

CREATIVE TECHNOLOGY LTD

THIRD QUARTER ENDED 31 MARCH 2015 FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

TABLE OF CONTENTS

<u>Item No</u>	<u>Description</u>	<u>Page</u>
1	CONSOLIDATED INCOME STATEMENT	2
2	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3
3	BALANCE SHEETS	4
4	CONSOLIDATED STATEMENTS OF CASH FLOWS	5
5	STATEMENTS OF CHANGES IN EQUITY	6
6	GROUP BORROWINGS	8
7	NET ASSET VALUE	8
8	AUDIT	8
9	AUDITORS' REPORT	8
10	ACCOUNTING POLICIES	8
11	CHANGES IN ACCOUNTING POLICIES	8
12	REVIEW OF GROUP PERFORMANCE	9
13	VARIANCE FROM PROSPECT STATEMENT	10
14	PROSPECTS	10
15	DIVIDEND	10
16	INTERESTED PERSON TRANSACTIONS	10
	CONFIRMATION BY THE BOARD	11

UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2015

1 CONSOLIDATED INCOME STATEMENT

	GROUP			GROUP		
	Three months ended			Nine months ended		
	31 March			31 March		
	2015	2014	% change	2015	2014	% change
	US\$'000	US\$'000	+ / (-)	US\$'000	US\$'000	+ / (-)
Sales, net	22,729	25,093	(9)	78,325	93,284	(16)
Cost of goods sold	16,219	19,486	(17)	55,785	67,831	(18)
Gross profit	6,510	5,607	16	22,540	25,453	(11)
Expenses:						
Selling, general and administrative	(8,932)	(8,550)	4	(25,768)	(26,396)	(2)
Research and development	(4,721)	(6,443)	(27)	(14,807)	(19,090)	(22)
Total expenses	(13,653)	(14,993)	(9)	(40,575)	(45,486)	(11)
Other income	90	56	61	178	170	5
Other (losses) gains, net	(4,652)	581	n.m.	(12,846)	1,537	n.m.
Loss before income tax	(11,705)	(8,749)	34	(30,703)	(18,326)	68
Income tax credit (expense)	18	(9)	n.m.	(30)	(57)	(47)
Net loss	(11,687)	(8,758)	33	(30,733)	(18,383)	67
Attributable to:						
Equity holders of the Company	(11,706)	(8,757)	34	(30,733)	(18,463)	66
Non-controlling interests	19	(1)	n.m.	--	80	n.m.
Loss per share attributable to equity holders of the Company						
- Basic (US\$ per share)	(0.17)	(0.12)	42	(0.44)	(0.26)	69
- Diluted (US\$ per share)	(0.17)	(0.12)	42	(0.44)	(0.26)	69

n.m. – not meaningful

1(a) Net (loss) profit is arrived at after accounting for:

	GROUP			GROUP		
	Three months ended			Nine months ended		
	2015	2014	% change	2015	2014	% change
US\$'000	US\$'000	+ / (-)	US\$'000	US\$'000	+ / (-)	
Write-off/write-down for inventory obsolescence	(214)	(1,217)	(82)	(604)	(2,951)	(80)
Gain on disposal of investments	1,845	-	n.m.	1,845	18	n.m.
Gain (loss) on disposal of property and equipment	-	-	-	392	(2)	n.m.
Impairment loss on investments	(258)	(53)	n.m.	(1,234)	(153)	n.m.
Foreign exchange (loss) gain	(6,242)	531	n.m.	(13,891)	1,491	n.m.

2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	GROUP			GROUP		
	Three months ended			Nine months ended		
	2015	2014	% change	2015	2014	% change
US\$'000	US\$'000	+ / (-)	US\$'000	US\$'000	+ / (-)	
Net loss	(11,687)	(8,758)	33	(30,733)	(18,383)	67
Other comprehensive income:						
Fair value gains (losses) of financial assets, available-for-sale:						
Fair value (losses) gains	(72)	90	n.m.	6,027	(71)	n.m.
Reclassification	(1,938)	(86)	n.m.	(2,589)	(95)	n.m.
Total comprehensive loss for the period	<u>(13,697)</u>	<u>(8,754)</u>	56	<u>(27,295)</u>	<u>(18,549)</u>	47
Attributable to:						
Shareholders of the Company	(13,716)	(8,753)	57	(27,295)	(18,629)	47
Non-controlling interests	19	(1)	n.m.	-	80	n.m.
Total comprehensive loss for the period	<u>(13,697)</u>	<u>(8,754)</u>	56	<u>(27,295)</u>	<u>(18,549)</u>	47

