

# CREATIVE TECHNOLOGY LTD

## FOURTH QUARTER AND FULL YEAR ENDED 30 JUNE 2009 FINANCIAL STATEMENTS & DIVIDEND ANNOUNCEMENT

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## UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 30 JUNE 2009

### 1 CONSOLIDATED INCOME STATEMENTS

	<b>GROUP</b>			
	Three months ended 30 June		Financial year ended 30 June	
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
Sales, net	86,060	139,453	466,074	736,848
Cost of goods sold	65,159	110,658	385,728	572,946
<b>Gross profit</b>	<b>20,901</b>	<b>28,795</b>	<b>80,346</b>	<b>163,902</b>
Expenses:				
Selling, general and administrative	(19,609)	(33,661)	(96,519)	(141,148)
Research and development	(14,074)	(16,884)	(61,743)	(63,872)
Restructuring charges	--	(9,666)	(11,168)	(9,666)
Chairman's gift of shares to employees	--	(802)	--	(3,774)
<b>Total expenses</b>	<b>(33,683)</b>	<b>(61,013)</b>	<b>(169,430)</b>	<b>(218,460)</b>
Other income	447	2,981	4,277	12,370
Other (losses) gains, net	(2,058)	147,608	(50,951)	180,202
Share of (loss) profit of associated companies	(806)	(544)	(2,498)	(2,458)
Interest expense	(23)	(1,034)	(135)	(5,644)
<b>(Loss) profit before income tax</b>	<b>(15,222)</b>	<b>116,793</b>	<b>(138,391)</b>	<b>129,912</b>
Income tax credit (expense)	1,258	(600)	515	(1,735)
<b>Net (loss) profit</b>	<b>(13,964)</b>	<b>116,193</b>	<b>(137,876)</b>	<b>128,177</b>
<b>Attributable to:</b>				
Equity holders of the Company	(13,961)	116,193	(137,873)	128,178
Minority interests	(3)	--	(3)	(1)
(Loss) earnings per share for (loss) profit attributable to equity holders of the Company				
- Basic	(0.20)	1.48	(1.88)	1.55
- Diluted	(0.20)	1.48	(1.88)	1.55

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

	<b>GROUP</b>			
	<b>3 months ended 30 June 2009 US\$'000</b>	<b>3 months ended 30 June 2008 US\$'000</b>	<b>Financial year ended 30 June 2009 US\$'000</b>	<b>Financial year ended 30 June 2008 US\$'000</b>
Depreciation and amortization	(2,781)	(2,861)	(8,335)	(10,023)
(Allowance made for doubtful and bad debts written off)/Write-back of allowance for doubtful debts	(2,313)	1,985	(2,460)	1,171
(Write-off/write-down for inventory obsolescence)/Reversal of inventory write-down	(505)	14	(3,110)	(8,497)
Impairment in value of financial assets, available- for-sale	(819)	(1,158)	(13,194)	(15,636)
Foreign exchange gain (loss)	12,219	(507)	(24,925)	14,550
(Loss) profit on sale of financial assets available- for-sale, investments, property and equipment	(246)	149,604	113	181,750
Provision for loans due from ex-subsiary (see Item 10 below)	(12,762)	-	(12,762)	-

**1(b) Breakdown of sales:**

	<b>GROUP</b>		
	<b>Financial year ended 30 June 2009 US\$'000</b>	<b>Financial year ended 30 June 2008 US\$'000</b>	<b>+ / (-) %</b>
<b><u>First Half Year</u></b>			
(a) Sales	296,925	447,093	(34%)
(b) Net (loss) profit	(76,314)	8,937	n.m.
<b><u>Second Half Year</u></b>			
(c) Sales	169,149	289,755	(42%)
(b) Net (loss) profit	(61,562)	119,240	n.m.

n.m. refers to "not meaningful"

