
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 and Nine Months ended March 31, 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)

	March 31, 2000	June 30, 1999
	(Unaudited)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 283,276	\$ 318,990
Marketable securities	32,263	--
Accounts receivable, net	133,719	130,144
Inventory	179,211	148,028
Other assets and prepaids	23,434	12,709
Total current assets	651,903	609,871
Property and equipment, net	94,359	97,961
Investments	285,590	70,305
Other non-current assets	15,063	27,552
Total Assets	\$ 1,046,915	\$ 805,689
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 132,089	\$ 101,666
Accrued liabilities	84,261	55,684
Income taxes payable	50,835	47,031
Other current liabilities	3,678	4,492
Total current liabilities	270,863	208,873
Long term obligations	25,655	28,642
Minority interest in subsidiaries	8,718	7,913
Shareholders' equity:		
Ordinary shares ('000); S\$0.25 par value;		
Authorized: 200,000 shares		
Outstanding: 81,858 and 83,971 shares	8,032	8,348
Additional paid-in capital	187,425	170,157
Unrealized holding gains on quoted investments	107,720	15,405
Deferred share compensation expense	(7,618)	(5,078)
Retained earnings	446,120	371,429
Total shareholders' equity	741,679	560,261
Total Liabilities and Shareholders' Equity	\$ 1,046,915	\$ 805,689

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		Nine months ended	
	March 31,		March, 31	
	2000	1999	2000	1999
Sales, net	\$ 330,022	\$ 313,715	\$ 1,035,889	\$ 1,021,403
Cost of goods sold	228,444	232,964	734,418	731,428
	101,578	80,751	301,471	289,975
Operating expenses:				
Selling, general and administrative	64,167	51,534	194,009	161,702
Research and development	16,538	11,825	43,968	33,852
	80,705	63,359	237,977	195,554
Operating income	20,873	17,392	63,494	94,421
Gain from investments, net	70,632	239	84,232	2,486
Interest income and other, net	(542)	2,669	4,232	12,133
	90,963	20,300	151,958	109,040
Income before income taxes and minority interest	90,963	20,300	151,958	109,040
Provision for income taxes	(2,327)	(1,624)	(7,468)	(8,617)
Minority interest in income	(317)	(425)	(881)	(77)
	88,319	18,251	143,609	100,346
Net income	\$ 88,319	\$ 18,251	\$ 143,609	\$ 100,346
Basic earnings per share:	\$ 1.09	\$ 0.21	\$ 1.75	\$ 1.10
Average ordinary shares outstanding ('000)	81,339	88,398	82,249	91,271
Diluted earnings per share:	\$ 1.01	\$ 0.20	\$ 1.66	\$ 1.07
Average ordinary shares and equivalents outstanding ('000)	87,697	90,835	86,281	93,646

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)

	Nine Months Ended March 31,	
	2000	1999
Cash flows from operating activities:		
Net income	\$ 143,609	\$ 100,346
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,110	28,916
Deferred stock compensation amortization	2,395	--
Minority interest in income	881	77
Equity share in (income) loss of unconsolidated investments	(4)	18
Write off of investments and other non-current assets	9,793	--
Realised net gain from sale of investments	(75,354)	(2,486)
Changes in assets and liabilities, net:		
Accounts receivable	(3,575)	(47,827)
Inventory	(31,183)	13,446
Marketable securities	(32,263)	--
Other assets and prepaids	(7,949)	(1,723)
Accounts payable	30,423	37,018
Accrued and other liabilities	27,797	(362)
Income taxes payable	3,804	2,082
Net cash provided by operating activities	93,484	129,505
Cash flows from investing activities:		
Capital expenditures, net	(11,193)	(12,327)
Proceeds from sale of quoted investments	115,660	14,391
Purchase of investments, net	(172,717)	(45,359)
(Increase) decrease in other assets, net	(994)	133
Net cash used in investing activities	(69,244)	(43,162)
Cash flows from financing activities:		
Decrease in minority shareholders' loan and equity balance	(76)	(105)
Proceeds from exercise of ordinary share options	12,017	3,672
Repurchase of ordinary shares	(48,361)	(110,419)
Repayments of long-term obligations, net	(2,977)	(3,178)
Dividends paid	(20,557)	(45,044)
Net cash used in financing activities	(59,954)	(155,074)
Net decrease in cash and cash equivalents	(35,714)	(68,731)
Cash and cash equivalents at beginning of year	318,990	417,262
Cash and cash equivalents at end of the period	\$ 283,276	\$ 348,531
Supplemental disclosure of cash flow information:		
Interest paid	\$ 332	\$ 1,024
Income taxes paid	\$ 3,663	\$ 6,535