3 BALANCE SHEETS

	Group		Company	
	31 March 2015 US\$'000	30 June 2014 US\$'000	31 March 2015 US\$'000	30 June 2014 US\$'000
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	92,689	124,638	88,971	118,974
Trade receivables	10,827	10,559	4,587	4,208
Amounts due from subsidiaries	-	-	37,168	44,515
Inventories	27,848	28,922	14,822	15,002
Other current assets	1,728	1,896	209	187
	133,092	166,015	145,757	182,886
Non-current assets:				
Financial assets, available-for-sale	24,321	21,608	-	-
Amounts due from subsidiaries	-	-	145,490	143,022
Investments in subsidiaries	-	-	23,953	24,706
Property and equipment	1,533	6,465	474	651
Other non-current assets	89	98	-	-
	25,943	28,171	169,917	168,379
Total assets	159,035	194,186	315,674	351,265
<u>LIABILITIES</u>				
Current liabilities:				
Trade payables	9,846	9,383	5,355	5,907
Amounts due to subsidiaries	-	-	7,337	9,139
Accrued liabilities and provisions	32,469	37,899	20,937	24,474
Current income tax liabilities	622	735	-	-
	42,937	48,017	33,629	39,520
Non-current liabilities:				
Amounts due to subsidiaries	-	-	22,797	21,746
Deferred income tax liabilities	10,702	10,702	-	-
	10,702	10,702	22,797	21,746
Total liabilities	53,639	58,719	56,426	61,266
NET ASSETS	105,396	135,467	259,248	289,999
<u>EQUITY</u>				
Share capital	266,753	266,753	266,753	266,753
Treasury shares	(16,262)	(16,262)	(16,262)	(16,262)
Fair value reserve	13,334	9,896	-	-
Other reserves	62,562	62,570	35,098	35,106
Retained earnings	(221,180)	(187,695)	(26,341)	4,402
	105,207	135,262	259,248	289,999
Non-controlling interests	189	205	-	-
Total equity	105,396	135,467	259,248	289,999

4 CONSOLIDATED STATEMENTS OF CASH FLOWS

	GROUP	
	Nine months ended 31 March	
	2015	2014
	US\$'000	US\$'000
Cash flows from operating activities:		
Net loss	(30,733)	(18,383)
Adjustments for:		
Income tax expense	30	57
Depreciation of property and equipment	529	498
Employee share-based expenses	(8)	(30)
(Gain) loss on disposal of property and equipment	(392)	2
Impairment loss of financial assets, available-for-sale	1,234	153
Gain on disposal of financial assets, available-for-sale	(1,845)	(18)
Currency translation loss (gain)	12,912	(1,048)
Interest income	(178)	(170)
	<u>(18,451)</u>	<u>(18,939)</u>
Changes in working capital, net of effects from acquisition and disposal of subsidiaries		
Trade receivables	(268)	421
Inventories	1,074	(3,582)
Other assets and receivables	176	(148)
Trade payables	447	(2,196)
Accrued liabilities and provisions	(5,430)	(2,984)
Cash used in operations	<u>(22,452)</u>	<u>(27,428)</u>
Interest received	179	165
Income tax paid	<u>(31)</u>	<u>(51)</u>
Net cash used in operating activities	<u>(22,304)</u>	<u>(27,314)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(89)	(137)
Proceeds from sale of property and equipment	4,884	--
Proceeds from financial assets, available-for-sale	3,086	583
Purchase of financial assets, available-for-sale	(1,750)	(250)
Proceeds received from escrow account	--	1,800
Net cash provided by investing activities	<u>6,131</u>	<u>1,996</u>
Cash flows from financing activities:		
Dividends paid to equity holders of the Company	<u>(2,752)</u>	<u>(5,675)</u>
Net cash used in financing activities	<u>(2,752)</u>	<u>(5,675)</u>
Net decrease in cash and cash equivalents	(18,925)	(30,993)
Cash and cash equivalents at beginning of financial year	124,638	159,074
Effects of currency translation on cash and cash equivalents	<u>(13,024)</u>	<u>1,065</u>
Cash and cash equivalents at end of the period	<u>92,689</u>	<u>129,146</u>