## 2 BALANCE SHEETS

	GROUP		COMPANY	
	30 June	30 June	30 June	30 June
	2009	2008	2009	2008
	US\$'000	US\$'000	US\$'000	US\$'000
<b><u>ASSETS</u></b>				
<b>Current assets:</b>				
Cash and cash equivalents	250,551	408,644	218,472	276,477
Trade and other receivables	42,365	82,554	6,017	10,652
Amounts due from subsidiaries	-	-	43,379	49,913
Inventories	37,600	99,788	18,104	59,283
Other assets and prepaids	21,884	50,275	5,133	18,702
	<b>352,400</b>	<b>641,261</b>	<b>291,105</b>	<b>415,027</b>
<b>Non-current assets:</b>				
Financial assets, available-for-sale	27,753	37,247	-	-
Trade and other receivables	977	10,892	-	9,192
Amounts due from subsidiaries	-	-	186,395	185,607
Investments in associated companies	1,372	1,242	-	573
Investments in subsidiaries	-	-	45,390	45,526
Property and equipment	33,944	34,243	2,060	1,724
Intangible assets	6,719	-	-	-
Other non-current assets	31,693	46,484	768	3,131
	<b>102,458</b>	<b>130,108</b>	<b>234,613</b>	<b>245,753</b>
<b>Total assets</b>	<b>454,858</b>	<b>771,369</b>	<b>525,718</b>	<b>660,780</b>
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>Current liabilities:</b>				
Trade payables	30,296	66,507	18,608	52,821
Amounts due to subsidiaries	-	-	17,174	21,763
Accrued liabilities	70,450	91,826	29,051	31,578
Current income tax liabilities	2,203	5,287	2,000	3,120
Current portion of long term obligations	10	100,019	10	100,013
	<b>102,959</b>	<b>263,639</b>	<b>66,843</b>	<b>209,295</b>
<b>Non-current liabilities:</b>				
Amounts due to subsidiaries	-	-	20,526	2,473
Deferred income tax liabilities	29,510	29,746	13,800	14,044
Long term obligations	-	10	-	10
	<b>29,510</b>	<b>29,756</b>	<b>34,326</b>	<b>16,527</b>
<b>Total liabilities</b>	<b>132,469</b>	<b>293,395</b>	<b>101,169</b>	<b>225,822</b>
<b>Equity:</b>				
Share capital	266,753	300,100	266,753	300,100
Treasury shares	(21,475)	(32,113)	(21,475)	(32,113)
Fair value reserve	7,151	3,377	-	-
Other reserves	60,512	59,286	33,049	31,823
Retained earnings	9,072	146,945	146,222	135,148
	<b>322,013</b>	<b>477,595</b>	<b>424,549</b>	<b>434,958</b>
Minority interests	376	379	-	-
<b>Total equity</b>	<b>322,389</b>	<b>477,974</b>	<b>424,549</b>	<b>434,958</b>
<b>Total liabilities and equity</b>	<b>454,858</b>	<b>771,369</b>	<b>525,718</b>	<b>660,780</b>

**2(a) Group Borrowings:**

	<b>GROUP</b>	
	<b>As at 30 June 2009 US\$'000</b>	<b>As at 30 June 2008 US\$'000</b>
<b>Amount repayable:</b>		
<u>In one year or less, or on demand</u>		
Secured	-	-
Unsecured	-	100,000
	<hr/>	<hr/>
	-	100,000
	<hr/>	<hr/>
<u>After one year</u>		
Secured	-	-
Unsecured	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Total	-	100,000
	<hr/>	<hr/>

