

# CREATIVE TECHNOLOGY LTD

## THIRD QUARTER ENDED 31 MARCH 2018 FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

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## UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2018

### 1 CONSOLIDATED INCOME STATEMENT

	GROUP			GROUP		
	Three months ended			Nine months ended		
	2018	2017	% change	2018	2017	% change
US\$'000	US\$'000	+ / (-)	US\$'000	US\$'000	+ / (-)	
Sales, net	15,021	16,007	(6)	51,984	55,412	(6)
Cost of goods sold	(10,796)	(11,528)	(6)	(37,435)	(39,890)	(6)
<b>Gross profit</b>	<b>4,225</b>	<b>4,479</b>	(6)	<b>14,549</b>	<b>15,522</b>	(6)
Expenses:						
Selling, general and administrative	(6,355)	(6,945)	(8)	(24,277)	(22,244)	9
Research and development	(3,069)	(2,859)	7	(9,606)	(9,253)	4
<b>Total expenses</b>	<b>(9,424)</b>	<b>(9,804)</b>	(4)	<b>(33,883)</b>	<b>(31,497)</b>	8
Other income	349	105	n.m.	818	301	n.m.
Other gains (losses), net	1,103	715	54	33,406	(899)	n.m.
Share of loss of associated companies	--	(69)	(100)	--	(490)	(100)
<b>(Loss) profit before income tax</b>	<b>(3,747)</b>	<b>(4,574)</b>	(18)	<b>14,890</b>	<b>(17,063)</b>	n.m.
Income tax expense	(14)	(16)	(13)	(46)	(246)	(81)
<b>Net (loss) profit</b>	<b>(3,761)</b>	<b>(4,590)</b>	(18)	<b>14,844</b>	<b>(17,309)</b>	n.m.
<b>Attributable to:</b>						
Equity holders of the Company	(3,756)	(4,611)	(19)	14,838	(17,369)	n.m.
Non-controlling interests	(5)	21	n.m.	6	60	(90)
(Loss) earnings per share attributable to equity holders of the Company						
- Basic (US\$ per share)	(0.05)	(0.07)	(29)	0.21	(0.25)	n.m.
- Diluted (US\$ per share)	(0.05)	(0.07)	(29)	0.21	(0.25)	n.m.

n.m. – not meaningful

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

	Three months ended			Nine months ended		
	31 March			31 March		
	2018	2017	% change	2018	2017	% change
	US\$'000	US\$'000	+ / (-)	US\$'000	US\$'000	+ / (-)
Write-off/write-down for inventory obsolescence	(403)	(1,251)	(68)	(1,921)	(3,140)	(39)
Impairment loss on investments	-	-	-	-	(692)	(100)
Gain on disposal of investments	-	-	-	126	1,346	(91)
Foreign exchange gain (loss)	1,094	735	49	1,851	(1,541)	n.m.
Litigation settlement	-	-	-	31,200	-	n.m.

**2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	GROUP			GROUP		
	Three months ended			Nine months ended		
	31 March			31 March		
	2018	2017	% change	2018	2017	% change
	US\$'000	US\$'000	+ / (-)	US\$'000	US\$'000	+ / (-)
Net (loss) profit	(3,761)	(4,590)	(18)	14,844	(17,309)	n.m.
Other comprehensive income:						
Available-for-sale financial assets:						
Fair value (losses) gains	(366)	147	n.m.	1,074	435	n.m.
Reclassification	-	-	-	(126)	(1,346)	(91)
Total comprehensive (loss) income for the period	<u>(4,127)</u>	<u>(4,443)</u>	(7)	<u>15,792</u>	<u>(18,220)</u>	n.m.
Attributable to:						
Shareholders of the Company	(4,122)	(4,464)	(8)	15,786	(18,280)	n.m.
Non-controlling interests	(5)	21	n.m.	6	60	(90)
Total comprehensive (loss) income for the period	<u>(4,127)</u>	<u>(4,443)</u>	(7)	<u>15,792</u>	<u>(18,220)</u>	n.m.