5 STATEMENTS OF CHANGES IN EQUITY

5(a) Statements of Changes in Equity for the Group

	Share Capital US\$'000	Treasury Shares US\$'000	Fair Value Reserve US\$'000	Other Reserves US\$'000	Retained Earnings US\$'000	Total US\$'000	Non- controlling Interests US\$'000	Total Equity US\$'000
FY2015								
Balance at 1 July 2014	266,753	(16,262)	9,896	62,570	(187,695)	135,262	205	135,467
Utilization of treasury shares for shares issued under employee options plans and performance share plan	-	-	-	-	-	-	-	-
Employee share-based expense	-	-	-	(8)	-	(8)	-	(8)
Liquidation of subsidiary	-	-	-	-	-	-	(16)	(16)
Dividends paid	-	-	-	-	(2,752)	(2,752)	-	(2,752)
Total comprehensive income (loss) for the period	-	-	3,438	-	(30,733)	(27,295)	-	(27,295)
Balance at 31 March 2015	266,753	(16,262)	13,334	62,562	(221,180)	105,207	189	105,396
FY2014								
Balance at 1 July 2013	266,753	(16,606)	9,485	63,351	(160,170)	162,813	236	163,049
Utilization of treasury shares for shares issued under employee options plans and performance share plan	-	79	-	(79)	-	-	-	-
Employee share-based expense	-	-	-	(30)	-	(30)	-	(30)
Dividends paid	-	-	-	-	(5,675)	(5,675)	-	(5,675)
Total comprehensive (loss) income for the period	-	-	(166)	-	(18,463)	(18,629)	80	(18,549)
Balance at 31 March 2014	266,753	(16,527)	9,319	63,242	(184,308)	138,479	316	138,795

5(b) Statements of Changes in Equity of the Company

	Share Capital US\$'000	Treasury Shares US\$'000	Other Reserves US\$'000	Retained Earnings US\$'000	Total Equity US\$'000
FY2015					
Balance at 1 July 2014	266,753	(16,262)	35,106	4,402	289,999
Utilisation of treasury shares for shares issued under employee options plans and performance share plan	-	-	-	-	-
Employee share-based expense	-	-	(8)	-	(8)
Dividends paid	-	-	-	(2,752)	(2,752)
Total comprehensive loss for the period	-	-	-	(27,991)	(27,991)
Balance at 31 March 2015	266,753	(16,262)	35,098	(26,341)	259,248
FY2014					
Balance at 1 July 2013	266,753	(16,606)	35,887	33,678	319,712
Utilisation of treasury shares for shares issued under employee options plans and performance share plan	-	79	(79)	-	-
Employee share-based expense	-	-	(30)	-	(30)
Dividends paid	-	-	-	(5,675)	(5,675)
Total comprehensive loss for the period	-	-	-	(13,202)	(13,202)
Balance at 31 March 2014	266,753	(16,527)	35,778	14,801	300,805

5(c) CHANGES IN THE COMPANY'S SHARE CAPITAL

Issued and paid up capital

As at 31 March 2015, the Company's issued and paid up capital excluding treasury shares comprises 70,331,649 (30 June 2014: 70,331,649) ordinary shares.

As at 31 March 2015, the Company's issued and paid up share capital was US\$266.8 million (31 December 2014: US\$266.8 million).

Employee share options plan

During the third quarter of FY2015, the Company did not issue any ordinary shares for cash upon the exercise of the options under the Company's Share Options Plan (Q3 FY2014: Nil).

As at 31 March 2015, there were 2,124,500 (31 March 2014: 2,882,500) unissued ordinary shares under options granted to eligible employees and directors under the Company's Employee Share Options Plan.