### 3 CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>GROUP</b>	
	<b>Financial year ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities:</b>		
Net (loss) profit	(137,876)	128,177
Adjustments for:		
Income tax (credit) expense	(515)	1,735
Depreciation of property and equipment	8,260	9,720
Amortisation of intangible assets	75	303
Employee share option expense	1,230	1,568
Share of loss of associated companies	2,498	2,458
Loss (gain) on disposal of property and equipment	231	(147,353)
Write downs of financial assets, available-for-sale	13,046	12,136
Write downs of investments in associated companies	148	3,500
Net gain on disposal of financial assets, available-for-sale	(305)	(8,732)
Gain on disposal of investments in subsidiaries	(39)	(8,984)
Gain on disposal of investments in associated companies	--	(16,681)
Foreign exchange loss (gain)	17,735	(7,894)
Dividend income	(312)	(1,691)
Chairman's gift of shares to employees	--	3,774
Interest income	(3,965)	(10,679)
Interest expense	135	5,644
	<u>(99,654)</u>	<u>(32,999)</u>
Changes in working capital, net of effects from acquisition and disposal of subsidiaries		
Trade and other receivables	32,313	74,417
Inventories	63,143	3,358
Other assets and prepaids	56,058	(76,600)
Trade payables	(41,087)	14,650
Accrued and other liabilities	(25,183)	481
Cash used in operations	<u>(14,410)</u>	<u>(16,693)</u>
Interest received	3,995	10,716
Interest paid	(132)	(5,783)
Income tax (paid) refunded	<u>(2,571)</u>	<u>11,945</u>
<b>Net cash (used in) provided by operating activities</b>	<b><u>(13,118)</u></b>	<b><u>185</u></b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(3,299)	(12,585)
Proceeds from sale of property and equipment	315	180,863
Proceeds from disposal of investments in associated companies	--	14,648
Proceeds from sale of financial assets, available-for-sale	440	29,038
Proceeds from sale of investments in subsidiaries	--	9,324
Purchase of new subsidiaries (net of cash acquired)	(601)	--
Purchase of financial assets, available-for-sale	(202)	(9,528)
Purchase of intangible assets	(1,465)	--
Purchase of additional investments in associated companies	--	(2,262)
Dividend received	312	1,691
<b>Net cash (used in) provided by investing activities</b>	<b><u>(4,500)</u></b>	<b><u>211,189</u></b>
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of ordinary share options	10	97
Purchase of treasury shares	(22,719)	(32,196)
Repayments of borrowings	(100,000)	(19,794)
Repayments of capital leases	(22)	(17)
Dividends paid to equity holders of the Company	--	(11,528)
<b>Net cash used in financing activities</b>	<b><u>(122,731)</u></b>	<b><u>(63,438)</u></b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b><u>(140,349)</u></b>	<b><u>147,936</u></b>
Effects of currency translation on cash and cash equivalents	(17,744)	10,228
Cash and cash equivalents at beginning of financial year	<u>408,644</u>	<u>250,480</u>
<b>Cash and cash equivalents at end of financial year</b>	<b><u>250,551</u></b>	<b><u>408,644</u></b>

