
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, 2000

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 609921**

(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, 2000</u> (Unaudited)	<u>June 30, 2000</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 211,620	\$ 285,757
Marketable equity securities	--	21,156
Accounts receivable, net	125,095	98,923
Inventory	309,920	230,616
Other assets and prepaids	26,496	34,942
Total current assets	<u>673,131</u>	<u>671,394</u>
Property and equipment, net	97,953	96,751
Investments	409,530	395,888
Other non-current assets	11,493	12,426
Total Assets	<u>\$ 1,192,107</u>	<u>\$ 1,176,459</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 227,808	\$ 183,299
Accrued liabilities	114,256	103,756
Income taxes payable	48,924	48,350
Other current liabilities	3,598	4,575
Total current liabilities	<u>394,586</u>	<u>339,980</u>
Long term obligations	27,711	27,051
Minority interest in subsidiaries	30,604	30,790
Shareholders' equity:		
Ordinary shares ('000); S\$0.25 par value;		
Authorized: 200,000 shares		
Outstanding: 78,800 and 80,325 shares	7,588	7,808
Additional paid-in capital	207,679	203,111
Unrealized holding gains on quoted investments	152,338	173,948
Deferred share compensation expense	(16,776)	(15,924)
Retained earnings	388,377	409,695
Total shareholders' equity	<u>739,206</u>	<u>778,638</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,192,107</u>	<u>\$ 1,176,459</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,	
	2000	1999
Sales, net	\$ 304,368	\$ 269,078
Cost of goods sold	211,334	199,062
	93,034	70,016
Gross profit		
Operating expenses:		
Selling, general and administrative	58,102	53,502
Research and development	15,096	12,713
	73,198	66,215
Total operating expenses		
Operating income	19,836	3,801
Gain from investments, net	2,351	4,365
Interest income and other, net	(912)	3,856
	21,275	12,022
Income before income taxes and minority interest		
Provision for income taxes	(3,785)	(1,202)
Minority interest in (income) loss	132	(10)
	17,622	10,810
Net income	\$ 17,622	\$ 10,810
Basic earnings per share	\$ 0.22	\$ 0.13
Average ordinary shares outstanding ('000)	79,848	83,410
Diluted earnings per share	\$ 0.21	\$ 0.13
Average ordinary shares and equivalents outstanding ('000)	84,151	84,855

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

CREATIVE TECHNOLOGY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(Unaudited)

	Three Months Ended September 30,	
	2000	1999
Cash flows from operating activities:		
Net income	\$ 17,622	\$ 10,810
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,864	9,481
Deferred stock compensation amortization	1,493	--
Minority interest in (loss) income	(132)	10
Equity share in loss (income) of unconsolidated investments	186	(5)
Loss (gain) from investments, net	6,709	(613)
 Changes in assets and liabilities, net:		
Accounts receivable	(26,172)	(21,659)
Inventory	(79,304)	5,181
Marketable securities	21,156	(25,144)
Other assets and prepaids	10,225	(2,060)
Accounts payable	44,509	29,077
Accrued and other liabilities	9,533	12,103
Income taxes payable	574	1,052
Net cash provided by operating activities	14,263	18,233
 Cash flows from investing activities:		
Capital expenditures, net	(6,597)	(2,337)
Proceeds from sale of quoted investments	33,516	1,703
Purchase of investments	(75,478)	(54,217)
Increase in other assets, net	(1,806)	(993)
Net cash used in investing activities	(50,365)	(55,844)
 Cash flows from financing activities:		
Decrease in minority shareholders' loan and equity balance	(54)	--
Proceeds from exercise of ordinary share options	2,003	601
Repurchase of ordinary shares	(38,935)	(16,521)
Repayments of long-term obligations, net	(1,044)	(298)
Dividends paid	(5)	--
Net cash used in financing activities	(38,035)	(16,218)
 Net decrease in cash and cash equivalents	(74,137)	(53,829)
Cash and cash equivalents at beginning of year	285,757	318,990
Cash and cash equivalents at end of the period	\$ 211,620	\$ 265,161
 Supplemental disclosure of cash flow information:		
Interest paid	\$ 95	\$ 189
Income taxes paid	\$ 3,211	\$ 150

