
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE SECURITIES EXCHANGE ACT OF 1934

Quarterly Report for the Three Months ended September 30, 1999

Commission File Number **0-20281**

CREATIVE TECHNOLOGY LTD.

(Exact name of Registrant as specified in its charter)

SINGAPORE

(Jurisdiction of incorporation or organization)

31 International Business Park

Creative Resource

Singapore 60921

(Address of principal

executive offices)

Indicate by check mark whether the Registrant files or will file annual reports under cover of Form 20-F or 40-F.

Form 20-F

Form 40-F

Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If "Yes" is marked, indicate below the file number assigned to the Registrant in connection with Rule 12g3-2(b):82

N/A

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PART I - FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

CREATIVE TECHNOLOGY LTD. **CONSOLIDATED BALANCE SHEETS**

(In US\$'000, except per share data)

	<u>September 30, 1999</u> (Unaudited)	<u>June 30, 1999</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 265,161	\$ 318,990
Marketable equity securities	25,144	--
Accounts receivable, net	151,803	130,144
Inventory	142,847	148,028
Other assets and prepaids	15,836	12,709
Total current assets	<u>600,791</u>	<u>609,871</u>
Property and equipment, net	95,444	97,961
Investments	121,643	70,305
Other non-current assets	23,632	27,552
Total Assets	<u>\$ 841,510</u>	<u>\$ 805,689</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 130,743	\$ 101,666
Accrued liabilities	67,787	55,684
Income taxes payable	48,083	47,031
Current portion of long term obligations	5,093	4,492
Total current liabilities	<u>251,706</u>	<u>208,873</u>
Long term obligations	27,744	28,642
Minority interest in subsidiaries	7,923	7,913
Shareholders' equity:		
Ordinary shares ('000); S\$0.25 par value; Authorized: 200,000 shares Outstanding: 82,440 and 83,971 shares	8,121	8,348
Additional paid-in capital	170,985	170,157
Unrealized holding gains on quoted investments	13,616	15,405
Deferred share compensation expense	(4,303)	(5,078)
Retained earnings	365,718	371,429
Total shareholders' equity	<u>554,137</u>	<u>560,261</u>
Total Liabilities and Shareholders' Equity	<u>\$ 841,510</u>	<u>\$ 805,689</u>

The accompanying notes are an integral part of these consolidated financial statements.

CREATIVE TECHNOLOGY LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In US\$' 000, except per share data)

(Unaudited)

	Three Months Ended September 30,	
	1999	1998
Sales, net	\$ 269,078	\$ 278,989
Cost of goods sold	199,062	199,156
	70,016	79,833
Gross profit		
Operating expenses:		
Selling, general and administrative	53,502	51,723
Research and development	12,713	10,346
	66,215	62,069
Total operating expenses		
Operating income	3,801	17,764
Interest income and other, net	8,221	5,617
	12,022	23,381
Income before income taxes and minority interest		
Provision for income taxes	(1,202)	(2,104)
Minority interest in (income) loss	(10)	236
	10,810	21,513
Net income	\$ 10,810	\$ 21,513
Basic earnings per share	\$ 0.13	\$ 0.23
Average ordinary shares outstanding ('000)	83,410	92,989
Diluted earnings per share	\$ 0.13	\$ 0.23
Average ordinary shares and equivalents outstanding ('000)	84,855	94,968

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Increase (decrease) in cash and cash equivalents (in US\$'000)

(Unaudited)