## 4 STATEMENTS OF CHANGES IN EQUITY

### 4(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	Minority Interests US\$'000	Total Equity US\$'000
<b>FY2009</b>								
<b>Balance at 1 July 2008</b>	300,100	(32,113)	3,377	59,286	146,945	477,595	379	477,974
Movement in fair value of financial assets, available-for-sale	-	-	3,774	-	-	3,774	-	3,774
Net profit recognized directly in equity	-	-	3,774	-	-	3,774	-	3,774
Net loss	-	-	-	-	(137,873)	(137,873)	(3)	(137,876)
<b>Total recognized profit (loss)</b>	-	-	<b>3,774</b>	-	<b>(137,873)</b>	<b>(134,099)</b>	<b>(3)</b>	<b>(134,102)</b>
Purchase of treasury shares	-	(22,719)	-	-	-	(22,719)	-	(22,719)
Utilization of treasury shares for shares issued under employee options plans	-	10	-	(4)	-	6	-	6
Dividends paid	-	-	-	-	-	-	-	-
Cancellation of treasury shares	(33,347)	33,347	-	-	-	-	-	-
Amortization of deferred share compensation	-	-	-	1,230	-	1,230	-	1,230
<b>Balance at 30 June 2009</b>	<b>266,753</b>	<b>(21,475)</b>	<b>7,151</b>	<b>60,512</b>	<b>9,072</b>	<b>322,013</b>	<b>376</b>	<b>322,389</b>
<b>FY2008</b>								
<b>Balance at 1 July 2007</b>	300,086	-	24,240	53,949	30,295	408,570	373	408,943
Movement in fair value of financial assets, available-for-sale	-	-	(20,863)	-	-	(20,863)	-	(20,863)
Net loss recognized directly in equity	-	-	(20,863)	-	-	(20,863)	-	(20,863)
Net profit	-	-	-	-	128,178	128,178	1	128,179
<b>Total recognized (loss) profit</b>	-	-	<b>(20,863)</b>	-	<b>128,178</b>	<b>107,315</b>	<b>1</b>	<b>107,316</b>
Shares issued under employee options plans	14	-	-	-	-	14	-	14
Chairman's gift of shares to employees	-	-	-	3,774	-	3,774	-	3,774
Purchase of treasury shares	-	(32,196)	-	-	-	(32,196)	-	(32,196)
Utilization of treasury shares for shares issued under employee options plans	-	83	-	(5)	-	78	-	78
Dividends paid	-	-	-	-	(11,528)	(11,528)	-	(11,528)
Currency translation differences on loan from minority shareholder	-	-	-	-	-	-	5	5
Amortization of deferred share compensation	-	-	-	1,568	-	1,568	-	1,568
<b>Balance at 30 June 2008</b>	<b>300,100</b>	<b>(32,113)</b>	<b>3,377</b>	<b>59,286</b>	<b>146,945</b>	<b>477,595</b>	<b>379</b>	<b>477,974</b>

#### 4(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
<b>FY2009</b>					
<b>Balance at 1 July 2008</b>	300,100	(32,113)	31,823	135,148	434,958
Net profit	-	-	-	11,074	11,074
<b>Total recognized profit</b>	-	-	-	11,074	11,074
Shares issued under employee options plans	-	-	-	-	-
Purchase of treasury shares	-	(22,719)	-	-	(22,719)
Utilization of treasury shares for shares issued under employee options plans	-	10	(4)	-	6
Dividends paid	-	-	-	-	-
Cancellation of treasury shares	(33,347)	33,347	-	-	-
Amortization of deferred share compensation	-	-	1,230	-	1,230
<b>Balance at 30 June 2009</b>	<b>266,753</b>	<b>(21,475)</b>	<b>33,049</b>	<b>146,222</b>	<b>424,549</b>
<b>FY2008</b>					
<b>Balance at 1 July 2007</b>	300,086	-	26,486	141,444	468,016
Net profit	-	-	-	5,232	5,232
<b>Total recognized loss</b>	-	-	-	5,232	5,232
Shares issued under employee options plans	14	-	-	-	14
Chairman's gift of shares to employees	-	-	3,774	-	3,774
Purchase of treasury shares	-	(32,196)	-	-	(32,196)
Utilization of treasury shares for shares issued under employee options plans	-	83	(5)	-	78
Dividends paid	-	-	-	(11,528)	(11,528)
Amortization of deferred share compensation	-	-	1,568	-	1,568
<b>Balance at 30 June 2008</b>	<b>300,100</b>	<b>(32,113)</b>	<b>31,823</b>	<b>135,148</b>	<b>434,958</b>

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

##### Issued and paid up capital

As at 30 June 2009, the Company's issued and paid up capital excluding treasury shares comprises 68,891,468 (30 June 2008: 76,645,358) ordinary shares.

##### Employee share options plans

During FY2009, the Company did not issue any (FY2008: 3,829) ordinary shares for cash upon the exercise of the options under the Company's Share Option Plan.

As at 30 June 2009, there were 9,072,846 (30 June 2008: 10,245,123) unissued ordinary shares under options granted to eligible employees and directors under the Company's Employee Share Options Plans.

##### Treasury shares

During FY2009, the Company re-issued 2,310 (FY2008: 19,500) treasury shares pursuant to the Employee Share Options Plans.