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, 2000 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 2000 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, 2000 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 or market. Cost is determined using standard cost, appropriately adjusted at balance sheet date to approximate weighted average basis. In the case of finished products and work-in-progress, cost includes materials, direct labor and an appropriate proportion of production overheads. The components of inventory are as follows (in US\$'000):

	<u>September 30,</u> <u>2000</u>	<u>June 30,</u> <u>2000</u>
Raw materials	\$ 191,579	\$ 136,803
Work in progress	59,959	27,293
Finished products	58,382	66,520
	<u>\$ 309,920</u>	<u>\$ 230,616</u>

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 earnings per share is computed using the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of ordinary and potentially dilutive ordinary equivalent shares outstanding during the period. Ordinary 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 ordinary equivalent shares to be purchased using proceeds received from the exercise of such equivalent shares. Other than the dilutive effect of stock options, there are no other financial instruments that would impact the weighted average number of ordinary shares outstanding used for computing diluted earnings per share. The potentially dilutive ordinary equivalent shares outstanding under the employee share purchase plan were not material.

Following is a reconciliation between the average number of ordinary shares outstanding and equivalent shares outstanding (in '000):

	Three months ended September	
	2000	1999
Average ordinary shares outstanding	79,848	83,410
Stock options	4,303	1,445
	<hr/>	<hr/>
Average ordinary shares and equivalent outstanding	84,151	84,855

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. Creative's Pioneer Certificate expired in March 2000. Creative has applied for a separate and new Pioneer Certificate covering a new range of products. If Creative is awarded this new Pioneer Certificate, profits from qualified products under the new Pioneer Certificate will be exempted from tax in Singapore. The Singapore corporate income tax rate of 25.5% will be applicable to the profits of products excluded from the new Pioneer Certificate.

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	
	2000	1999
Net income	\$ 17,622	\$ 10,810
Unrealized holding loss on quoted investments during the quarter	(21,610)	(1,789)
	<hr/>	<hr/>
Total comprehensive (loss) income	\$ (3,988)	\$ 9,021

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
December 31, 1999	1.7	\$15
March 31, 2000	0.4	\$17
June 30, 2000	2.2	\$25
September 30, 2000	1.8	\$22
Total	17.7	\$16

At the 2000 Annual General Meeting (“AGM”) held on November 8, 2000, 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 7.9 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 retained earnings.

NOTE 7 – LEGAL PROCEEDINGS

On September 21, 2000, the U.S. Bankruptcy Court for the Northern District of California, Oakland Division approved the sale to Creative of substantially all of the assets of Aureal Semiconductor, Inc. The sale includes settlement of all outstanding litigation claims between Aureal and Creative. Creative will pay \$28.0 million in cash, plus two new shares of Creative stock for every 100 outstanding shares of Aureal stock, or 208,079 shares of Creative stock. The Creative shares were valued at approximately \$4.35 million, based on the fair market value of Creative stock on September 21, 2000. As a result of the settlement of outstanding litigation with Aureal, Creative recorded a pre-tax charge of \$20.0 million against fiscal 2000 earnings. The court approved sale was completed in November 2000 and Creative recorded the fair values of the assets acquired of approximately \$13 million upon closing.

During the course of its normal business operations, Creative and its subsidiaries are involved from time to time in a variety of intellectual property and other disputes, including claims against Creative alleging copyright infringement, patent infringement and other business torts. Currently such disputes exist with, among other entities, Bose Corporation (an action involving patent claims by Bose and other claims and counterclaims by both sides in the District of Massachusetts and involving Creative and its Cambridge SoundWorks subsidiary), Phonetel Communications, Inc. (an action involving patent claims by Phonetel against a number of companies, including Creative, in the Northern District of Texas); and the Lemelson Foundation (an action involving patent claims by

Lemelson against over 500 entities, including Creative). Creative also from time to time receives licensing inquiries and/or threats of potential future patent claims from a variety of entities, including IBM and Lucent. Creative believes it has valid defenses to the various claims and counterclaims asserted against it. However, should any of these plaintiffs prevail in their claims or counterclaims, Creative does not expect there to be any consequent material adverse effect on its financial position or results of operations.