	Three Months Ended September 30,	
	1999	1998
Cash flows from operating activities:		
Net income	\$ 10,810	\$ 21,513
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,481	10,428
Minority interest in income (loss)	10	(236)
Equity share in income of unconsolidated investments	(5)	42
Realized net gain from sale of quoted investments	(613)	--
Changes in assets and liabilities, net:		
Accounts receivable	(21,659)	(30,577)
Inventory	5,181	24,092
Marketable securities	(25,144)	--
Other assets and prepaids	(2,060)	(5,028)
Accounts payable	29,077	7,774
Accrued liabilities	12,103	4,882
Income taxes payable	1,052	1,945
Net cash provided by operating activities	18,233	34,835
Cash flows from investing activities:		
Capital expenditures, net	(2,337)	(2,746)
Proceeds from sale of quoted investments	1,703	--
Increase investments, net	(54,217)	(16,303)
Increase in other assets, net	(993)	--
Net cash used in investing activities	(55,844)	(19,049)
Cash flows from financing activities:		
Increase in minority shareholders' loan and equity balance	--	67
Proceeds from exercise of ordinary share options and warrants	601	958
Repurchase of ordinary shares	(16,521)	--
Repayments of long-term obligations, net	(298)	(845)
Net cash (used in) provided by financing activities	(16,218)	180
Net (decrease) increase in cash and cash equivalents	(53,829)	15,966
Cash and cash equivalents at beginning of year	318,990	417,262
Cash and cash equivalents at end of the period	\$ 265,161	\$ 433,228
Supplemental disclosure of cash flow information:		
Interest paid	\$ 189	\$ 361
Income taxes paid	\$ 150	\$ 159

The accompanying notes are an integral part of these consolidated financial statements

CREATIVE TECHNOLOGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited consolidated interim financial statements of Creative Technology Ltd. ("Creative") have been prepared on a consistent basis with the June 30, 1999 audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary to provide a fair presentation of the results for the interim periods presented. The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). These consolidated interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes thereto included in Creative's 1999 annual report on Form 20-F filed with the Securities and Exchange Commission. The results of operations for the three months period ended September 30, 1999 are not necessarily indicative of the results to be expected for the entire year. Creative generally operates on a thirteen week calendar closing on the Friday closest to the natural calendar quarter. For convenience, all quarters are described by their natural calendar dates. Creative conducts a substantial portion of its business in United States dollars ("US\$" or "\$") and all amounts included in these interim financial statements and in the notes herein are in US\$, unless designated as Singapore dollars ("S\$").

NOTE 2 - INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out) or market. The components of inventory are as follows (in US\$'000):

	September 30, 1999	June 30, 1999
Raw materials	\$ 81,717	\$ 95,290
Work in progress	21,241	18,406
Finished products	39,889	34,332
	\$ 142,847	\$ 148,028

NOTE 3 - EARNINGS PER SHARE

In accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128), Creative reports both basic earnings per share and diluted earnings per share. Basic earning per share is computed using the weighted average number of ordinary (common) shares outstanding during the period. Diluted earning per share is computed using the weighted average number of common and potentially dilutive common equivalent shares outstanding during the period. Common equivalent shares are excluded from the computation if their effect is anti-dilutive. In computing the diluted earnings per share, the treasury stock method is used to determine, based on average stock prices for the respective periods, the common equivalent shares to be purchased using funds received from the exercise of stock options. Other than the dilutive effect of common stock equivalents, Creative did not have any other financial instruments that would have an impact on the weighted average number of ordinary shares outstanding, used for computing diluted earnings per share.

NOTE 4 - INCOME TAXES

Provision for income taxes for interim periods are based on estimated annual effective income tax rates. Income of foreign subsidiaries of Creative is subject to tax in the country in which the subsidiary is located. The effective income tax rate is based on the mix of income arising from various geographical regions, where the tax rates range from 0% to 50%; pioneer status income in Singapore, which is exempt from tax; and the utilization of non Singapore net operating losses. As a result, Creative's overall effective rate of tax is subject to changes based on the international source of income before tax.

NOTE 5 - COMPREHENSIVE INCOME

Effective July 1, 1998, Creative adopted Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income." SFAS 130 establishes standards for the reporting of comprehensive income and its components which, as defined, includes all changes in equity (net assets) during a period from non-owner sources. The components of total comprehensive income are as follows (in US\$'000):

	Three months ended September	
	1999	1998
Net income	\$ 10,810	\$ 21,513
Unrealized holding loss on quoted investments during the quarter	(1,789)	(6,537)
Total comprehensive income	\$ 9,021	\$ 14,976

NOTE 6 - SHARE REPURCHASES

Details of Share repurchases by Creative during the quarters since the commencement date of the program on November 6, 1998 are set out below:

<u>Quarter Ended:</u>	<u>Number of Shares Repurchased</u> (in millions)	<u>Average Price</u>
December 31, 1998	3.5	\$16
March 31, 1999	4.3	\$12
June 30, 1999	2.2	\$13
September 30, 1999	1.6	\$10
Total	11.6	

At the 1999 Annual General Meeting (“AGM”) held on November 9, 1999, the shareholders approved the share repurchase mandate allowing Creative to buy up to 10% of the issued share capital of Creative as at the date of the AGM. This amounts to approximately 8.2 million shares. This authority to repurchase shares shall continue in force unless revoked or revised by the shareholders in a general meeting, or until the date that the next AGM of Creative is held or is required to be held, whichever is the earlier.