As at 30 June 2009, 6,108,532 (30 June 2008: 6,980,500) treasury shares were held that may be re-issued upon the exercise of options under the Employee Share Options Plans.

During FY2009, the Company bought back 7,756,200 ordinary shares at an average price of US\$2.93 per share and held them as treasury shares. 8,625,858 treasury shares were cancelled in FY2009.

## 5 AUDIT

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

## 6 AUDITORS' REPORT

Not applicable.

## 7 ACCOUNTING POLICIES

The financial statements included in this announcement have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements of Creative had previously been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Creative's registration of its shares and reporting obligations under the United States Securities Exchange Act of 1934 terminated on 13 May 2009. As Creative's shares are listed and traded on Singapore Exchange Securities Trading Limited ("SGX-ST"), Creative will comply with the continuing listing requirements and guidelines issued by the SGX-ST, and will comply with the Singapore Companies (Amendment) Act 2002. Accordingly, Creative has prepared the financial statements in accordance with FRS. Previous financial statements have also been restated to be in accordance with FRS.

## 8 CHANGES IN ACCOUNTING POLICIES

A summary of the effect of the transition from US GAAP to FRS (referred to in Item 7 above) as set out below, showing the differences between US GAAP and FRS for the items in the financial statements affected by this transition.

(a) The Group's profit (loss) for FY2008

	<b>US GAAP</b> <b>US\$'000</b>	<b>Effect of</b> <b>transition to FRS</b> <b>US\$'000</b>	<b>FRS</b> <b>US\$'000</b>
<b>FY2008</b>			
(Loss) profit before income tax	(18,000)	147,912	129,912
Net (loss) profit	(19,735)	147,912	128,177
(Loss) earnings per share for (loss) profit attributable to equity holders of the Company			
- Basic	(0.24)	1.79	1.55
- Diluted	(0.24)	1.79	1.55

(b) The Group's affected Balance Sheet items as at 30 June 2008

	<b>US GAAP US\$'000</b>	<b>Effect of transition to FRS US\$'000</b>	<b>FRS US\$'000</b>
<b>As at 30 June 2008</b>			
Other assets and prepaids	39,563	10,712	50,275
Property and equipment	67,043	(32,800)	34,243
Other non-current assets	3,385	43,099	46,484
Accrued liabilities	91,164	662	91,826
Advance payments from sale of building	127,563	(127,563)	-
Retained earnings	(967)	147,912	146,945
Total equity	330,062	147,912	477,974

There is no significant impact on beginning retained earnings as at 1 July 2007 as a result of transition to FRS.

In June 2008, Creative sold its headquarters office building to an unrelated third party at a sales price of US\$181.4 million which was derived on an arms length basis, supported by a valuation of the property carried out by an independent assessor. Under the terms of the sale and purchase agreement, Creative also agreed to leaseback the property for a period of five years with an option for additional periods of three and two years. Creative also placed a security deposit of US\$52.9 million and paid an advance rental of US\$0.9 million to the purchaser.

The sale was completed in June 2008, legal title has been transferred to the buyer and sale proceeds were received. However, under US GAAP, the transaction did not meet certain criteria of sale-leaseback accounting. Accordingly, under US GAAP accounting, the building remained recorded as property and equipment and the sale proceeds received, net of security deposit and rental prepayment, was presented as "Advance payments from sale of building". The gain on the sale equaled to the difference between the net book value of the building and the balance of the "Advance payments from sale of building" will be recognized at the end of the initial five year lease term.

Under the accounting treatment of FRS, as substantial risks and rewards were transferred to the buyer and the lease qualified as an operating lease, Creative may derecognize the property and recognize an immediate gain on disposal. Accordingly, under FRS, a gain of US\$147.9 million on disposal of building was recognized in FY2008, and the security deposit and advance payment were included in the Balance Sheet as "other assets and prepaids" for the current portion and "other non-current assets" for the non-current portion.