NOTE 8 - SUBSEQUENT EVENTS

At the Annual General Meeting held on November 8, 2000, Creative's shareholders approved an ordinary dividend of \$0.25 and a special dividend of \$0.25 for each outstanding ordinary share of Creative for the fiscal year ending June 30, 2001. The dividends will be paid on December 15, 2000 to all shareholders of record as of November 29, 2000. Creative paid an ordinary dividend of \$0.25 in the previous fiscal year.

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

Creative's operating results have historically been, and may in the future, be affected by various risk factors, many of which are beyond Creative's control. 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", "anticipate", "plan", or other similar words or phrases, and including any guidance on future products, future marketing efforts, and future revenues, margins, expenses, and earnings) are forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Readers of this Form 6-K are cautioned not to place undue emphasis or reliance on these forward-looking statements, which reflect management's analysis, judgement, belief or expectation only as of the date hereof. These forward-looking statements are subject to certain assumptions, risks and uncertainties that could cause actual results to differ materially from those set forth or implied in the forward looking statements. Such assumptions, risks and uncertainties include, among others: the timely development, ramp, shipment, delivery, and market acceptance of new products, including Creative's next generation audio, graphics accelerator, CD-ROM and DVD drives, communications and personal digital entertainment appliances, including the WebCam line of products and specifically, the NOMAD and NOMAD Jukebox line of products; potential fluctuations in the value and liquidity of Creative's investee companies, including any losses that may result from the recent trend of increased volatility for technology stocks and potential price reductions of carrying values of our investee companies; 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 current and future currency fluctuations, including the exchange rate of the Euro; labor shortages or work stoppages; credit shortages; effects of restricted fuel availability and rising costs of fuel; reductions in the market value of products sold by Creative, including increases in inventory or declines in demand or prices for optical storage devices, board and chip-level products, software, speakers, digital entertainment appliances, and other 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; Creative's reliance on sole sources for many of its chips and other key components; component shortages which may impact Creative's ability to meet customer demand; Creative's ability to protect its proprietary rights; the timing or completion of a subsidiary IPO and/or the valuation that would apply in the event of a consummation of a subsidiary IPO; the volatility of share prices for companies in Creative's industry and the effect of those prices or other events beyond Creative's control; and other risk factors described in Creative's filings with the Securities and Exchange Commission over the past twelve months, including without limitation, Creative's Annual Report on Form 20-F for fiscal 2000. Creative urges you to consider all such factors. 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, 2000, together with the percentage of sales represented by such results. Consistent with the PC peripherals 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
	2000	2000	2000	1999	1999	1999	1999	1998
Sales, net	\$ 304,368	\$ 307,715	\$ 330,022	\$ 436,789	\$ 269,078	\$ 275,134	\$ 313,715	\$ 428,699
Cost of goods sold	<u>211,334</u>	<u>212,739</u>	<u>228,444</u>	<u>306,912</u>	<u>199,062</u>	<u>213,071</u>	<u>232,964</u>	<u>299,308</u>
Gross profit	93,034	94,976	101,578	129,877	70,016	62,063	80,751	129,391
Operating expenses:								
Selling, general and administrative	58,102	59,724	64,167	76,340	53,502	47,966	51,534	58,445
Research and development	15,096	16,460	16,538	14,717	12,713	12,873	11,825	11,681
Other charges (1)	<u>--</u>	<u>20,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Operating income (loss)	19,836	(1,208)	20,873	38,820	3,801	1,224	17,392	59,265
Net gain from investments	2,351	19,211	70,632	9,235	4,365	12,562	239	2,247
Interest income (expense) and other, net	<u>(912)</u>	<u>1,055</u>	<u>(542)</u>	<u>918</u>	<u>3,856</u>	<u>2,488</u>	<u>2,669</u>	<u>3,847</u>
Income before income taxes and minority interest	21,275	19,058	90,963	48,973	12,022	16,274	20,300	65,359
Provision for income taxes	(3,785)	(2,004)	(2,327)	(3,939)	(1,202)	(1,303)	(1,624)	(4,889)
Minority interest in (income) loss	<u>132</u>	<u>349</u>	<u>(317)</u>	<u>(554)</u>	<u>(10)</u>	<u>(235)</u>	<u>(425)</u>	<u>112</u>
Net income	\$ <u>17,622</u>	\$ <u>17,403</u>	\$ <u>88,319</u>	\$ <u>44,480</u>	\$ <u>10,810</u>	\$ <u>14,736</u>	\$ <u>18,251</u>	\$ <u>60,582</u>
Basic earnings per share	\$ <u>0.22</u>	\$ <u>0.21</u>	\$ <u>1.09</u>	\$ <u>0.54</u>	\$ <u>0.13</u>	\$ <u>0.17</u>	\$ <u>0.21</u>	\$ <u>0.66</u>
Average ordinary shares outstanding ('000)	<u>79,848</u>	<u>81,367</u>	<u>81,339</u>	<u>81,999</u>	<u>83,410</u>	<u>85,457</u>	<u>88,398</u>	<u>92,428</u>
Diluted earnings per share	\$ <u>0.21</u>	\$ <u>0.20</u>	\$ <u>1.01</u>	\$ <u>0.52</u>	\$ <u>0.13</u>	\$ <u>0.17</u>	\$ <u>0.20</u>	\$ <u>0.64</u>
Average ordinary shares and equivalents outstanding ('000)	<u>84,151</u>	<u>87,605</u>	<u>87,697</u>	<u>86,291</u>	<u>84,855</u>	<u>88,026</u>	<u>90,835</u>	<u>95,137</u>