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 and nine months period ended March 31, 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 (first-in, first-out) or market. The components of inventory are as follows (in US\$'000):

	March 31, 2000	June 30, 1999
Raw materials	\$ 110,880	\$ 95,290
Work in progress	17,706	18,406
Finished products	50,625	34,332
	\$ 179,211	\$ 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.

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

	Three months ended March 31,		Nine months ended March 31,	
	2000	1999	2000	1999
Average ordinary shares outstanding	81,339	88,398	82,249	91,271
Stock options	6,358	2,437	4,032	2,375
Average ordinary shares and equivalent outstanding	87,697	90,835	86,281	93,646

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 in Singapore has expired in March 2000 and Creative is currently in the process of applying for a 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 March 31,		Nine months ended March 31,	
	2000	1999	2000	1999
Net income	\$ 88,319	\$ 18,251	\$ 143,609	\$ 100,346
Unrealized gain (loss) on quoted investments	(60,297)	621	92,315	(5,539)
Total comprehensive income	\$ 28,022	\$ 18,872	\$ 235,924	\$ 94,807

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
Total	13.7	\$14

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. Since the commencement of the program in November 1998 till the 1999 AGM, Creative has obtained shareholders’ approval to purchase up to 26.5 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 - 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. Dividends of \$20.6 million were paid on December 17, 1999 to all shareholders on 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.

NOTE 8- LEGAL PROCEEDINGS

Creative is involved in litigation with Aural Semiconductor, Inc. regarding alleged patent infringement and false advertising. On April 5, 2000, however, Aural Semiconductor filed for bankruptcy and all proceedings between the parties were stayed pending resolution of the bankruptcy action. It is unclear when the stay in bankruptcy will be lifted or what position Aural Semiconductor, a reorganized Aural Semiconductor, or Aural Semiconductor’s successor-in-interest will take with respect to the litigation once the stay is lifted. Creative will reevaluate its options after the stay is lifted.

NOTE 9- RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

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 assumptions, risks and uncertainties that could cause actual results to differ materially from those set forth in the forward looking statements. Such assumptions, risks and uncertainties include, among others: potential fluctuations in the value and liquidity of Creative's investee companies; 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; 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 optical storage devices, 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 development, ramp, delivery and market acceptance of new products, including Creative's next generation audio, graphics accelerator, CD-RW, CD-ROM and DVD drives, communications and personal digital entertainment 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 March 31, 2000, 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)							
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
	2000	1999	1999	1999	1999	1998	1998	1998
Sales, net	\$ 330,022	\$ 436,789	\$ 269,078	\$ 275,134	\$ 313,715	\$ 428,699	\$ 278,989	\$ 253,009
Cost of goods sold	<u>228,444</u>	<u>306,912</u>	<u>199,062</u>	<u>213,071</u>	<u>232,964</u>	<u>299,308</u>	<u>199,156</u>	<u>188,210</u>
Gross profit	101,578	129,877	70,016	62,063	80,751	129,391	79,833	64,799
Operating expenses:								
Selling, general and administrative	64,167	76,340	53,502	47,966	51,534	58,445	51,723	43,899
Research and development	16,538	14,717	12,713	12,873	11,825	11,681	10,346	10,615
Other charges (1)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,268</u>
Operating income	20,873	38,820	3,801	1,224	17,392	59,265	17,764	2,017
Net gain from investments	70,632	9,235	4,365	12,562	239	2,247	--	--
Interest income and other, net	<u>(542)</u>	<u>918</u>	<u>3,856</u>	<u>2,488</u>	<u>2,669</u>	<u>3,847</u>	<u>5,617</u>	<u>3,172</u>
Income before income taxes and minority interest	90,963	48,973	12,022	16,274	20,300	65,359	23,381	5,189
Provision for income taxes	(2,327)	(3,939)	(1,202)	(1,303)	(1,624)	(4,889)	(2,104)	(883)
Minority interest in (income) loss	<u>(317)</u>	<u>(554)</u>	<u>(10)</u>	<u>(235)</u>	<u>(425)</u>	<u>112</u>	<u>236</u>	<u>491</u>
Net income	\$ <u>88,319</u>	\$ <u>44,480</u>	\$ <u>10,810</u>	\$ <u>14,736</u>	\$ <u>18,251</u>	\$ <u>60,582</u>	\$ <u>21,513</u>	\$ <u>4,797</u>
Basic earnings per share	\$ <u>1.09</u>	\$ <u>0.54</u>	\$ <u>0.13</u>	\$ <u>0.17</u>	\$ <u>0.21</u>	\$ <u>0.66</u>	\$ <u>0.23</u>	\$ <u>0.05</u>
Average ordinary shares outstanding ('000)	<u>81,339</u>	<u>81,999</u>	<u>83,410</u>	<u>85,457</u>	<u>88,398</u>	<u>92,428</u>	<u>92,989</u>	<u>92,218</u>
Diluted earnings per share	\$ <u>1.01</u>	\$ <u>0.52</u>	\$ <u>0.13</u>	\$ <u>0.17</u>	\$ <u>0.20</u>	\$ <u>0.64</u>	\$ <u>0.23</u>	\$ <u>0.05</u>
Average ordinary shares and equivalents outstanding ('000)	<u>87,697</u>	<u>86,291</u>	<u>84,855</u>	<u>88,026</u>	<u>90,835</u>	<u>95,137</u>	<u>94,968</u>	<u>95,339</u>

