquidation	**(2,262)**	–
End of financial year	**–**	2,262
Net book value	**–**	–

(b) Trademarks and licences

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Cost				
Beginning of financial year	**–**	11,847	**–**	–
Write-off	**–**	(11,847)	**–**	–
End of financial year	**–**	–	**–**	–
Accumulated amortisation				
Beginning of financial year	**–**	11,847	**–**	–
Write-off	**–**	(11,847)	**–**	–
End of financial year	**–**	–	**–**	–
Net book value	**–**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2020

23. OTHER NON-CURRENT ASSETS

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Deposits	**156**	156	**–**	–

24. TRADE PAYABLES

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Trade payables				
- Non-related parties	**6,427**	3,908	**285**	285

25. ACCRUED LIABILITIES AND PROVISIONS

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Warranty (Note (a))	**469**	316	**–**	–
Legal claims and fees (Note (b))	**4,334**	4,340	**3,250**	3,250
Marketing accruals	**495**	246	**–**	13
Payroll accruals	**4,780**	4,306	**1,937**	1,920
Royalty accruals	**137**	119	**126**	102
Other creditors	**1,018**	1,042	**215**	241
Freight and duty accruals	**331**	263	**2**	27
Professional fees accruals	**517**	557	**331**	385
Deferred grant income	**1,064**	–	**420**	–
Other accruals	**2,062**	1,907	**1,062**	1,231
	15,207	13,096	**7,343**	7,169

(a) Warranty

The warranty period for the bulk of the products typically ranges between 1 to 2 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	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Beginning of financial year	**316**	246	**–**	–
Provision made	**631**	700	**–**	–
Provision utilised	**(478)**	(630)	**–**	–
End of financial year	**469**	316	**–**	–

(b) 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 2020. 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.

26. CONTRACT LIABILITIES

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Sales returns	**338**	167	**–**	2
Sales rebates and incentives	**1,764**	1,637	**–**	–
	2,102	1,804	**–**	2

27. DEFERRED INCOME TAX LIABILITIES

Movements in deferred income tax liabilities account are as follows:

	Group		Company	
Withholding tax	**30 June 2020 US$'000**	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Beginning of financial year	**8,826**	10,426	**–**	–
Provision write-back	**–**	(1,600)	**–**	–
End of financial year	**8,826**	8,826	**–**	–

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

Respectively, the Group and the Company have unrecognised tax losses of approximately US$719,000,000 and US$454,000,000 (2019: US$716,000,000 and US$441,000,000) 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$174,000,000 of the Group's tax losses expire between 2021 and 2039. The Group also has United States tax deductions not included in unrecognised tax losses of approximately US$60,000,000 (2019: US$60,000,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

28. 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				
2020				
Beginning and end of financial year	**75,000**	**(4,603)**	**266,753**	**(16,035)**
2019				
Beginning of financial year	75,000	(4,668)	266,753	(16,262)
Utilisation of treasury shares for shares issued under employee performance share plan	–	65	–	227
End of financial year	75,000	(4,603)	266,753	(16,035)

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

(a) Treasury shares

No shares were acquired in the financial years ended 30 June 2020 and 2019.

The Company did not issue any treasury shares in the financial year ended 30 June 2020. For the financial year ended 30 June 2019, the Company issued 65,000 treasury shares pursuant to the Creative Performance Share Plan.

(b) Share options

The Creative Share Option Scheme (2019) ("Scheme") was approved and adopted by shareholders at an Extraordinary General Meeting on 30 October 2019 which allows options to be granted to group employees (including executive directors) and group non-executive directors. The committee, at the date of this statement, administering the Scheme comprises the following directors ("Committee"):

Mr Sim Wong Hoo
Mr Lee Kheng Nam
Mr Ng Kai Wa

Mr Sim Wong Hoo, a controlling shareholder of the Company will not participate in the Scheme.

Under the terms of the Scheme, the Committee may grant options to eligible participants to subscribe for shares at a subscription price set at:

(a) a price equal to the average of the last dealt prices for Creative shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the five consecutive market days immediately preceding the offer date of that option, rounded up to the nearest whole cent, or

(b) the discounted value of the share price determined under (a) above, provided that the maximum discount shall not exceed 20% of (a) above or such other percentage or amount as may be determined by the Committee and permitted by SGX-ST and approved by the shareholders of the Company in a general meeting.