In accordance with Singapore statutes, such repurchases are recorded as a reduction in distributable profits.

NOTE 7 - SUBSEQUENT EVENTS

Dividend

At the Annual General Meeting held on November 9, 1999, Creative’s shareholders approved an ordinary dividend of \$0.25 per ordinary share of Creative for the fiscal year ending June 30, 2000. The dividend will be paid on December 17, 1999 to all shareholders of record as of December 1, 1999. Creative paid an ordinary dividend of \$0.25 and a special dividend of \$0.25 in the previous fiscal year.

Legal Proceedings

On December 10, 1999 a jury returned a verdict in the United States District Court for the Northern District of California in the case entitled Emu Systems and Creative Technology Ltd v. Aureal Semiconductor and involving United States Patent No 5,342,990 ("the '990 patent"). The patent at issue is owned by Creative's Emu Systems subsidiary and is the subject of an exclusive license to Creative Technology. In its verdict the jury affirmed the validity of the '990 patent against claims of obviousness and anticipation and also found the patent to be enforceable. The jury further found, however, that the patent is not infringed by products sold by defendant Aureal Semiconductor and that Aureal can continue to sell its existing products, which it has been selling for the past two years. Creative intends to appeal the infringement portion of the jury verdict and believes that it has strong grounds for such an appeal.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SAFE HARBOR STATEMENTS UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Safe Harbor Statements Under The Private Securities Litigation Reform Act of 1995

Except for the historical information contained herein, the matters set forth herein (including statements using the words or phrases "will", "we believe will", "going to" and including any guidance on future products, future marketing efforts, future effects of Year 2000 issues, and future revenues, margins, expenses, and earnings) are forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth in the forward looking statements. Such risks and uncertainties include, among others: potential fluctuations in quarterly results due to the seasonality of Creative's business and the difficulty of projecting such fluctuations; the vulnerability of certain markets to currency fluctuations and credit shortages; reductions in the market value of products sold by Creative, including increases in supply or declines in demand or prices for CD-ROM or DVD drives, board and chip-level products, and software products; the short product cycles that characterize most of Creative's products; the increasing proliferation of sound functionality in new products from new and existing competitors and at the application software, chip and operating system levels; the increasing assertion of patents and other litigation claims affecting Creative and/or its suppliers, in areas including 3-D graphics and audio chip designs; Creative's reliance on sole sources or near-sole sources for many of its chips and other key components and possible limitations on future availability of graphic chips, memory chips, and passive components used in Creative's products; the timely ramp, delivery and market acceptance of new products, including Creative's next generation audio, graphics accelerator, CD-ROM and DVD drives and communications products; the volatility of share prices for companies in Creative's industry and the effect of those prices or other events beyond Creative's control; the uncertainties inherent in identifying and correcting all Year 2000 issues in computer codes used by Creative and its suppliers and vendors; and other risk factors described in Creative's Annual Report on Form 20-F for fiscal 1999 filed with the US Securities and Exchange Commission. Creative undertakes no obligation to publicly release the results of any revisions to such forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

SELECTED CONSOLIDATED FINANCIAL DATA

The following is a summary of Creative's unaudited quarterly results for the eight quarters ended September 30, 1999, together with the percentage of sales represented by such results. Consistent with the PC peripheral market, due to consumer buying patterns, demand for Creative's products is generally stronger in the quarter ended December 31, compared to any other quarter of the fiscal year. In management's opinion, these results detailed below have been prepared on a basis consistent with the audited financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for the periods presented when read in conjunction with the financial statements and notes thereto contained elsewhere herein. Creative's business is seasonal in nature and the quarterly results are not necessarily indicative of the results to be achieved for the complete year.