Unaudited data for quarters ended (as a percentage of sales)								
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
	2000	1999	1999	1999	1999	1998	1998	1998
Sales, net	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Cost of goods sold	<u>69</u>	<u>70</u>	<u>74</u>	<u>77</u>	<u>74</u>	<u>70</u>	<u>71</u>	<u>74</u>
Gross profit	31	30	26	23	26	30	29	26
Operating Expenses:								
Selling, general and administrative	20	18	20	17	16	14	19	18
Research and development	5	3	5	5	4	3	4	4
Other charges (1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
Operating income	6	9	1	1	6	13	6	1
Net gains from investments	22	2	2	4	-	1	-	-
Interest income and other, net	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>
Income before income taxes and minority interest	28	11	4	6	7	15	8	2
Provision for income taxes	(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>27 %</u>	<u>10 %</u>	<u>4 %</u>	<u>5 %</u>	<u>6 %</u>	<u>14 %</u>	<u>8 %</u>	<u>2 %</u>

1. Results of operations for the quarter ended June 30, 1998, included a one-time other charge for cessation of certain activities.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2000 Compared to Three Months Ended March 31, 1999.

Sales for the third quarter of fiscal 2000 (Q3/00) ended March 31, 2000, increased by 5%, compared to the same quarter (Q3/99) in the prior fiscal year. Audio product sales (Sound Blaster audio cards and chipsets) increased by 44% and represented 39% of sales in Q3/00, compared to 28% of sales in Q3/99. This improvement in sales was primarily due to an increase in sales of Sound Blaster Live! and Sound Blaster PCI sound cards. Sales of multimedia upgrade kits, including data storage, decreased by 37% in Q3/00 and represented 20% of sales, compared to 33% of sales in Q3/99. This reduction in sales was primarily due to a decline in sales of audio kits, DVD drives, and CD-ROM drives, offset in part by increased sales of CD-RW (Compact Disk ReWritable) drives. Sales of DVD drives declined primarily due to component shortages while the decline in sales of CD-ROM was due primarily to lower average selling prices. Sales of video and graphics products including digital cameras, decreased by 14% and represented 20% of sales in Q3/00, compared with Q3/99, when they represented 25% of sales. This decrease in sales was primarily attributable to component shortages for the 3D Blaster Annihilator, and the phase out of low-end graphics and video cards. The decline in sales of video and graphics products was offset in part by an increase in sales of digital cameras. Sales of speakers increased by 70% and represented 11% of sales in Q3/00, compared with Q3/99, when they represented 7% of sales. This improvement in speaker sales was a result of strong growth in the sales of multi-media speakers as a result of broader market acceptance. Sales of other products, which included accessories, music products, communication products and other miscellaneous items, increased by 49% and represented 10% of sales in Q3/00, compared to 7% of sales in Q3/99. This increase in other product sales was primarily due to increase in sales of communication products.