Employee performance share plan

During the third quarter of FY2015, the Company did not issue any ordinary shares pursuant to the Employee Performance Share Plan to eligible employees and directors of the Company and its subsidiaries (Q3 FY2014: Nil).

As at 31 March 2015, there were 285,000 (31 March 2014: 475,000) unissued ordinary shares granted to eligible employees and directors under the Company's Employee Performance Share Plan.

Treasury shares

As at 31 March 2015, the Company held 4,668,351 (31 March 2014: 4,744,600) treasury shares against 70,331,649 (31 March 2014: 70,255,400) issued ordinary shares excluding treasury shares.

The movement of treasury shares for the period is as follows:

	Three months ended	
	31 March	
	2015	2014
Balance at beginning of period	4,668,351	4,744,600
Issue for Employee Performance Share Plan	-	-
Balance at end of period	<u>4,668,351</u>	<u>4,744,600</u>

6 GROUP BORROWINGS

	GROUP	
	31 March 2015 US\$'000	30 June 2014 US\$'000
Amount repayable:		
<u>In one year or less, or on demand</u>		
Secured	-	-
Unsecured	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
<u>After one year</u>		
Secured	-	-
Unsecured	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Total	-	-
	<hr/>	<hr/>

7 NET ASSET VALUE

	GROUP		COMPANY	
	31 March 2015 US\$	30 June 2014 US\$	31 March 2015 US\$	30 June 2014 US\$
Net asset value per ordinary share based on issued capital at the end of the period / financial year	1.50	1.93	3.69	4.12

8 AUDIT

The figures have not been audited or reviewed by our auditors.

9 AUDITORS' REPORT

Not applicable.

10 ACCOUNTING POLICIES

Except as disclosed in Item 11 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 30 June 2014.

11 CHANGES IN ACCOUNTING POLICIES

None.

12 REVIEW OF GROUP PERFORMANCE

CONSOLIDATED INCOME STATEMENT

Net Sales

Net sales for the third quarter of FY2015 decreased by 9% compared to the same quarter in FY2014, and net sales for the cumulative nine months ended 31 March 2015 decreased by 16% compared to the same period in FY2014. Revenue in the third quarter and cumulative nine months ended 31 March 2015 was lower due to the uncertain and difficult market conditions which continued to affect the sales of the Group's products.

Gross Profit

Gross profit margin was 29% in the third quarter of FY2015 compared to 22% in the third quarter of FY2014. For the cumulative nine months period of FY2015, gross profit margin was 29% compared to 27% in the same period in FY2014. Gross profit margin in the third quarter and cumulative nine months period of FY2015 was in line with the sales mix. Gross profit margin for the third quarter and cumulative nine months period of FY2014 included write-down for inventory obsolescence for certain products following the introduction of new product models.

Net Profit

Net loss for the third quarter of FY2015 was US\$11.7 million compared to a net loss of US\$8.8 million in the third quarter of FY2014. The higher net loss in the third quarter of FY2015 was due mainly to other losses (net) of US\$4.7 million in the third quarter of FY2015 compared to other gains (net) of US\$0.6 million in the third quarter of FY2014. Despite the decrease in sales, there was an improvement in the net operating results due mainly to the higher gross margin in the third quarter of FY2015.

Net loss for the cumulative nine months period of FY2015 was US\$30.7 million compared to a net loss of US\$18.4 million in the cumulative nine months period of FY2014. The higher net loss in the cumulative nine months period of FY2015 was due mainly to other losses (net) of US\$12.8 million compared to other gains (net) of US\$1.5 million in the cumulative nine months period of FY2014.

There was no significant variance in selling, general and administrative expenses in the third quarter and cumulative nine months period of FY2015 compared to the same periods in FY2014. For the third quarter and cumulative nine months period of FY2015, the reduction in selling, general and administrative expenses resulting from the lower sales was offset by an increase in marketing expenses for new products, including Sound Blaster Roar and Sound Blaster X7, and legal expenses for on-going litigation.

Research and development expenses in the third quarter and the cumulative nine months period of FY2015 decreased by 27% and 22%, respectively, compared to the same periods in the corresponding year. The decrease in research and development expenses was due mainly to cost cutting actions taken by management in FY2014.