	Unaudited data for quarters ended (in US\$'000 except per share data)							
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
	1999	1999	1999	1998	1998	1998	1998	1997
Sales, net	\$ 269,078	\$ 275,134	\$ 313,715	\$ 428,699	\$ 278,989	\$ 253,009	\$ 298,423	\$ 395,010
Cost of goods sold	<u>199,062</u>	<u>213,071</u>	<u>232,964</u>	<u>299,308</u>	<u>199,156</u>	<u>188,210</u>	<u>202,124</u>	<u>264,933</u>
Gross profit	70,016	62,063	80,751	129,391	79,833	64,799	96,299	130,077
Operating expenses:								
Selling, general and administrative	53,502	47,966	51,534	58,445	51,723	43,899	42,949	41,150
Research and development	12,713	12,873	11,825	11,681	10,346	10,615	10,142	11,985
Other charges (1)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,268</u>	<u>--</u>	<u>60,300</u>
Operating income	3,801	1,224	17,392	59,265	17,764	2,017	43,208	16,642
Interest income and other, net (2)	<u>8,221</u>	<u>15,050</u>	<u>2,908</u>	<u>6,094</u>	<u>5,617</u>	<u>3,172</u>	<u>6,730</u>	<u>6,276</u>
Income before income taxes and minority interest	12,022	16,274	20,300	65,359	23,381	5,189	49,938	22,918
Provision for income taxes	(1,202)	(1,303)	(1,624)	(4,889)	(2,104)	(883)	(4,962)	(8,332)
Minority interest in (income) loss	<u>(10)</u>	<u>(235)</u>	<u>(425)</u>	<u>112</u>	<u>236</u>	<u>491</u>	<u>261</u>	<u>86</u>
Net income	\$ 10,810	\$ 14,736	\$ 18,251	\$ 60,582	\$ 21,513	\$ 4,797	\$ 45,237	\$ 14,672
Basic earnings per share	\$ <u>0.13</u>	\$ <u>0.17</u>	\$ <u>0.21</u>	\$ <u>0.66</u>	\$ <u>0.23</u>	\$ <u>0.05</u>	\$ <u>0.50</u>	\$ <u>0.16</u>
Average ordinary shares outstanding ('000)	<u>83,410</u>	<u>85,457</u>	<u>88,398</u>	<u>92,428</u>	<u>92,989</u>	<u>92,218</u>	<u>91,169</u>	<u>90,167</u>
Diluted earnings per share	\$ <u>0.13</u>	\$ <u>0.17</u>	\$ <u>0.20</u>	\$ <u>0.64</u>	\$ <u>0.23</u>	\$ <u>0.05</u>	\$ <u>0.48</u>	\$ <u>0.15</u>
Average ordinary shares and equivalents outstanding ('000)	<u>84,855</u>	<u>88,026</u>	<u>90,835</u>	<u>95,137</u>	<u>94,968</u>	<u>95,339</u>	<u>95,056</u>	<u>95,031</u>

Unaudited data for quarters ended (as a percentage of sales)

	<u>Sep 30</u> <u>1999</u>	<u>Jun 30</u> <u>1999</u>	<u>Mar 31</u> <u>1999</u>	<u>Dec 31</u> <u>1998</u>	<u>Sep 30</u> <u>1998</u>	<u>Jun 30</u> <u>1998</u>	<u>Mar 31</u> <u>1998</u>	<u>Dec 31</u> <u>1997</u>
Sales, net	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Cost of goods sold	<u>74</u>	<u>77</u>	<u>74</u>	<u>70</u>	<u>71</u>	<u>74</u>	<u>68</u>	<u>67</u>
Gross profit	26	23	26	30	29	26	32	33
Operating Expenses:								
Selling, general and administrative	20	17	16	14	19	18	14	11
Research and development	5	5	4	3	4	4	3	3
Other charges (1)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3</u>	<u>—</u>	<u>15</u>
Operating income	1	1	6	13	6	1	15	4
Interest income and other, net (2)	<u>3</u>	<u>5</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>2</u>	<u>2</u>
Income before income taxes and minority interest	4	6	7	15	8	2	17	6
Provision for income taxes	—	(1)	(1)	(1)	—	—	(2)	(2)
Minority interest in (income) loss	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net income	<u>4 %</u>	<u>5 %</u>	<u>6 %</u>	<u>14 %</u>	<u>8 %</u>	<u>2 %</u>	<u>15 %</u>	<u>4 %</u>

- Other charges included in the results of operations represent the following: for the quarter ended June 30, 1998, a charge for cessation of certain activities; and for the quarter ended December 31, 1997, the write-off of acquired in-process technology resulting from the acquisitions of Ensoniq Corporation, Cambridge SoundWorks, Inc. and the NetMedia Division of OPTi Inc.
- Net interest and other income were inclusive of net gain from investments of: \$4.4 million for quarter ended September 30, 1999, \$12.6 million for quarter ended June 30, 1999, \$0.2 million for quarter ended March 31, 1999, and \$2.2 million for quarter ended December 31, 1998.