Gross profit increased by 26% as compared to Q3/00. As a percentage of sales, gross margin for Q3/00 was 31% as compared to 26% in Q3/99. The principal reason for this increase was improved sales of high margin audio and speaker products.

Q3/00 selling, general and administrative expenses increased by 25% to 20% of sales, compared to 16% of sales in Q3/99. This increase was primarily a result of \$11.0 million expenses incurred to promote Creative's internet businesses. Creative's research and development ("R&D") expenses increased to 5% of sales in Q3/00, compared to 4% of sales in Q3/99, primarily due to an increase in expenditures on the development of new speaker systems and digital audio players.

In Q3/00, Creative's net gain from investments was \$70.6 million, compared to \$0.2 million in Q3/99. Net interest and other income and expense decreased by \$3.2 million to a loss of \$0.5 million in Q3/00, compared to net other income of \$2.7 in Q3/99. This decline was mainly due to lower interest income resulting from a lower average cash balance during the quarter and an adverse impact of unfavorable foreign currency exchange rates.

Creative's provision for income taxes for the three months ended March 31, 2000 increased by 43%, compared to the corresponding quarter in the prior fiscal year. Tax provision as a percentage of income before taxes and minority interest excluding net gain from sale of investments has increased from 8% in Q3/99 to 11% in Q3/00. The increase was primarily due to a change in the mix of taxable income arising from various geographical regions, where the tax rates range from 0% to 50%. Creative's Pioneer Certificate expired in March 2000 and Creative is currently in the process of applying for a new Pioneer Certificate. In the event that Creative fails to obtain the new Pioneer Certificate, the taxable income in Singapore shall be subjected to a statutory tax rate of 25.5%.

Nine months Ended March 31, 2000 Compared to Nine months Ended March 31, 1999.

Sales for the first nine months of fiscal year 2000 increased by 1%, compared to the corresponding period in fiscal year 1999. Audio product sales (Sound Blaster audio cards and chipsets) for the nine months ended March 31, 2000, increased by 1% and represented 40% of total sales, compared with 39% of sales for the comparable period in the prior fiscal year. This improvement in sales was primarily due to strong sales of Sound Blaster Live! and Sound

Blaster PCI sound cards during Q3/00. Sales of multimedia upgrade kits including data storage, decreased by 14% and represented 22% of sales in the nine months ended March 31, 2000, compared to 26% of sales in the corresponding period in the prior fiscal year. Major reasons for this decline were reductions in sales of audio upgrade kits, DVD drives and CD-ROM drives, partially offset by increased sales of CD-RW drives. Sales of DVD drives declined primarily due to supply shortages of components. Sales of video and graphics products including digital cameras, decreased by 10% and represented 18% of sales for the nine months ended March 31, 2000, compared with 21% of sales for the corresponding period in the prior fiscal year. This decrease in sales was primarily due to component shortages for the 3D Blaster Annihilator, and the phased out of low-end graphics and video cards. The decline in sales of video and graphics products is offset in part by an increase in sales of digital cameras. Sales of speakers increased by 77% to 11% of sales in the nine months period ended March 31, compared to comparable period in the prior fiscal year when it represented 6% of sales. This improvement in speaker sales was due to a strong growth in sales of multi-media speakers. Sales of other products, which includes accessories, music products, communication products and other miscellaneous items increased by 23% in the nine months ended March 31, 2000, and represented 9% of sales, compared with 8% in the corresponding period of fiscal year 1999. This improvement in sales was largely due to an increase in sales of communication products and digital audio players.

Gross profit for the nine months ended March 31, 2000 improved by 4% as compared to the corresponding period in fiscal 1999. As a percentage of sales, gross margin for the nine months ended March 31, 2000 was 29% as compared to 28% in the corresponding period in fiscal 1999. This improvement in gross margin percentage was largely attributable to the increase in sales of high margin audio and speaker products.