### 3 BALANCE SHEETS

	Group		Company	
	31 March 2018 US\$'000	30 June 2017 US\$'000	31 March 2018 US\$'000	30 June 2017 US\$'000
<b><u>ASSETS</u></b>				
<b>Current assets:</b>				
Cash and cash equivalents	115,191	75,282	110,896	69,892
Trade receivables	6,390	5,850	61	193
Amounts due from subsidiaries	-	-	22,195	36,277
Inventories	17,238	20,413	2,586	2,489
Other current assets	1,348	1,422	647	597
	<b>140,167</b>	<b>102,967</b>	<b>136,385</b>	<b>109,448</b>
<b>Non-current assets:</b>				
Available-for-sale financial assets	10,357	9,622	-	-
Amounts due from subsidiaries	-	-	4,232	21,323
Investments in subsidiaries	-	-	14,665	14,665
Property and equipment	782	866	120	143
Other non-current assets	189	186	-	-
	<b>11,328</b>	<b>10,674</b>	<b>19,017</b>	<b>36,131</b>
<b>Total assets</b>	<b>151,495</b>	<b>113,641</b>	<b>155,402</b>	<b>145,579</b>
<b><u>LIABILITIES</u></b>				
<b>Current liabilities:</b>				
Trade payables	5,677	9,300	257	417
Amounts due to subsidiaries	-	-	16,320	9,272
Accrued liabilities and provisions	45,201	19,477	9,587	10,169
Current income tax liabilities	-	5	-	-
	<b>50,878</b>	<b>28,782</b>	<b>26,164</b>	<b>19,858</b>
<b>Non-current liabilities:</b>				
Amounts due to subsidiaries	-	-	27,223	19,105
Deferred income tax liabilities	10,426	10,426	-	-
	<b>10,426</b>	<b>10,426</b>	<b>27,223</b>	<b>19,105</b>
<b>Total liabilities</b>	<b>61,304</b>	<b>39,208</b>	<b>53,387</b>	<b>38,963</b>
<b>NET ASSETS</b>	<b>90,191</b>	<b>74,433</b>	<b>102,015</b>	<b>106,616</b>
<b><u>EQUITY</u></b>				
Share capital	266,753	266,753	266,753	266,753
Treasury shares	(16,262)	(16,262)	(16,262)	(16,262)
Fair value reserve	6,364	5,416	-	-
Other reserves	62,279	62,315	34,815	34,851
Accumulated losses	(229,272)	(244,112)	(183,291)	(178,726)
	89,862	74,110	102,015	106,616
Non-controlling interests	329	323	-	-
<b>Total equity</b>	<b>90,191</b>	<b>74,433</b>	<b>102,015</b>	<b>106,616</b>

#### 4 CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>GROUP</b>	
	<b>Nine months ended 31 March</b>	
	<b>2018</b>	<b>2017</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities:</b>		
Net profit (loss)	14,844	(17,309)
Adjustments for:		
Income tax expense	46	246
Depreciation of property and equipment	152	163
Employee share-based expenses	(36)	(50)
Share of loss of associated companies	--	490
Impairment loss of available-for-sale financial assets	--	692
Gain on disposal of available-for-sale financial assets	(126)	(1,346)
Currency translation (gain) loss	(1,900)	1,253
Dividend income	(1)	--
Interest income	(818)	(301)
	<u>12,161</u>	<u>(16,162)</u>
Changes in working capital, net of effects from acquisition and disposal of subsidiaries		
Trade receivables	(540)	520
Inventories	3,175	3,187
Other assets and receivables	113	565
Trade payables	(3,623)	(2,360)
Accrued liabilities and provisions	25,724	(3,576)
Cash provided by (used in) operations	<u>37,010</u>	<u>(17,826)</u>
Interest received	776	301
Income tax paid	(51)	(297)
<b>Net cash provided by (used in) operating activities</b>	<u><b>37,735</b></u>	<u><b>(17,822)</b></u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(88)	(106)
Proceeds from sale of property and equipment	20	--
Proceeds from sale of available-for-sale financial assets	473	1,346
Purchase of available-for-sale financial assets	(134)	(1,100)
Dividend received	1	--
Loan to associated company	--	(490)
<b>Net cash provided by (used in) investing activities</b>	<u><b>272</b></u>	<u><b>(350)</b></u>
<b>Cash flows from financing activities:</b>		
Unclaimed dividends	<u>2</u>	<u>13</u>
<b>Net cash provided by financing activities</b>	<u><b>2</b></u>	<u><b>13</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>38,009</b>	<b>(18,159)</b>
Cash and cash equivalents at beginning of financial year	75,282	94,738
Effects of currency translation on cash and cash equivalents	1,900	(1,274)
<b>Cash and cash equivalents at end of the period</b>	<u><u><b>115,191</b></u></u>	<u><u><b>75,305</b></u></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	Accumulated Losses US\$'000	Total US\$'000	Non- controlling Interests US\$'000	Total Equity US\$'000
<b>FY2018</b>								
<b>Balance at 1 July 2017</b>	266,753	(16,262)	5,416	62,315	(244,112)	74,110	323	74,433
Profit for the period	-	-	-	-	14,838	14,838	6	14,844
Other comprehensive income for the period	-	-	948	-	-	948	-	948
<b>Total comprehensive income for the period</b>	-	-	948	-	14,838	15,786	6	15,792
Employee share-based expense	-	-	-	(36)	-	(36)	-	(36)
Unclaimed dividends	-	-	-	-	2	2	-	2
<b>Total transactions with owners, recognised directly in equity</b>	-	-	-	(36)	2	(34)	-	(34)
<b>Balance at 31 March 2018</b>	<b>266,753</b>	<b>(16,262)</b>	<b>6,364</b>	<b>62,279</b>	<b>(229,272)</b>	<b>89,862</b>	<b>329</b>	<b>90,191</b>
<b>FY2017</b>								
<b>Balance at 1 July 2016</b>	266,753	(16,262)	6,574	62,364	(221,219)	98,210	290	98,500
Loss for the period	-	-	-	-	(17,369)	(17,369)	60	(17,309)
Other comprehensive loss for the period	-	-	(911)	-	-	(911)	-	(911)
<b>Total comprehensive loss for the period</b>	-	-	(911)	-	(17,369)	(18,280)	60	(18,220)
Employee share-based expense	-	-	-	(50)	-	(50)	-	(50)
Unclaimed dividends	-	-	-	-	13	13	-	13
<b>Total transactions with owners, recognised directly in equity</b>	-	-	-	(50)	13	(37)	-	(37)
<b>Balance at 31 March 2017</b>	<b>266,753</b>	<b>(16,262)</b>	<b>5,663</b>	<b>62,314</b>	<b>(238,575)</b>	<b>79,893</b>	<b>350</b>	<b>80,243</b>