RESULTS OF OPERATIONS

Three Months Ended September 30, 1999 Compared to Three Months Ended September 30, 1998

Sales for the first quarter of fiscal 2000 (Q1/00) decreased by 4%, compared to the same quarter (Q1/99) in the prior year. Audio product sales (Sound Blaster audio cards and chipsets) decreased by 22% and represented 42% of total sales in Q1/00 compared to 51% in Q1/99. The decrease in sales was due to a decline in average selling prices. Sales of multimedia upgrade kits including data storage, decreased by 10% in Q1/00 and represented 24% of sales, compared to 26% in Q1/99. The reduction in sales was due primarily to a decline in average selling prices and reduction in sales volume of upgrade kit. Sales of video and graphics products increased by 51% and represented 13% of sales in Q1/00 compared with Q1/99, when they represented 9% of sales. This increase was attributable to higher demand for Creative's new graphics cards that were introduced subsequent to Q1/99. Sales of speakers increased by 128% and represented 11% of sales in Q1/00 compared with Q1/99, when it represented 4% of sales. The improvement in speaker sales arises mainly from strong growth in sales of Cambridge SoundWorks brand of speakers in both retail and OEM segments of the market. Sales of other products, which includes accessories, music products, communication products and other miscellaneous items, remained flat at 10% of sales in Q1/00, compared to Q1/99.

Gross profit in dollar terms decreased by 12% in Q1/00, as compared to Q1/99. As a percentage of sales, Q1/00 gross profit declined to 26% in Q1/00 compared to 29% in the same quarter last year. The drop in gross margin percentage was largely attributable to a decline in average selling prices of Creative's principal products. In addition, higher revenue contribution from graphics products in Q1/00 as compared to Q1/99, reduces overall gross profit margin percentage as these products carry lower margins.

Q1/00 selling, general and administrative expenses increased by 1% to 20% of sales compared to 19% in Q1/99. This increase arises primary from expenses incurred on the start up of new internet companies. Creative's research and development expenses ("R&D") were higher at 5% of sales in Q1/00, compared to 4% in Q1/99. Higher staffing and associated costs related to the development of new products and enhancement of feature and performance of Creative's existing products contributed to the 1% increase in R&D expenses.

Compared to Q1/99, net interest and other income in Q1/00 increased by 46%. Included in other income for Q1/00 and Q1/99 were gains from sale of investments and marketable securities of \$4.4 million and nil respectively. Interest and other income decreased by \$1.8 million in Q1/00 compared to Q1/99 due to lower interest income contribution resulting from lower average cash balances in Q1/00.

Creative's effective tax rate increased from 9% in Q1/99 to 10% in Q1/00. The increase is due to additional provision for tax liabilities arising upon the expiry of the Singapore pioneer status in March 2000.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as of September 30, 1999 decreased by \$53.8 million to \$265.2 million, compared to the balance at June 30, 1999. During the three month period ended September 30, 1999, operating activities generated net cash amount of \$18.2 million, which included \$25.1 million cash used to purchase marketable equity securities. During the quarter, Creative spent \$55.8 million on investing activities, which included \$54.2 million used in strategic investment of internet companies. Creative also used \$16.2 million on financing activities, which included \$16.5 million in the repurchase and retirement of 1.6 million of Creative's ordinary shares. See "Notes to the Consolidated Financial Statements - Note 6: Share Repurchases."

