

DISPOSAL OF OFFICE BUILDING IN THE UNITED STATES OF AMERICA

A. Introduction

1. The Board of Directors of Creative Technology Ltd. (the “Company” and together with its subsidiaries, the “Group”) wishes to announce that its wholly-owned subsidiary, C L Realty Inc. (the “Seller”), has on 7 July 2021 entered into a Purchase and Sale Agreement (the “Agreement”) with an unrelated party (the “Buyer”), for the proposed sale of its property (“the Proposed Transaction”) located at 1901 McCarthy Boulevard, Milpitas, California, USA (the “Property”).
2. The Property is a two-storey office building of approximately 57,536 sq. ft. on approximately 152,460 sq. ft. of land. It is currently used by the Company’s subsidiaries for its operations in the United States of America.

B. Purchase Consideration

3. The purchase consideration of the Property is US\$11.13 million (the “Purchase Consideration”) which was arrived at on a “willing-buyer, willing-seller” basis, taking into account, *inter alia*, the prevailing market conditions and the current market prices of properties in the surrounding area.
4. The Purchase Consideration shall be paid according to the following schedule:
 - i. upon signing the Agreement, the Buyer will pay a deposit of US\$1.0 million (“Deposit”) into an escrow account which is refundable to the Buyer if the results of the due diligence review on the property conducted by the Buyer is not satisfactory; and
 - ii. upon completion of the Proposed Transaction, the Deposit together with the balance of the Purchase Consideration shall be paid to the Seller.

C. Conditions

5. Completion of the Proposed Transaction, expected in the first half year of the financial year ending 30 June 2022, is subject to and contingent on among other conditions, satisfactory results of the due diligence review on the Property to be conducted by the Buyer.

D. Rationale for the Proposed Transaction and Use of Cash Proceeds

6. The Board of Directors is of the view that the Proposed Transaction is in the best interests of the Group as it allows the Group to unlock the value of the asset. The Proposed Transaction will realise net cash proceeds of approximately US\$9.7 million, after estimated expenses and taxes relating to the Proposed Transaction. The Group intends to deploy the net proceeds from the Proposed Transactions for use as general working capital.

E. Financial Effects of the Proposed Transaction

7. Gain on sale of the Property

The Proposed Transaction is expected to contribute US\$9.1 million to the Group's net profit after tax, after accounting for the net book value of the Property of US\$0.6 million and estimated expenses and taxes relating to the Proposed Transaction.

8. Net Tangible Assets ("NTA")

For illustrative purposes only, assuming that the Proposed Transaction had been effected as at 30 June 2020 ("FY2020"), being the date to which the latest full year audited consolidated financial statements of the Group were made up and after accounting for the gain on sale of the Property as described in paragraph 7 above, the Proposed Transaction would have the following pro forma effect on the Group's NTA as presented in the table below:

As at 30 June 2020	Before Proposed Transaction	After Proposed Transaction
NTA (US\$ '000)	92,363	101,461
NTA per share (US\$)	1.31	1.44

9. Earnings per Share ("EPS")

For illustrative purposes only, assuming that the Proposed Transaction had been effected as at 1 July 2019, being the start of the latest full year audited consolidated financial statements of the Group and after accounting for the gain on sale of the Property as described in paragraph 7 above, the Proposed Transaction would have the following pro forma effects on the Group's EPS as presented in the following table:

For FY2020	Before Proposed Transaction	After Proposed Transaction
Consolidated Net Loss (US\$'000)	(17,569)	(8,471)
EPS (\$US):		
Basic	(0.25)	(0.12)
Fully Diluted	(0.25)	(0.12)

F. Application of Rule 1006 of the Listing Manual

10. The relative figures computed on the bases set out in the Rule 1006 of the Listing Manual are as follows:

Rule 1006(a) – The net asset value of the assets to be disposed of compared to Group's net asset value.	0.6%*
Rule 1006(b) – The net profit attributable to the assets disposed of compared with Group's net profit.	Not Applicable**
Rule 1006(c) – The aggregate value of the consideration received compared with the Company's market capitalization as at the close of business day on 6 July 2021.	8.3%***
Rule 1006(d) – The number of equity securities issued by the Company as consideration for an acquisition.	Not applicable

Note:

* The net asset value of the Property as at 31 December 2020 was US\$0.6 million. The Group's net asset value as at 31 December 2020 was US\$93.2 million. The relative figure for the net asset value of the Property compared to Group's net asset value as at 31 December 2020 was US\$0.6 million / US\$93.2 million, which was equivalent to 0.6%.

** The Group did not derive any income from the Property.

*** The aggregate value of consideration is US\$11.1 million. The Company's market capitalization as at 6 July 2021 was US\$133.9 million (S\$180.9 million). The relative figure for the aggregate value of consideration received compared to the Company's market capitalization as at 6 July 2021 was US\$11.1 million / US\$133.9 million, which was equivalent to 8.3%.

As the relative figures computed above exceed 5% but do not exceed 20%, the Proposed Transaction is considered a "disclosable transaction" as defined in Chapter 10 of the Listing Manual.

G. Interests of Directors and Substantial Shareholders

11. None of the Directors and substantial shareholders of the Company has any direct or indirect interest in the Proposed Transaction except for their respective shareholdings in the Company (if any).

By Order of the Board

Ng Keh Long
Company Secretary

8 July 2021