(c) prior approval of shareholders of the Company in general meeting shall have been obtained for discount exceeding 20% of the market price if it is prescribed or permitted for the time being by SGX-ST.

The Committee has the discretion to decide on the option vesting schedule in the letter of offer. For options where the exercise price is equal to the market price, the options shall not vest less than 1 year from the date of grant. For options where the exercise price is granted at a discount to the market price, the options shall not vest less than 2 years from the date of grant.

Options expire after the tenth anniversary of the date of grant for employees and fifth anniversary for non-employees unless they are cancelled or have lapsed.

Since the adoption of the Scheme to the financial year ended 30 June 2020, no options were granted.

(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.

On 31 March 2010, 2,793,600 performance shares were granted 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.

There were no awards granted under the Plan during the financial years ended 30 June 2020 and 2019. However, as at 30 June 2018, the Committee has extended the performance period till 31 December 2018 for 208,000 performance shares granted on 31 March 2010 that were subject to the achievement of prescribed performance targets.

The Plan has expired on 29 October 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

(c) Performance shares (cont'd)

Movements in the number of performance shares are as follows:

Grant date	Outstanding at 1 July 2019 ('000)	Granted ('000)	Vested and released ('000)	Cancelled ('000)	Outstanding at 30 June 2020 ('000)
31 March 2010	–	–	–	–	–

Grant date	Outstanding at 1 July 2018 ('000)	Granted ('000)	Vested and released ('000)	Cancelled ('000)	Outstanding at 30 June 2019 ('000)
31 March 2010	208	–	(65)	(143)	–

The 65,000 performance shares released during the financial year ended 30 June 2019 were satisfied using treasury shares. Following the release of the 65,000 performance shares, the remaining 143,000 unreleased performance shares were cancelled and thus, there were no outstanding Awards under the Plan as at the financial years ended 30 June 2020 and 30 June 2019.

29. OTHER RESERVES

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
(a) Composition:				
Capital reserves (Note (b))	**1,192**	6,168	**–**	4,976
Share-based compensation reserves (Note (b))	**39,460**	39,460	**27,113**	27,113
	40,652	45,628	**27,113**	32,089

Capital reserves arose from changes of interests in the group companies. 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, performance share plans and Chairman's gift of shares to employees.

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
(b) Movements:				
Capital reserves				
Beginning of financial year	**6,168**	19,932	**4,976**	6,951
Transfer to retained earnings upon liquidation of investments in subsidiary companies	**(4,976)**	(13,764)	**(4,976)**	(1,975)
End of financial year	**1,192**	6,168	**–**	4,976

	Group		Company	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
(b) Movements:				
Share-based compensation reserves				
Beginning of financial year	**39,460**	42,347	**27,113**	27,864
Credit to Profit or Loss (Note 5)	**–**	(524)	**–**	(524)
Utilisation of shares issued under employee performance share plan	**–**	(227)	**–**	(227)
Transfer to retained earnings upon liquidation of investments in subsidiary companies	**–**	(2,136)	**–**	–
End of financial year	**39,460**	39,460	**27,113**	27,113

30. ACCUMULATED LOSSES

Movements in accumulated losses for the Company are as follows:

	Company	
	30 June 2020 US$'000	30 June 2019 US$'000
Beginning of financial year	**(210,728)**	(196,905)
Net loss	**(11,966)**	(15,799)
Unclaimed dividends	**5**	1
Transfer from other reserves upon liquidation of investments in subsidiary companies	**4,976**	1,975
End of financial year	**(217,713)**	(210,728)

31. DIVIDENDS

No dividend was paid in respect of the previous financial year and no dividend has been proposed for the financial year ended 30 June 2020.

32. CONTINGENCIES

The Company has issued banker's guarantee of US$897,000 (2019: US$865,000) to its landlord for its office building in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

33. 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	
	30 June 2020 US$'000	30 June 2019 US$'000	**30 June 2020 US$'000**	30 June 2019 US$'000
Property and equipment	**11**	4	**1**	–
Purchase obligations	**6,176**	4,431	**593**	863
	6,187	4,435	**594**	863

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

The Group leases office space from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 July 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 30 June 2020, except for short-term and low value leases.