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

	<u>Sep 30</u> <u>2000</u>	<u>Jun 30</u> <u>2000</u>	<u>Mar 31</u> <u>2000</u>	<u>Dec 31</u> <u>1999</u>	<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>
Sales, net	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Cost of goods sold	<u>70</u>	<u>69</u>	<u>69</u>	<u>70</u>	<u>74</u>	<u>77</u>	<u>74</u>	<u>70</u>
Gross profit	30	31	31	30	26	23	26	30
Operating Expenses:								
Selling, general and administrative	19	19	20	18	20	17	16	14
Research and development	5	5	5	3	5	5	4	3
Other charges (1)	<u>--</u>	<u>7</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Operating income	6	--	6	9	1	1	6	13
Net gain from investments	1	6	22	2	2	4	--	1
Interest income and other, net	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Income before income taxes and minority interest	7	6	28	11	4	6	7	15
Provision for income taxes	(1)	(1)	(1)	(1)	--	(1)	(1)	(1)
Minority interest in (income) loss	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net income	<u>6 %</u>	<u>5 %</u>	<u>27 %</u>	<u>10 %</u>	<u>4 %</u>	<u>5 %</u>	<u>6 %</u>	<u>14 %</u>

1. Other charges included in the results of operations for the quarter ended June 30, 2000 relate to the settlement of all outstanding litigation claims between Aureal and Creative. See Note 7 of "Notes to Consolidated Financial Statements."