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

	Share Capital US\$'000	Treasury Shares US\$'000	Other Reserves US\$'000	Accumulated Losses US\$'000	Total Equity US\$'000
<b>FY2018</b>					
<b>Balance at 1 July 2017</b>	266,753	(16,262)	34,851	(178,726)	106,616
Total comprehensive loss for the period	-	-	-	(4,567)	(4,567)
Employee share-based expense	-	-	(36)	-	(36)
Unclaimed dividends	-	-	-	2	2
<b>Balance at 31 March 2018</b>	<b>266,753</b>	<b>(16,262)</b>	<b>34,815</b>	<b>(183,291)</b>	<b>102,015</b>
<b>FY2017</b>					
<b>Balance at 1 July 2016</b>	266,753	(16,262)	34,900	(158,155)	127,236
Total comprehensive profit for the period	-	-	-	6,860	6,860
Employee share-based expense	-	-	(50)	-	(50)
Unclaimed dividends	-	-	-	13	13
<b>Balance at 31 March 2017</b>	<b>266,753</b>	<b>(16,262)</b>	<b>34,850</b>	<b>(151,282)</b>	<b>134,059</b>

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

### Issued and paid up capital

As at 31 March 2018, the Company's issued and paid up capital excluding treasury shares comprises 70,331,649 (30 June 2017: 70,331,649) ordinary shares.

As at 31 March 2018, the Company's issued and paid up share capital was US\$266.8 million (31 December 2017: US\$266.8 million).

### Employee share options plan

During the third quarter of FY2018, the Company did not issue any ordinary shares for cash upon the exercise of the options under the Company's Share Options Plan (Q3 FY2017: Nil).

As at 31 March 2018, there were no unissued ordinary shares under options granted to eligible employees and directors under the Company's Employee Share Options Plan (31 March 2017: 1,018,000). All outstanding options have expired in the second quarter of FY2018.

### Employee performance share plan

During the third quarter of FY2018, 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 FY2017: Nil).

As at 31 March 2018, there were 207,750 unissued ordinary shares granted to eligible employees and directors under the Company's Employee Performance Share Plan (31 March 2017: 217,500).

### Treasury shares

As at 31 March 2018, the Company held 4,668,351 (31 March 2017: 4,668,351) treasury shares against 70,331,649 (31 March 2017: 70,331,649) issued ordinary shares excluding treasury shares.

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

	Three months ended	
	31 March	
	2018	2017
Balance at beginning of period	4,668,351	4,668,351
Issue for Employee Performance Share Plan	-	-
Balance at end of period	<u>4,668,351</u>	<u>4,668,351</u>

## 6 GROUP BORROWINGS

	GROUP	
	31 March 2018 US\$'000	30 June 2017 US\$'000
<b>Amount repayable:</b>		
<u>In one year or less, or on demand</u>		
Secured	-	-
Unsecured	-	-
	-	-
<u>After one year</u>		
Secured	-	-
Unsecured	-	-
	-	-
Total	-	-

## 7 NET ASSET VALUE

	GROUP		COMPANY	
	31 March 2018 US\$	30 June 2017 US\$	31 March 2018 US\$	30 June 2017 US\$
Net asset value per ordinary share based on issued capital at the end of the period / financial year	1.28	1.06	1.45	1.52

## 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 2017.

## 11 CHANGES IN ACCOUNTING POLICIES

None.