Other losses (net) of US\$4.7 million in the third quarter of FY2015 were due mainly to foreign exchange loss of US\$6.2 million, offset partially by a US\$1.8 million gain on disposal of investments. Other gains (net) of US\$0.6 million in the third quarter of FY2014 were due mainly to foreign exchange gain of US\$0.5 million.

Other losses (net) of US\$12.8 million in the cumulative nine months period of FY2015 were due mainly to foreign exchange loss of US\$13.9 million and impairment loss on investments of US\$1.2 million, offset partially by a US\$1.9 million gain on disposal of investments and a US\$0.4 million gain on disposal of a property owned by a subsidiary in Ireland. Other gains (net) of US\$1.5 million in the cumulative nine months period of FY2014 were due mainly to foreign exchange gain of US\$1.5 million.

The functional currency of the Company and its subsidiaries is predominantly the US dollar and accordingly, gains and losses resulting from the translation of monetary assets and liabilities denominated in currencies other than the US dollar are reflected in the determination of net profit (loss). The exchange differences were due mainly to the cash and cash equivalent balances held by the Group. Cash and cash equivalents were held mainly in Singapore dollar, with the balance mainly in US dollar, Euro, British Pound and Japanese Yen. The exchange loss in the third quarter of FY2015 was due mainly to depreciation of Singapore dollar, Euro and British Pound against the US dollar, and the exchange loss in the cumulative nine months period of FY2015 was due mainly to depreciation of Singapore dollar, Euro, British Pound and Japanese Yen against the US dollar. The exchange gain in the third quarter of FY2014 was due

mainly to the appreciation of Singapore dollar and Japanese Yen against the US dollar. The exchange gain in the cumulative nine months period of FY2014 was due mainly to the appreciation of Singapore dollar, Euro and British Pound against the US dollar.

BALANCE SHEETS

The decrease in cash and cash equivalents were due mainly to net cash used in operating activities (see below) and exchange loss on translation of cash and cash equivalents. The increase in financial assets available-for sale was due mainly to fair value gain in revaluation of investments. The decrease in property and equipment was due mainly to the disposal of a property owned by a subsidiary in Ireland for net sales proceeds of US\$4.9 million in the second quarter of FY2015. The decrease in accrued liabilities and provisions was due mainly to lower level of operating activities.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Net cash used in operating activities of US\$22.3 million in the cumulative nine months period of FY2015 (cumulative nine months period of FY2014: US\$27.3 million) was due mainly to the net operating loss for the period and a decrease in accrued liabilities and provisions.

Net cash provided by investing activities of US\$6.1 million in the cumulative nine months period of FY2015 (cumulative nine months period of FY2014: US\$2.0 million) was due mainly to US\$4.9 million cash received from the disposal of a property by a subsidiary in Ireland and US\$3.1 million proceeds from sale of investments, offset partially by new investments amounting to US\$1.8 million.

Net cash used in financing activities of US\$2.7 million in the cumulative nine months period of FY2015 (cumulative nine months period of FY2014: US\$5.7 million) was due to dividends paid to equity holders of the Company.

13 VARIANCE FROM PROSPECT STATEMENT

There has been no significant variance in the operating performance of the Group in the third quarter of FY2015 as compared to the prospect statement disclosed in the announcement of results for the second quarter ended 31 December 2014.

14 PROSPECTS

The Group expects no significant change in the market conditions and revenue in this quarter is expected to be comparable to the current level. The Group expects to report an operating loss.

15 DIVIDEND

No dividends have been recommended in the third quarter of FY2015 and no dividends were recommended or declared for the same period last year.

16 INTERESTED PERSON TRANSACTIONS

The Group has not obtained a general mandate from shareholders for Interested Person Transactions.

BY ORDER OF THE BOARD

NG KEH LONG
COMPANY SECRETARY
22 APRIL 2015

CONFIRMATION BY THE BOARD

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the interim financial information for the third quarter and cumulative nine months period ended 31 March 2015 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Sim Wong Hoo
Chairman

Lee Kheng Nam
Director