RESULTS OF OPERATIONS

Three Months Ended September 30, 2000 Compared to Three Months Ended September 30, 1999

Sales for the first quarter of fiscal 2001 (Q1/01) increased by 13%, compared to the same quarter (Q1/00) in the prior fiscal year, largely due to an increase in sales of audio, data storage and personal digital entertainment (“PDE”) products. Audio product sales (Sound Blaster audio cards and chipsets) in Q1/01 increased by 15% compared to Q1/00, primarily due to an increase in sales of Sound Blaster Live! and Sound Blaster PCI audio cards. Audio product sales, as a percentage of sales, remained unchanged at 42% in Q1/01, compared to Q1/00. Sales of multimedia upgrade kits, including data storage kits increased by 17% to 25% of sales in Q1/01, compared to 24% of sales in the same quarter in the prior fiscal year. This increase was caused by an increase in sales of CD-ROM, CD-RW and DVD drives, offset by a reduction in sales of audio upgrade kits. Sale of audio upgrade kits, which are composed of a combination of sound cards and data storage drives, declined due to a shift in consumer demand towards stand-alone products. Sales of graphics and video products decrease by 17% and represented 9% of sales in Q1/01, compared to Q1/00, when they represented 12% of sales. This decrease was a result of changes in product offerings and Creative's efforts to promote profitability by focusing on those products that contribute positively towards overall gross margins. Sales of speakers decreased by 6% and represented 9% of sales in Q1/01 compared with Q1/00, when it represented 11% of sales, primarily due to decline in sales of multimedia speakers in OEM segment of the market. Sales of PDE products, which includes digital cameras and digital players increased by 400% and represented 6% of sales in Q1/01, compared to 1% of sales in Q1/00. This increase was mainly due an increase in sales of new PDE products, which includes digital audio players NOMAD II, NOMAD II MG and NOMAD Jukebox and new models of digital cameras WebCam III, WebCam Go and WebCam Go Plus. Sales of other products, which includes communication products, music products, accessories and other miscellaneous items, were 9 % of sales in Q1/01, compared to 10% Q1/00.

Gross profit, as a percentage to sales, improved by 33% to 30% in Q1/01, as compared to 26% in Q1/00. This improvement in gross profit resulted from a favorable product sales mix. Compared to Q1/00, sales in Q1/01 included a larger percentage of higher margin products such as Sound Blaster Live! and Sound Blaster PCI audio cards. Although Creative has experienced an improvement in gross profit percentages in Q1/01 as compared to Q1/00, there can be no assurance that this improvement in the overall gross profit percentages will continue or that Creative can maintain such gross profit percentages in the future.

Selling, general and administrative expenses as a percentage of sales declined to 19% in Q1/01 from 20% in Q1/00. In absolute terms, selling, general and administrative expenses increased by 9% compared to Q1/00, primarily due to increased wage and benefit expenses resulting from a higher headcount in Q1/01 compared to Q1/00. Creative's research and development expenses (“R&D”) as a percentage of sales remained unchanged at 5% of sales in Q1/01, compared to Q1/00.

Results of Q1/01 included net gains from investments of \$2.3 million, compared to \$4.4 million in Q1/00. Net gains from investments of \$2.3 million are comprised of realized gains from sales of investments of \$26.8 million and losses from write-downs of investments of \$24.5 million. Compared to net interest and other income of \$3.9 million in Q1/00, Creative had a net interest and other loss of \$0.9 million in Q1/01, primarily due to exchange loss of \$3.2 million from unfavorable exchange rates. Interest income in Q1/01 declined to \$2.7 million in Q1/01 from \$3.3 million in Q1/00 due to lower average cash balances in Q1/01.

Creative's provision for income taxes for the three months ended September 30, 2000 was 1% of sales. Tax provision as a percentage of income before taxes and minority interest excluding net gains from sale of investments increased from 16% in Q1/00 to 20% in Q1/01. This increase was primarily due to additional provisions for tax liabilities arising upon the expiration of the Singapore pioneer status in March 2000, and changes in the mix of taxable income arising from various geographical regions, where the tax rates range from 0% to 50%. Creative has applied for a separate and new Pioneer Certificate covering a new range of products. If Creative is awarded this new Pioneer Certificate, profits from qualified products under the new Pioneer Certificate will be exempted from tax in Singapore. In the event that Creative fails to obtain the new Pioneer Certificate, future taxable income in Singapore