As at 30 June 2019, the future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	Group
	US$'000
Not later than one year	2,079
Between one and five years	5,612
	7,691

34. 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 investments, cash at bank and short-term bank deposits. All financial transactions with the banks are 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 enter into any complex foreign exchange or derivatives transactions. 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 classified as financial assets at FVOCI. 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		
30 June 2020		
Quoted equity securities	**218**	**(218)**
30 June 2019		
Quoted equity securities	231	(231)

(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.

(iii) Currency risk

The functional currency of the companies in the Group 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 profit (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 profit (loss). No forward exchange contracts were outstanding as at 30 June 2020 and 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

34. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Market risk (cont'd)

(iii) Currency risk (cont'd)

The Group's currency profile is as follows:

	SGD US$'000	EUR US$'000	GBP US$'000	JPY US$'000
Group				
30 June 2020				
Financial assets				
Cash and cash equivalents	13,215	4,240	4,748	5,263
Financial assets at FVOCI	2,185	–	–	–
Trade receivables	44	1,421	317	863
Other receivables	948	2	–	27
Other financial assets - deposits	23	58	–	46
Receivables from subsidiaries	1,963	4,833	118	797
	18,378	10,554	5,183	6,996
Financial liabilities				
Financial liabilities	(11,298)	(3,005)	(407)	(533)
Payables to subsidiaries	(1,963)	(4,833)	(118)	(797)
	(13,261)	(7,838)	(525)	(1,330)
Net financial assets	**5,117**	**2,716**	**4,658**	**5,666**

	SGD US$'000	EUR US$'000	GBP US$'000	JPY US$'000
Group				
30 June 2019				
Financial assets				
Cash and cash equivalents	15,644	13,664	3,968	4,445
Financial assets at FVOCI	2,313	–	–	–
Trade receivables	96	1,409	91	704
Other receivables	40	2	–	28
Other financial assets - deposits	26	59	–	45
Receivables from subsidiaries	10,362	4,872	90	544
	28,481	20,006	4,149	5,766
Financial liabilities				
Financial liabilities	(5,935)	(2,614)	(223)	(343)
Payables to subsidiaries	(10,362)	(4,872)	(90)	(544)
	(16,297)	(7,486)	(313)	(887)
Net financial assets	12,184	12,520	3,836	4,879

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

	10% strengthened		10% weakened	
	Profit and loss US$'000	Other comprehensive income US$'000	Profit and loss US$'000	Other comprehensive income US$'000
Group				
30 June 2020				
SGD against USD	**293**	**219**	**(293)**	**(219)**
EUR against USD	**272**	**–**	**(272)**	**–**
GBP against USD	**466**	**–**	**(466)**	**–**
JPY against USD	**567**	**–**	**(567)**	**–**
30 June 2019				
SGD against USD	987	231	(987)	(231)
EUR against USD	1,252	–	(1,252)	–
GBP against USD	384	–	(384)	–
JPY against USD	488	–	(488)	–

(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 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 2020, there were no significant concentrations of credit risk and only 2 customers (2019: 2) individually accounted for 10% or more of net accounts receivable.

Cash and cash equivalents 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.

The Group's major classes of financial assets are cash and cash equivalents, trade receivables, financial assets at FVPL, other current and non-current assets. There are no other classes of financial assets that is past due and/or impaired except for trade receivables.

The Group applies the simplified approach in providing for expected credit losses prescribed by SFRS(I) 9, which permits the use of the lifetime credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the company considers historical loss rates for customers, and adjusts for forward looking macroeconomic data. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default payments are considered evidence that the debtor is non-performing. Management measured expected credit loss on non-performing receivables at its maximum exposure to the Group at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

34. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

The movements in allowance for impairment on trade receivables as follows:

	Allowance on trade receivables		Total
	Non-Performing US$'000	General US$'000	US$'000
Group			
2020			
Beginning of financial year	1,837	–	1,837
Allowance provision	191	–	191
Allowance write-back	(633)	–	(633)
Allowance utilised	(41)	–	(41)
End of financial year	1,354	–	1,354
2019			
Beginning of financial year	1,834	20	1,854
Allowance provision	5	–	5
Allowance write-back	–	(20)	(20)
Allowance utilised	(2)	–	(2)
End of financial year	1,837	–	1,837

The Group's credit risk exposure in relation to trade receivables that are other than non-performing under SFRS(I) 9 are set out in the provision matrix as follows:

		Past Due				
	Current US$'000	1 to 30 days US$'000	31 to 60 days US$'000	61 to 90 days US$'000	More than 90 days US$'000	Total US$'000
2020						
Trade receivables	4,244	914	4	9	44	5,215
Less: Allowance for impairment	–	–	–	–	–	–
	4,244	914	4	9	44	5,215
2019						
Trade receivables	3,957	357	12	15	100	4,441
Less: Allowance for impairment	–	–	–	–	–	–
	3,957	357	12	15	100	4,441

(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 2020 and 30 June 2019, other than lease liabilities recognised in the balance sheet as at 30 June 2020, in accordance with the adoption of SFRS(I) 16 on 1 July 2019, the Group's financial liabilities mature in less than 1 year's time.

The following table analyses the lease liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows.

	30 June 2020 US$'000
Less than one year	2,174
Between one and two years	3,607
Between two and 5 years	–
	5,781

(d) Capital risk

The Group's and Company's objectives when managing capital, which is total equity, are to safeguard the Group's and Company'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 and Company 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 2020 and 2019, the Group and Company does not have any outstanding bank borrowings and the Group and Company is not subject to any externally imposed capital requirements.

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified 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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

34. FINANCIAL RISK MANAGEMENT (cont'd)

(e) Fair value measurements (cont'd)

	US$'000			
	Level 1	**Level 2**	**Level 3**	**Total**
Group				
30 June 2020				
Financial assets at FVPL	–	–	918	918
Financial assets at FVOCI	2,185	3,800	100	6,085
	2,185	**3,800**	**1,018**	**7,003**
30 June 2019				
Financial assets at FVPL	–	–	1,847	1,847
Financial assets at FVOCI	2,313	3,800	100	6,213
	2,313	3,800	1,947	8,060

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 and fund investments are determined by using net asset values which approximate the fair value of the investments. These instruments are included in Level 3.

During the financial year ended 30 June 2019, the Group transferred an unquoted equity instrument from level 3 to 2. New market information that is more representative of the fair value of the equity instrument resulted in the change of valuation technique.

The changes in Level 3 instruments are as follows:

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Group		
Beginning of financial year	**1,947**	3,972
Purchases of level 3 securities	**–**	100
Transfer to level 2 securities	**–**	(1,065)
Disposals	**(40)**	(607)
Fair value loss recognised in income statement	**(889)**	(453)
End of financial year	**1,018**	1,947

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 11, Note 12, Note 13, Note 15, Note 16, Note 17, Note 18, Note 21, Note 23, Note 24, Note 25 and Note 26 to the financial statements.

35. 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:

Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Short-term employees benefits	**1,124**	1,173
Employer's contribution to defined contribution plans including Central Provident Fund	**53**	59
Employee share-based expense	**–**	(61)
Directors' fee	**126**	130
	1,303	1,301

Included in the above is total compensation to the Chairman and Chief Executive Officer of the Company amounting to S$1 (2019: S$1).

36. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

36. SEGMENT INFORMATION (cont'd)

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				
30 June 2020				
Sales	26,839	15,063	19,253	**61,155**
(Loss) profit after total expenses	(20,402)	706	626	**(19,070)**
Interest income	1,212	3	–	**1,215**
Other income	1,624	–	–	**1,624**
Other gains	131	–	15	**146**
Other losses	(1,142)	–	(70)	**(1,212)**
Interest expense on lease liabilities	(281)	(2)	(5)	**(288)**
(Loss) profit before income tax	(18,858)	707	566	**(17,585)**
Income tax (expense) credit	(26)	(3)	45	**16**
Net (loss) profit	(18,884)	704	611	**(17,569)**
Other segment items				
Additions to property and equipment	416	–	2	**418**
Depreciation	(2,071)	(68)	(101)	**(2,240)**
Fair value loss on financial assets at FVPL	(889)	–	–	**(889)**
Segment assets	119,497	5,317	5,650	**130,464**
Segment liabilities	24,517	1,439	12,145	**38,101**
Group				
30 June 2019				
Sales	28,249	10,971	15,704	54,924
(Loss) profit after total expenses	(24,186)	590	(759)	(24,355)
Interest income	1,752	4	–	1,756
Other income	1	–	–	1
Other gains	17,957	–	8	17,965
Other losses	(715)	–	(89)	(804)
(Loss) profit before income tax	(5,191)	594	(840)	(5,437)
Income tax (expense) credit	(2)	1,583	25	1,606
Net (loss) profit	(5,193)	2,177	(815)	(3,831)
Other segment items				
Additions to property and equipment	81	–	–	81
Depreciation	(117)	(27)	(7)	(151)
Fair value loss on financial assets at FVPL	(453)	–	–	(453)
Segment assets	127,194	5,050	5,451	137,695
Segment liabilities	14,909	979	11,752	27,640

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 2020 and 30 June 2019 is based on the location of the selling entity. Disaggregation of revenue by geography is as disclosed in this note.