As of September 30, 1999, in addition to the cash reserves, Creative had unutilized credit facilities totaling approximately \$99.0 million for overdrafts, guarantees and letters of credit. Creative continually reviews and evaluates investment opportunities, including potential acquisitions of and investments in companies that can provide Creative with technologies, subsystems or complementary products that can be integrated into or offered with Creative's existing product range. Management believes that Creative has adequate resources to meet its projected working capital and other cash needs for at least the next twelve months. To date, inflation has not had a significant impact on Creative's operating results.

EFFECTS OF RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. SFAS 133 will be effective for Creative's fiscal year ending June 30, 2000. Management believes that this Statement will not have a significant impact on Creative.

YEAR 2000

The "Year 2000 issue" arises mainly because some systems – Information Technology (IT) and non-IT hardware and software systems – represent the year with only two digits instead of four. As a result, such systems may not properly handle or interpret dates beyond 1999, hence leading to errors in information or systems failures.

A Year 2000 team headed by the Director, Worldwide MIS reporting directly to the Executive Management of Creative has been in place since 1997 to address potential Year 2000 issues in Creative under a corporate-wide Year 2000 program. The Year 2000 team has representation from all subsidiaries and departments in the company. The Year 2000 program covers the following areas in Creative that can be impacted by Year 2000 problems:

- IT systems in use;
- Non-IT systems in use;
- Company's products; and,
- Third party relationships with Creative.

Creative's Year 2000 program is divided into five stages :

- Stage 1: Inventory all systems and third party relationships that are vulnerable to potential Year 2000 problems;
- Stage 2: Check for Year 2000 compliance of inventoried items;
- Stage 3: For non-compliant systems and third party relationships, determine their criticality to the business, recommend and take corrective actions;
- Stage 4: For critical systems and third party relationships, conduct Year 2000 testing; and
- Stage 5: Establish contingency plans for critical systems.

Most of the Creative's products do not process dates or date information, but those which do, generally rely on the operating system software of the PC, on which the Creative's product is being run, to process the date function. Creative has **successfully** reviewed and tested its current products to ensure that all current hardware and software products designed and manufactured by the Company are Year 2000 compliant.

Creative's core IT business systems - hardware, operating systems, systems software, networking and applications software - have been tested and are fully Year 2000 compliant. Besides the core IT business systems, all IT and non-IT systems that are expected to have a material impact on Creative are now Year 2000 ready. Work on residual Year 2000 issues as well as contingency preparations continues and is expected to complete in time before the end of year 1999. Despite the efforts put in to identify all systems that can be impacted by Y2K issues within the company, Creative is aware of the possibility of material non-compliance of its systems subsequently surfacing. Creative expects to address this through its contingency planning that is under way.

A failure of the Company's key suppliers, business partners and other third parties to adequately address their Year 2000 readiness could affect Creative's business. Creative shall continue to monitor the Year 2000 readiness of its key suppliers. As part of its contingency planning efforts, Creative is depending on alternate sources and strategies for any possible critical exposures. From the survey returns to-date no material third party relationships are assessed to be of any Year 2000 related risks.

Creative does not have a separate budget set aside relating to Year 2000 issues. As Creative is continually upgrading and improving its information technology systems and facilities, the costs of addressing Year 2000 issues are integrated into the budgets set aside for such improvements and upgrades. Creative therefore cannot provide an estimate as to cost, if any, it has incurred in addressing Year 2000 issues above and beyond those cost associated with its improvement and upgrade plan.

While Creative is devoting the necessary resources to resolve all significant Year 2000 issues in a timely manner, if such processing issues are not resolved in a timely manner, the Year 2000 issue could have a material impact on its operations and financial condition. The most likely worst case scenarios include:

- hardware or software failures that would prevent our engineers, application developers, procurement and manufacturing staff and research and development staff from effectively performing their duties;
- failure to supply necessary chips and other components by our third party vendors;
- corruption of data contained in our internal information systems; and
- the failure of infrastructure services provided by government agencies and other third parties, including public utilities and internet services.