shall be subjected to a statutory tax rate of 25.5%. There can be no assurance Creative will be awarded a new Pioneer Certificate, or, if awarded, the rate may be higher than historical experience.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as of September 30, 2000 decreased by \$74.1 million to \$211.6 million, compared to the balance at June 30, 2000. During the three month period ended September 30, 2000, operating activities generated net cash amount of \$14.3 million, which included proceeds of \$21.2 million from sale of marketable equity securities. Net cash used in investing activities was \$50.4 million, which included \$75.5 million used to purchase investments, \$8.4 million used to acquire capital and other assets and proceeds from sale of quoted investments amounting to \$33.5 million. Net cash used in financing activities was \$38.0 million. During Q1/01, Creative used \$38.9 million to repurchase and retire 1.8 million of its ordinary shares (See "Notes to the Consolidated Financial Statements - Note 6: Share Repurchases") and \$1.1 million to repay long term obligations. The cash used in financing activities was partially offset by \$2.0 million cash received from exercises of Creative's stock options.

As of September 30, 2000, in addition to the cash reserves, Creative had unutilized credit facilities totaling approximately \$98.4 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 is effective for fiscal years beginning after June 15, 2000 and cannot be applied retroactively. Creative does not believe that the adoption of SFAS 133 will have a material impact on its consolidated financial statements.

In December 1999, the Securities and Exchange Commission's ("SEC") staff issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides the staff's views in applying generally accepted accounting principles to selected revenue recognition issues. Creative adopted SAB No. 101 effective from the first quarter of fiscal year 2001. There was no material impact from the adoption of this statement on Creative's consolidated financial statements.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Equity Price Risks: Creative is exposed to equity price risk on its quoted investments. 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 transacts business mainly in US dollars and most of its revenues are collected in US dollars, however Creative also invoices certain customers in European and Asian currencies. In Q1/01 Creative experienced unfavorable exchange rates resulting in a loss of \$3.2 million. However, Creative occasionally enters into short-term 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.

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 8, 2000, the following resolutions, set forth in detail in the Proxy Statement dated October 16, 2000 filed with Securities and Exchange Commission and incorporated herein by reference, were approved:

RESOLUTIONS:

	FOR	AGAINST
	By show of hands (**By poll of shares)	
<i>Resolution 1:</i> 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 2000:	19	1
<i>Resolution 2:</i> To re-elect Mr. Lee Kheng Nam as Director:	22	2
<i>Resolution 3:</i> To approve Directors' fees of S\$120,000:	20	1
<i>Resolution 4:</i> To approve the reappointment of PricewaterhouseCoopers as the Company's independent public accountants for fiscal year 2001 and to authorize the Directors to fix their remuneration:	19	1
<i>Resolution 5: **</i> To approve the Ordinary Dividend of US\$0.25 per Ordinary Share:	43,916,221	23,483
<i>Resolution 6: **</i> To approve the Special Dividend of US\$0.25 per Ordinary Share:	43,898,201	41,003
<i>Resolution 7:</i> To approve the issuance of Ordinary Shares of up to 25% of the issued share capital for the time being from the 2000 AGM Date to the 2001 AGM Date pursuant to Section 161 of the Companies Act:	18	3

	FOR	AGAINST
	By show of hands (**By poll of shares)	
Resolution 8: 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 2000 AGM Date to the 2001 AGM Date pursuant to Section 161 of the Companies Act:	20	2
Resolution 9: To approve issuance of Ordinary Shares pursuant to the 1999 Employee Share Purchase Plan from the 2000 AGM Date to the 2001 AGM Date pursuant to Section 161 of the Companies Act:	18	2
Resolution 10: To approve amendments to the Creative Technology (1999) Share Option Scheme:	17	2
Resolution 11: To approve the buy back of Ordinary Shares of the Company:	17,955,340	12,452

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 8, 2000, voting on resolutions 1,2,3,4,7,8,9 and 10 was based on show of hands and no shareholder present requested a poll of shares. Voting on resolutions 5,6 and 11 was based on poll of shares. A total of 4,947, 5,547 and 25,510,909 shares abstained from voting on resolution 5, 6 and 11.

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 15, 2000