(c) The Company's affected Balance Sheet items as at 30 June 2008

	<b>US GAAP US\$'000</b>	<b>Effect of transition to FRS US\$'000</b>	<b>FRS US\$'000</b>
<b>As at 30 June 2008</b>			
Amounts due from subsidiaries - current	95,818	(45,905)	49,913
Amounts due from subsidiaries - non-current	-	185,607	185,607
Investments in subsidiaries	79,851	(34,325)	45,526
Amounts due to subsidiaries - current	21,661	102	21,763
Fair value reserve	3,377	(3,377)	-
Retained earnings	26,496	108,652	135,148
Total equity	329,683	105,275	434,958
<b>As at 1 July 2007</b>			
Retained earnings	57,759	83,685	141,444

Under US GAAP, the Company equity accounted for the results of its subsidiaries. With the transition to FRS, the non-financial assets of the Company, including its investments in subsidiaries are reviewed and adjusted for any impairment in value. The difference between the carrying and recoverable amount of the non-financial assets is recognized as an impairment loss in the income statement and the amount is adjusted retrospectively to the financial year in which these assets may be impaired.

## 9 NET ASSET VALUE

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Net asset value per ordinary share based on issued capital at the end of the financial year	4.30	5.71	5.66	5.20

## 10 REVIEW OF GROUP PERFORMANCE

### CONSOLIDATED INCOME STATEMENTS

#### Net Sales

Net sales for the fourth quarter of FY2009 decreased by 38% compared to the same quarter in FY2008, and net sales for FY2009 decreased by 37% compared to FY2008. The decrease in net sales was primarily a result of lower revenues from personal digital entertainment (“PDE”) which included sales of digital audio players and digital cameras. The lower sales were primarily due to the impact of the global economic downturn and the Company’s decision to consolidate certain businesses in order to focus on specific markets that provide best opportunities to improve business going forward.

#### Gross Profit

Gross profit was 24% in the fourth quarter of FY2009 compared to 21% in the fourth quarter of FY2008. In FY2009 gross profit was 17% compared to 22% in FY2008. Gross profit in FY2009 has been negatively impacted by the global economic downturn which has resulted in lower sales and selling prices.

#### Net (Loss) Profit

Net loss for the fourth quarter of FY2009 was US\$14.0 million, including a provision of US\$12.8 million for potentially unrecoverable loans due from a former subsidiary.

In July 2007, Creative divested 80.1% of its interest in its then wholly owned manufacturing subsidiary in Malaysia (“ex-subsiary”). Prior to divestment date, Creative had made loans to the ex-subsiary for the purchase of properties, construction of factory and working capital purposes amounting to approximately Malaysia Ringgit (“RM”) 130 million (US\$36.9 million). Under the terms of the divestment agreement, this amount would be repaid in various installments up to 1 June 2011 of which RM85 million (US\$24.1 million) had been repaid to date. Of the outstanding balance of RM45 million (US\$12.8 million), RM15 million (US\$4.3 million) was due on 1 June 2009 but the ex-subsiary had failed to repay this amount on due date. Subsequent to the financial year end, Creative was informed that the ex-subsiary had decided to end all manufacturing business shortly in view of its unfavorable business and financial situation.

In view of the above, the outstanding balance of RM45 million (US\$12.8 million) potentially may not be recoverable and Creative has considered it appropriate to provide for this amount in its financial statements in the fourth quarter of FY2009.

In the fourth quarter of FY2008, net profit was US\$116.2 million, including a gain of US\$147.9 million from the sale of Creative’s headquarter office (see Item 8 above) and restructuring charges of US\$11.2 million.

Net loss in FY2009 was US\$137.9 million compared to net profit of US\$128.2 million in FY2008. Net loss in FY2009 was impacted by the lower sales and gross profit, an exchange loss of US\$24.9 million, net investments loss of US\$12.8 million and a provision of US\$12.8 million for loans due from a former subsidiary which potentially may not be recoverable (see above). Net profit in FY2008 included a US\$147.9 million gain from sale of Creative's headquarters office building, exchange gain of US\$14.6 million and investment gain of US\$18.8 million.