Based on currently available information, Creative makes the following forward-looking statement: Creative does not believe that the costs of addressing the Year 2000 issue will be material to the company. This is based on the work done to date; the reliance, among other things, on the reliability of Year 2000 declarations made by material third parties and continued availability of key resources within Creative to address Year 2000 issues. Upon entering the Year 2000 a number of other risks and uncertainties could affect Creative, such as utilities failures and scarcity of resources should resolution of Year 2000 issues become necessary. While Creative continues to-date to believe that the Year 2000 matters as discussed will not have a material impact on its business, financial condition or results of operations, it remains uncertain whether or to what extent the company may be affected. There can be no guarantee that such conditions will not change. The estimated costs of and time frame related to this project are based on estimates of the Creative's management, and there can be no assurance that actual costs will not differ materially from the current expectations. Nevertheless, the Creative does not expect that the costs of addressing potential problems relating to the Year 2000 issue will have a material adverse impact on its financial position, results of operations or cash flows in future periods.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES **ABOUT MARKET RISK**

Equity Price Risks: Creative is exposed to equity price risk on its investments in marketable equity securities and quoted investments. An aggregate 10% reduction in market prices of Creative's investments in marketable equity securities, based on a sensitivity analysis of the balance as of September 30, 1999, would have a \$2.5 million adverse effect on Creative's quarterly results. An aggregate 10% reduction in prices of quoted investment would not have a significant unfavorable impact on Creative's financial position or its results.

Interest Rate Risk: Changes in interest rates could impact Creative's anticipated interest income on its cash equivalents and interest expense on its debt. Due to the short duration of Creative cash deposits and terms of its debt, an immediate 10% increase in interest rates would not have a material adverse impact on Creative's future operating results and cash flows.

Foreign Currency Exchange Risk: Creative's sales are substantially denominated in US dollars, which lowers its foreign exchange risk. However, Creative enters into forward exchange contracts to hedge certain account receivables exposures denominated in foreign currencies. These forward exchange contracts are denominated in the same currency as the underlying transactions. Creative does not use derivative financial instruments for trading or speculative purposes. The effect of an immediate 10% change in exchange rates on the forward contracts would not have a material impact on Creative's future operating results or cash flows.

PART II – OTHER INFORMATION

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Annual General Meeting:

At the Annual General Meeting (AGM) of shareholders held on November 9, 1999, the following resolutions, set forth in detail in the Proxy Statement and Circular to Shareholders dated October 12, 1999 filed with Securities and Exchange Commission and incorporated herein by reference, were approved:

RESOLUTIONS:

	FOR	AGAINST
	By show of hands (**By poll of shares)	
Resolution 1: To receive and adopt the Company's Financial Statements, including the Directors' Report, Audited Accounts and Auditors' Report for the fiscal year ended 30 June 1999:	12	1
Resolution 2: To re-elect Mr. Tan Lip-Bu as Director:	12	1
Resolution 3: To approve Directors' fees of S\$120,000:	12	1
Resolution 4: To approve the reappointment of PricewaterhouseCoopers as the Company's independent public accountants for fiscal year 2000 and to authorize the Directors to fix their remuneration:	13	1
Resolution 5: ** To approve the Ordinary Dividend of US\$0.25 per Ordinary Share:	50,119,001	446,164
Resolution 6: To approve the issuance of Ordinary Shares of up to 25% of the issued share capital for the time being from the 1999 AGM Date to the 2000 AGM Date pursuant to Section 161 of the Companies Act:	14	2
Resolution 7: To approve issuance of Ordinary Shares upon exercise of employee share options granted under the Creative Technology Employee Share Option Scheme and the Creative Technology (1999) Share Option Scheme from the 1999 AGM Date to the 2000 AGM Date:	14	2

	FOR	AGAINST
	By show of hand (**By poll of shares)	
Resolution 8:** To approve the repurchase of Ordinary Shares of the Company:	24,563,015	54,799
Resolution 9: To approve the 1999 Employees' Share Purchase Plan:	15	1

Under Creative's Memorandum and Articles of Association, which are in accordance with the Singapore Companies Act, voting at meetings is based on either a show of hands or on a poll of shares held. If the former voting method is used, any shareholder present has a right to request for a poll of shares being voted. At the AGM held on November 9, 1999, voting on resolutions 1,2,3,4,6,7 and 9 was based on show of hands and no shareholder present requested a poll of shares. Voting on resolutions 5 and 8 was based on poll of shares. A total of 134,329 shares abstained from voting on resolution 5 and a total of 26,121,180 shares abstained from voting on resolution 8.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CREATIVE TECHNOLOGY LTD.

[S] Ng Keh Long

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Ng Keh Long
Chief Financial Officer
Date: December 28, 1999