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Issuer: Creative Technology Ltd.

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Meeting details:

Date: 25 Oct 2024

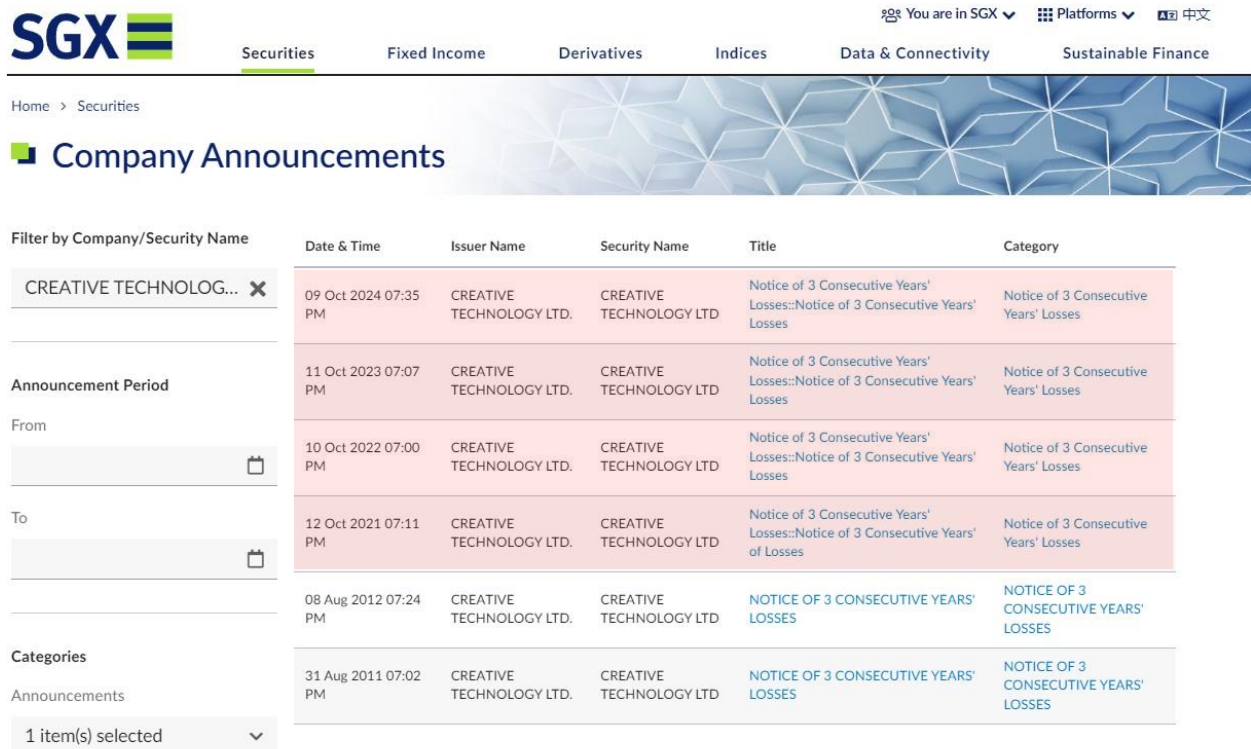
Time: 10.30 a.m.

Venue: 31 International Business Park, #03-01, Singapore 609921

Q1. As mentioned in the message by the chairman and CEO, the group reported a loss of US\$(11) million in FY2024, following a loss of US\$(17) million in FY2023. Revenue increased to US\$63 million compared to US\$56 million in the previous year..

- (i) **Can management share a detailed analysis of the key drivers behind the revenue growth in FY2024? What specific actions are being taken to sustain and capitalise on this positive sales momentum going forward?**

Despite the losses, group continues to add products to its diverse portfolio. It was mentioned that the group is undertaking a restructuring in late FY2024 to trim expenses and increase operating efficiency.



The screenshot shows the SGX website's 'Company Announcements' page for CREATIVE TECHNOLOGY LTD. The page includes a navigation bar with 'Securities', 'Fixed Income', 'Derivatives', 'Indices', 'Data & Connectivity', and 'Sustainable Finance'. The main content area displays a table of announcements filtered by company name. The table has columns for Date & Time, Issuer Name, Security Name, Title, and Category. The announcements listed are:

Filter by Company/Security Name	Date & Time	Issuer Name	Security Name	Title	Category
CREATIVE TECHNOLOG... X	09 Oct 2024 07:35 PM	CREATIVE TECHNOLOGY LTD.	CREATIVE TECHNOLOGY LTD	Notice of 3 Consecutive Years' Losses::Notice of 3 Consecutive Years' Losses	Notice of 3 Consecutive Years' Losses
Announcement Period	11 Oct 2023 07:07 PM	CREATIVE TECHNOLOGY LTD.	CREATIVE TECHNOLOGY LTD	Notice of 3 Consecutive Years' Losses::Notice of 3 Consecutive Years' Losses	Notice of 3 Consecutive Years' Losses
From	10 Oct 2022 07:00 PM	CREATIVE TECHNOLOGY LTD.	CREATIVE TECHNOLOGY LTD	Notice of 3 Consecutive Years' Losses::Notice of 3 Consecutive Years' Losses	Notice of 3 Consecutive Years' Losses
To	12 Oct 2021 07:11 PM	CREATIVE TECHNOLOGY LTD.	CREATIVE TECHNOLOGY LTD	Notice of 3 Consecutive Years' Losses::Notice of 3 Consecutive Years' of Losses	Notice of 3 Consecutive Years' Losses
Categories	08 Aug 2012 07:24 PM	CREATIVE TECHNOLOGY LTD.	CREATIVE TECHNOLOGY LTD	NOTICE OF 3 CONSECUTIVE YEARS' LOSSES	NOTICE OF 3 CONSECUTIVE YEARS' LOSSES
Announcements	31 Aug 2011 07:02 PM	CREATIVE TECHNOLOGY LTD.	CREATIVE TECHNOLOGY LTD	NOTICE OF 3 CONSECUTIVE YEARS' LOSSES	NOTICE OF 3 CONSECUTIVE YEARS' LOSSES

1 item(s) selected

(Source: <https://www.sgx.com/securities/company-announcements?value=CREATIVE%20TECHNOLOGY%20LTD.&type=company&ANNC=ANNC21>)

The group has in fact suffered six consecutive years of losses. At the group and company level, the accumulated losses were US\$(27.1) million and US\$(50.1) million as at 30 June 2024.

- (ii) **What prompted the board to initiate a restructuring only at the end of FY2024, after the group had already suffered years of losses? Does the board now see the situation as a potential crisis threatening the group's long-term survival?**

- (iii) **What are the strategic objectives of the restructuring exercise? How will it impact the group's overall cost structure and operational efficiency? Could management outline the expected financial and operational improvements?**

The group launched several key products in the Pebble, Sound Blaster, Sound Bar, and Bluetooth speaker series with the hopes of strengthening its market position and drive growth in the speaker category. It is also going to introduce new headphones incorporating MEM technology, SXFI technology, and Mimi Sound Personalization feature to ride on the successful launch of the Aurvana Ace MEM models last year.

- (iv) **Can management provide quantitative metrics—such as sales volume, market share, and profit margins—to substantiate the success of Aurvana Ace MEM models?**
- (v) **With regard to the group's numerous new launches, what financial evaluation framework and risk management practices did the board adopt before greenlighting the new product launches? Given the underperformance of earlier product lines, what key performance indicators have been set for the new products, and how will they influence subsequent product strategy?**
- (vi) **How confident is management about the commercial success of the newly launched SXFI headphones and why should this version of SXFI headphones perform better than previous products?**
- (vii) **Is the board evaluating strategic options to ensure the group's long-term viability?**

Q2. “Inventory valuation” is a key audit matter (KAM) highlighted by the independent auditors in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, total gross inventory and allowance for obsolescence as of 30 June 2024 amounted to US\$28.0 million and US\$6.9 million, respectively. Inventory valuation is a key audit matter because the inventory and related allowance are:

- Material to the financial statements;
- Subject to a high level of judgement; and
- Exposed to uncertainty, due to the short product life cycle of audio and personal digital entertainment products, changing demands of consumers, and rapid technological changes.

High levels of inventories were built up in the last quarter of FY2024 to “*cushion the effects of supply chain disruptions*”.

- (i) **Can management provide more details on the nature and extent of the supply chain disruptions?**
- (ii) **What quantitative and qualitative factors were considered in establishing the allowance for inventory obsolescence? Can management share the sensitivity analysis around these assumptions?**
- (iii) **What is the average age of inventory? Can the board provide the detailed ageing analysis of inventories?**
- (iv) **Is management measuring and tracking inventory turnover days/ratio and how does it compare to industry benchmarks?**

Q3. As noted in the corporate governance report, Mr Lee Kheng Nam and Mr Ng Kai Wa will be re-designated as non-independent non-executive directors after the 2024 AGM.

Mr Lee Kheng Nam has been a director since 1991 and Mr Ng Kai Wa since 2005.

- (i) **What has been the total shareholder return (TSR) over the past 5, 10 and 20 years?**
- (ii) **Can the board, especially the nominating committee, help shareholders better understand if the redesignation of the long-tenured director will delay the progressive renewal of the board?**
- (iii) **Given their extensive tenure, how do Mr Lee Kheng Nam and Mr Ng Kai Wa plan to contribute differently as non-independent directors? What additional value or strategic oversight will they be able to provide going forward?**
- (iv) **Did the directors consider stepping aside for new blood on the board to reinvigorate the board and to chart out new strategic directions?**
- (v) **Can the board elaborate further on its diversity policy and the progress made in this area? Does the board have the desired level of diversity, including diversity of age, background, experience, gender, skills, etc?**

The CEO, Mr Song Siow Hui, and the CFO, Mr Ng Keh Long, joined Creative in July and April 1993.

- (vi) **What are the succession plans for key management personnel? What is the depth of bench strength of senior management? What proactive measures are being implemented to strengthen the leadership pipeline, especially given the long tenures of key management personnel?**
- (vii) **Are there challenges in recruiting and retaining talent? What is management's strategy to overcome this?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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