## 11 VARIANCE FROM PROSPECT STATEMENT

Not applicable.

## 12 PROSPECTS

During FY2009, Creative has focused on a complete restructuring of its worldwide sales and marketing operations. The other major development is the recently announced Zii Platform. Creative's restructuring efforts have resulted in a significant reduction of fourth quarter operating expenses compared to the same quarter last year. The reductions were primarily in selling, general and administrative expenses as Creative has sharply reduced its international head count and infrastructure costs. As Creative begins FY2010, its major restructuring efforts are substantially complete. Creative made smaller reductions in its research and development efforts as it has continued to invest heavily in the Zii Platform, cutting back development spending only in product areas that were not strategic going forward.

The Zii Platform includes the Plaszma OS, Plaszma SDK and the Zii EGG for developers, which runs the Plaszma or Android OS. Creative also introduced ZMS-05 System Module, a compact, media-rich module that can be used by developers in combination with Plaszma software to significantly reduce design and manufacturing complexity in creating next-generation devices and applications. Creative has also unveiled its 'Shanzhai' OEM Marketing Program to outreach and build demand in this burgeoning OEM market in China.

Looking forward Creative will intensify its focus on marketing the Zii Platform. As a result of these marketing efforts, operating expenses will increase. The overall market for Creative's current products remains difficult and unpredictable but Creative is targeting to further reduce its losses in the current quarter.

## 13 DIVIDEND

### (a) Current Financial Year Reported On

The Directors are pleased to recommend a tax exempt one-tier final dividend of S\$0.10 per share (2008: Nil) in respect of the financial year ended 30 June 2009 for approval by shareholders at the next Annual General Meeting to be convened.

Name of Dividend	Final
Dividend type	Cash
Dividend per share	S\$0.10
Tax rate	Tax exempt

### (b) Corresponding Period of the Immediately Preceding Financial Year

There were no dividends paid in the corresponding period of the immediately preceding financial year.

### (c) Date Payable

The payment date for the proposed final dividend will be announced after the Annual General Meeting.

### (d) Books Closure Date

Book closure will be announced at a later date for the preparation of dividend payment.

(e) Total Annual Dividend

	FY09 US\$'000	FY08 US\$'000
Ordinary final dividend	4,744	-
Total	4,744	-

FY2009 final dividend is estimated based on the Company's issued and paid up capital of 68,891,468 ordinary shares (excluding treasury shares) at the end of the financial year.

## 14 SEGMENTAL REPORTING

Creative operates primarily in one industry segment and provides advanced multimedia solutions for personal computers and personal digital entertainment products. Creative focuses its worldwide sales and marketing efforts predominantly through sales offices in North America, Europe and the Asia Pacific region.

Summary of net sales by product category:

	<b>Financial year ended 30 June 2009 US\$'000</b>	<b>Financial year ended 30 June 2008 US\$'000</b>
Personal Digital Entertainment	202,078	386,884
Audio	66,531	99,791
Speakers & Headphones	122,829	190,097
All Other Products	74,636	60,076
Total	<u>466,074</u>	<u>736,848</u>

Summary of net sales by geographical regions:

	<b>Financial year ended 30 June 2009 US\$'000</b>	<b>Financial year ended 30 June 2008 US\$'000</b>
Asia Pacific	159,051	167,128
The Americas	125,040	200,268
Europe	181,983	369,452
Total	<u>466,074</u>	<u>736,848</u>

Summary of net (loss) profit by geographical regions:

	<b>Financial year ended 30 June 2009 US\$'000</b>	<b>Financial year ended 30 June 2008 US\$'000</b>
Asia Pacific	(117,780)	118,951
The Americas	2,568	3,391
Europe	(22,664)	5,835
Total	<u>(137,876)</u>	<u>128,177</u>

BY ORDER OF THE BOARD

NG KEH LONG  
COMPANY SECRETARY  
6 AUGUST 2009