Selling, general and administrative expenses were 19% of sales in the nine months period ended March 31, 2000, compared to 16% of sales in the same period in fiscal 1999. This increase was primarily a result of expenses incurred to launch and promote Creative's new internet businesses. Research and development expenses for the nine months ended March 31, 2000 increased to 4% of sales, compared with 3% of sales in the same period in the prior fiscal year, primarily due to an increase in expenditures on the development of new speaker systems and digital audio players.

During the first nine months of fiscal year 2000, Creative's net gain from investments was \$84.2 million, compared to \$2.5 million in the same period in prior fiscal year. Net interest and other income for the nine months period ended March 31, 2000 decreased by \$7.9 million to \$4.2 million, compared with the corresponding period in fiscal 1999. The decline was primarily a result of a reduction in interest income arising from a lower average cash balance during the period and an adverse impact of foreign currency exchange rate fluctuations.

Creative's provision for income taxes for the nine months ended March 31, 2000 decreased by 13%, compared to the corresponding period in prior fiscal year. This decrease was primarily attributable to a change in income mix arising from various geographical regions, where the tax rates range from 0% to 50%. Creative's Pioneer Certificate expired in March 2000 and Creative is currently in the process of applying for a new Pioneer Certificate. In the event that Creative fails to obtain the new Pioneer Certificate, the taxable income in Singapore shall be subjected to a statutory tax rate of 25.5%.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as of March 31, 2000 decreased by \$35.7 million to \$283.3 million compared to the balance at June 30, 1999. During the nine month period ended March 31, 2000, operating activities generated net cash of \$93.5 million. This balance is net of \$32.3 million cash used to purchase marketable securities. Net cash used in investing activities was \$69.2 million and this balance includes the purchase of investments of \$172.7 million and acquisition of capital and other assets amounting to \$12.2 million. The cash used in investing activities was offset in part by the proceeds from sale of quoted investments amounting to \$115.7 million during the nine months period ended March 31, 2000. Net cash used in financing activities was \$60.0 million. \$48.4 million was used to purchase and retire 3.7 million of Creative's ordinary shares, \$20.6 million for dividend payment, and \$3.0 million to repay long term obligations. The cash used in financing activities was offset in part by cash generated from exercises of Creative's

stock options amounts to \$12.0 million. See "Notes to the Consolidated Financial Statements - Note 6: Share Repurchases and Note 7: Dividend."

As of March 31, 2000, in addition to the cash reserves, Creative had unutilized credit facilities totaling approximately \$98.1 million for overdrafts, guarantees and letters of credit. Creative continually reviews and evaluates investment opportunities, including potential acquisitions of 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. Further, Creative from time to time evaluates various alternatives with regard to its businesses, including those of its subsidiaries. Such alternatives may include third party financing and/or offerings to the public. 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.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition," which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the Securities and Exchange Commission. SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. SAB 101 is effective for the fiscal quarter beginning September 30, 2000, however earlier adoption is permitted. Creative has not yet determined the impact, if any, that adoption will have on its consolidated financial statements.

In April 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation – an interpretation of APB Opinion No. 25" ("FIN 44"). Among other issues, FIN 44 clarifies (a) the definition of employee for purposes of applying Opinion No. 25, (b) the criteria for determining whether a plan qualifies as a non-compensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. Creative currently complies with the provisions of FIN 44.

YEAR 2000

Beginning in 1997, Creative, including all of our subsidiaries, took steps designed to ensure that our products, information technology and facilities computer systems were Year 2000 compliant. To date, Creative has not experienced material Year 2000 issues with regard to our internal systems or with regard to any third party systems. Our expenditures relating to Year 2000 compliance have not been material. Despite the fact that the Year 2000 has commenced and Creative has experienced no problems to date, Creative cannot assure that the risks posed by Year 2000 issues will not adversely affect its business in the future, either as a result of unanticipated difficulties related to its own systems or to third parties.

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 March 31, 2000, would have a \$3.2 million adverse effect on Creative's quarterly results of operations and financial position. An aggregate 10% reduction in prices of quoted investment would not have a significant unfavorable impact on Creative's financial position or its results of operations.

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 from time to time enters into forward exchange contracts to hedge certain accounts receivable 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.

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: June 29, 2000**