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 country:

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Singapore	**17,939**	20,142
United States of America	**15,063**	10,971
Ireland	**19,253**	15,704
Other countries	**8,900**	8,107
	61,155	54,924

Summary of net sales by product category:

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Audio, speakers and headphones	**59,923**	53,046
Personal digital entertainment	**958**	1,465
Other products	**274**	413
	61,155	54,924

For the financial year ended 30 June 2020, there was 1 customer (2019: 1) who accounted for 10% or more of net revenues.

Summary of property and equipment by country:

	Group	
	30 June 2020 US$'000	30 June 2019 US$'000
Singapore	**307**	107
United States of America	**563**	564
Other countries	**7**	6
	877	677

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

37. EVENTS OCCURRING AFTER BALANCE SHEET DATE

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19") in early 2020, a series of measures to curb the COVID-19 outbreak have been and continues to be implemented in countries where the Group operates. The Group is closely monitoring the development of the COVID-19 outbreak and its related impact on the Group's businesses. As at the date of these financial statements, there has been no significant supply chain disruptions or significant dampening of demand for its products, and the Group is not aware of any material adverse impact on the financial statements arising from the COVID-19 outbreak.

38. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group and Company. These standards are not expected to have a material impact on the Group and Company in the current or future reporting periods and on foreseeable future transactions.

39. 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 18 September 2020.

40. LISTING OF SIGNIFICANT COMPANIES IN THE GROUP

Name of companies	Principal activities	Country of business / incorporation	Proportion of ownership interest held	
			2020 %	2019 %
Significant subsidiaries held by the Group				
Creative Labs, Inc. *(a)*	Distribution of digitised sound and video boards, computers, related multimedia and personal digital entertainment products	United States of America	**100**	100
Creative Labs (Europe) Limited *(c)*	Distribution of digitised sound and video boards, computers, related multimedia and personal digital entertainment products	Republic of Ireland	**100**	100
Creative Labs Pte Ltd *(b)*	Development and sale of audio and multimedia entertainment products	Singapore	**100**	100
Creative Media Kabashiki Kaisha *(a)*	Distribution of digitised sound and video boards, computers and related multimedia products	Japan	**70**	70
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 PricewaterhouseCoopers, Dublin

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

For subsidiaries which appointed different auditors, the Audit Committee and Board of Directors are satisfied that the appointment would not compromise the standard and effectiveness of the audit.

There are no significant associated companies held by the Group.

SGX-ST LISTING MANUAL REQUIREMENTS

For the financial year ended 30 June 2020

Additional Requirements of SGX-ST Listing Manual

DIRECTORS' REMUNERATION

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

	2020	2019
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**	4
Total	**4**	4

The Company proposed to pay Directors' fees of S$180,000 in the current financial year (2019: paid S$180,000) to its non-executive directors on its Board of Directors.

The Company paid a total remuneration of S$1 (2019: S$1) to its Chairman and Chief Executive Officer.

AUDITOR'S REMUNERATION

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

	2020 **US$'000**	2019 US$'000
Audit fees paid/payable to:		
- Auditor of the Company	**132**	132
- Other auditors *	**37**	38
Other fees paid/payable to:		
- Auditor of the Company	**45**	33
- Other auditors *	**21**	18

** Include PricewaterhouseCoopers member firms outside Singapore*

The Group has complied with Rules 712 and 715 or 716 of the Listing Manual issued by SGX-ST in relation to its auditors.

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 properties held by the Group are as follows:

	2020 **US$'000**	2019 US$'000
Freehold land and buildings	**563**	563

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.