## 12 REVIEW OF GROUP PERFORMANCE

### CONSOLIDATED INCOME STATEMENT

#### Net Sales

Net sales for the third quarter and cumulative nine months period of FY2018 decreased by 6% compared to the same periods in the corresponding year. Revenue in the third quarter and cumulative nine months ended 31 March 2018 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 28% in the third quarter and cumulative nine months period of FY2018, same as the third quarter and cumulative nine months period of FY2017. Gross profit margin in the third quarter and cumulative nine months period of FY2018 was in line with the sales mix.

#### Net Profit

Net loss for the third quarter of FY2018 was US\$3.8 million compared to US\$4.6 million in the third quarter of FY2017. Net loss in the third quarter of FY2018 included other gains (net) of US\$1.1 million. Net loss in the third quarter of FY2017 included other gains (net) of US\$0.7 million.

Net profit for the cumulative nine months period of FY2018 was US\$14.8 million compared to net loss of US\$17.3 million in the cumulative nine months period of FY2017. Net profit in the cumulative nine months period of FY2018 included other gains (net) of US\$33.4 million. Net loss in the cumulative nine months period of FY2017 included other losses (net) of US\$0.9 million and share of loss of associated companies of US\$0.5 million.

Selling, general and administrative expenses in the third quarter of FY2018 decreased by 8% compared to the third quarter of FY2017 due mainly to higher legal expenses in the third quarter of FY2017. For the cumulative nine months period of FY2018, selling, general and administrative expenses increased by 9% compared to the same period in the corresponding year due mainly to higher legal expenses for on-going litigation. Excluding legal fees, selling, general and administrative expenses in the third quarter and cumulative nine months period of FY2018 were comparable to the same periods in the corresponding year.

Research and development expenses in the third quarter and cumulative nine months period of FY2018 remained at about the same level compared to the same periods in the corresponding year.

Other gains (net) of US\$1.1 million and US\$0.7 million in the third quarter of FY2018 and FY2017, respectively, were due mainly to foreign exchange gain. Other gains (net) of US\$33.4 million for the cumulative nine months period of FY2018 were due mainly to US\$31.2 million received from settlement of patent lawsuits and foreign exchange gain of US\$1.9 million. Other losses (net) of US\$0.9 million for the cumulative nine months period of FY2017 were due mainly to US\$0.7 million impairment loss on investments and US\$1.5 million foreign exchange loss, offset partially by US\$1.3 million gain on disposal of investments.

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 US dollar, with the balance mainly in Singapore dollar, Euro, British Pound and Japanese Yen. The exchange gain in the third quarter of FY2018 and FY2017, and cumulative nine months period of FY2018 was due mainly to the appreciation of these currencies against the US dollar. The exchange loss in the cumulative nine months period of FY2017 was due mainly to depreciation of these currencies against the US dollar.

## **BALANCE SHEETS**

The increase in cash and cash equivalents was due mainly to net cash provided by operating activities (see below). The decrease in inventories was in line with the lower level of sales. The lower trade payables as at 31 March 2018 was in line with the lower level of operating activities. The increase in accrued liabilities and provisions was due mainly to judgement sums, awarded by the Singapore High Court in respect of legal proceedings against an equipment vendor, amounting to US\$27.5 million received in the second quarter of FY2018. As the equipment vendor has filed an appeal against the judgement to the Singapore Court of Appeal, pending the outcome of the appeal, the money received has not been recognized in the Company's income statement and has been included as other creditors in accrued liabilities and provisions.

## **CONSOLIDATED STATEMENTS OF CASH FLOWS**

Net cash provided by operating activities of US\$37.7 million in the cumulative nine months period of FY2018 (cumulative nine months period of FY2017: net cash used of US\$17.8 million) was due mainly to US\$31.2 million received from settlement of patent lawsuits and US\$ US\$27.5 million judgement sums received from an equipment vendor (see above), offset partially by operating loss for the period.

Net cash provided by investing activities of US\$0.3 million in the cumulative nine months period of FY2018 (cumulative nine months period of FY2017: net cash used of US\$0.4 million) was due mainly to proceeds from sale of investments.

Net cash provided by financing activities in the cumulative nine months period of FY2018 was not material (cumulative nine months period of FY2017: not material).

### **13 VARIANCE FROM PROSPECT STATEMENT**

There has been no significant variance in the operating performance of the Group in the third quarter of FY2018 as compared to the prospect statement disclosed in the announcement of results for the second quarter ended 31 December 2017.

### **14 PROSPECTS**

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

### **15 DIVIDEND**

No dividends have been recommended in the third quarter of FY2018 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.

**17 CONFIRMATION OF DIRECTORS AND EXECUTIVE OFFICERS' UNDERTAKINGS PURSUANT TO LISTING RULE 720(1)**

The Company has procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

BY ORDER OF THE BOARD

NG KEH LONG  
COMPANY SECRETARY  
10 MAY 2018

**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 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors

**Sim Wong Hoo**  
**Chairman**

**Lee Kheng Nam**  
**Director**