SGX-ST LISTING MANUAL REQUIREMENTS

For the financial year ended 30 June 2020

STATISTICS OF SHAREHOLDING AS AT 15 SEPTEMBER 2020

Number of Issued Shares	:	75,000,000
Number of Issued Shares (excluding Treasury Shares)	:	70,396,649
Number / Percentage of Treasury Shares	:	4,603,351 (6.54%)
Class of Shares	:	Ordinary shares
Voting Rights (excluding Treasury Shares)	:	1 vote per share

Based on the information available to the Company as at 15 September 2020, 63.75% 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 - 99	1,102	9.43	49,400	0.07
100 - 1,000	5,939	50.83	3,296,912	4.68
1,001 - 10,000	4,131	35.35	14,663,412	20.83
10,001 - 1,000,000	507	4.34	18,935,399	26.90
1,000,001 and above	6	0.05	33,451,526	47.52
Total	**11,685**	**100.00**	**70,396,649**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	Name of shareholder	Number of shares	Percentage (%)
1	Sim Wong Hoo	23,270,652	33.06
2	Citibank Nominees Singapore Pte Ltd	3,834,148	5.45
3	DBS Nominees (Private) Limited	2,616,001	3.72
4	Ng Keh Long	1,355,875	1.93
5	United Overseas Bank Nominees (Private) Limited	1,228,100	1.74
6	OCBC Securities Private Limited	1,146,750	1.63
7	OCBC Nominees Singapore Private Limited	928,979	1.32
8	BNP Paribas Nominees Singapore Pte. Ltd.	717,750	1.02
9	Maybank Kim Eng Securities Pte. Ltd.	712,176	1.01
10	Raffles Nominees (Pte.) Limited	519,686	0.74
11	Phillip Securities Pte Ltd	445,050	0.63
12	UOB Kay Hian Private Limited	405,150	0.58
13	CGS-CIMB Securities (Singapore) Pte. Ltd.	379,250	0.54
14	Choo Ah Seng	323,850	0.46
15	Chan Siew Kim Alice	259,400	0.37
16	Merrill Lynch (Singapore) Pte. Ltd.	223,935	0.32
17	Lim & Tan Securities Pte Ltd	211,800	0.30
18	Lee Yeow Chor	200,000	0.28
19	Low Ting Pong	182,310	0.26
20	iFast Financial Pte. Ltd.	168,850	0.24
	Total	**39,129,712**	**55.60**

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

CORPORATE INFORMATION

Board of Directors
Sim Wong Hoo, Chairman of the Board and Chief Executive Officer
Lee Kheng Nam, Independent Non-Executive Director
Ng Kai Wa, Independent Non-Executive Director
Lee Gwong-Yih, Independent Non-Executive Director

Company Secretary
Ng Keh Long

Registered Office
31 International Business Park
#03-01 Creative Resource
Singapore 609921
Tel: 65-6895-4000

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

Corporate Counsel
Duane Morris & Selvam LLP
16 Collyer Quay
#17-00
Singapore 049318

Independent Auditor
PricewaterhouseCoopers LLP
7 Straits View, Marina One
East Tower, Level 12
Singapore 018936
Audit Partner: Lee Chian Yorn
Year of appointment: 2016
Number of years of appointment: 5 years

SXFI SERIES

SXFI THEATER

2.4 GHz Low-latency Wireless USB Headphones with Super X-Fi Audio Holography for Movies

SXFI AIR

Bluetooth® and USB Headphones with Built-in Super X-Fi Technology for Personalized Audio Holography

SXFI GAMER

USB-C Gaming Headset with Super X-Fi Technology and CommanderMic with inPerson® Microphone Technology

SXFI TRIO

Triple-driver USB-C In-ear Headphones with Super X-Fi Technology Built-in and Personalized to Your Ears

SXFI AMP

Premium High-performance Headphone Amplifier that is Capable of Driving even Studio-grade Headphones

SOUND BLASTER X3

Hi-res 7.1 External USB DAC and Amp Sound Card with Super X-Fi® for PC and Mac

OUTLIER GOLD

True Wireless Sweatproof In-ear Headphones with 39-hour Battery Life and Software Super X-Fi

AURVANA TRIO WIRELESS

High-definition Wireless *Bluetooth*® Neckband with Hybrid Triple-driver System, aptX™ HD, aptX™ Low Latency, AAC codecs, and Software Super X-Fi

Super® SXFi

headphone holography

...as good as the real thing!