STOCK CODE:1337

ANNUAL REPORT 2017

RAZER INC.

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

OUR VISION

TO BE THE WORLD'S LEADING LIFESTYLE BRAND FOR GAMERS

CONTENTS

CORPORATE INFORMATION


BLACKWIDOW
ENGINEERED FOR
DURABILITY
BY GAMERS.
FOR GAMERS.
BY GAMERS.
FOR GAMERS.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Min-Liang TAN *(Chairman & Chief Executive Officer)*
Mr. KHAW Kheng Joo
Mr. CHAN Thiong Joo Edwin

Non-executive Director

Mr. LIM Kaling

Independent Non-executive Directors

Mr. Gideon YU
Mr. CHAU Kwok Fun Kevin
Mr. LEE Yong Sun

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. CHAU Kwok Fun Kevin *(Chairman)*
Mr. Gideon YU
Mr. LEE Yong Sun

REMUNERATION COMMITTEE

Mr. Gideon YU *(Chairman)*
Mr. Min-Liang TAN
Mr. CHAU Kwok Fun Kevin

NOMINATION COMMITTEE

Mr. LEE Yong Sun *(Chairman)*
Mr. LIM Kaling
Mr. CHAU Kwok Fun Kevin

JOINT COMPANY SECRETARIES

Mr. CHOO Wei Pin
Ms. CHAN Wai Ling

AUDITORS

KPMG
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

COMPLIANCE ADVISOR

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square
8 Connaught Place, Central
Hong Kong

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309 Ugland House
Grand Cayman KY1-1104, Cayman Islands

CORPORATE HEADQUARTERS

201 3rd Street, Suite 900
San Francisco, CA 94103, United States

514 Chai Chee Lane
#07-05, Singapore 469029

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman KY1-1102, Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INVESTOR RELATIONS CONTACT

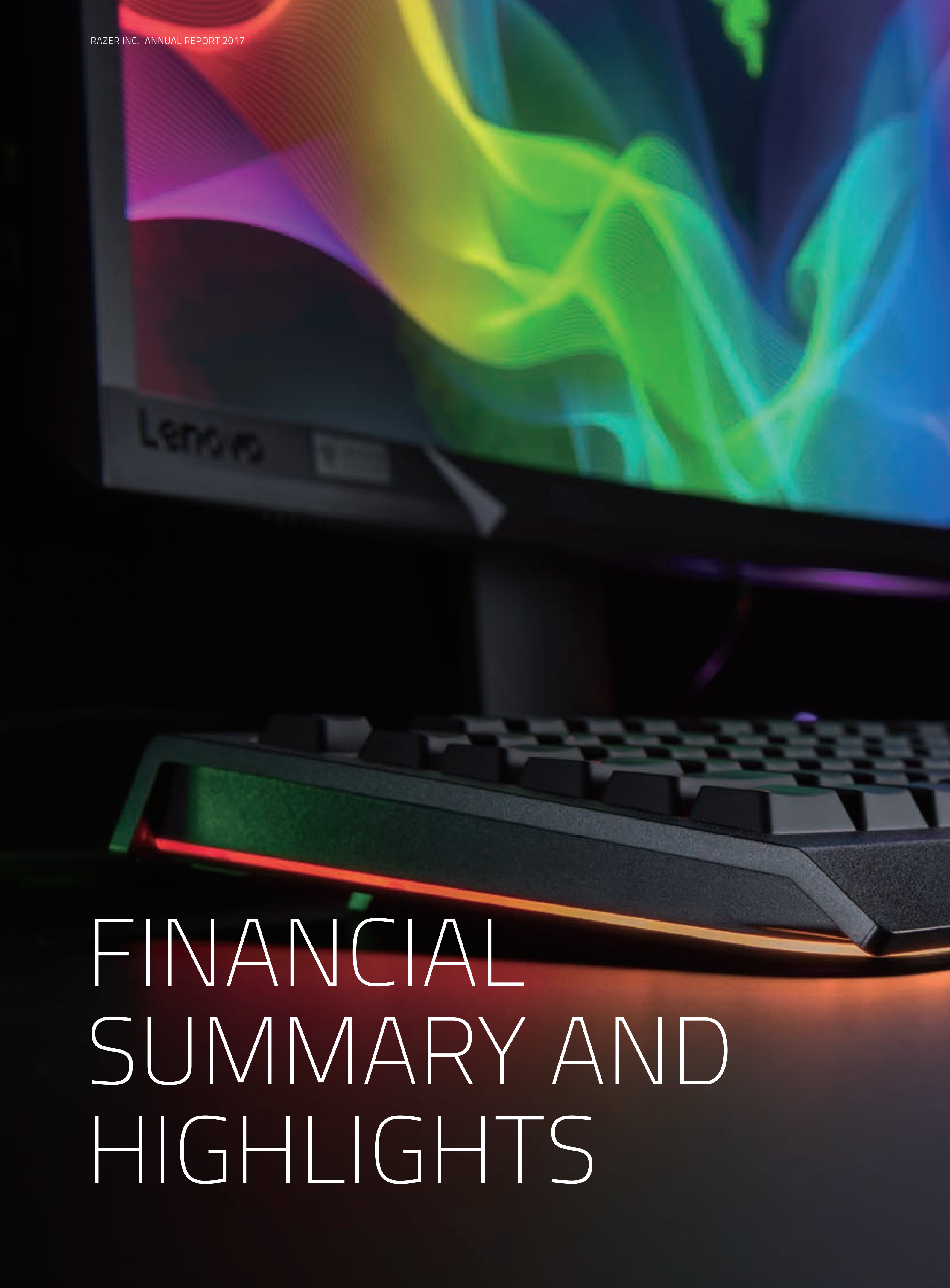
Email: ir@razer.com

CORPORATE WEBSITE

www.razer.com

STOCK CODE

1337



FINANCIAL SUMMARY AND HIGHLIGHTS

FINANCIAL SUMMARY AND HIGHLIGHTS

KEY HIGHLIGHTS OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017

- Revenue grew 32.1% year-on-year to US$517.9 million.
- Gross profit margin improved year-on-year from 27.9% to 29.2%.
- Loss for the year was US$165.8 million (US$31.8 million on an adjusted basis) for 2017 as compared to US$59.6 million (US$20.3 million on an adjusted basis) for 2016.
- Excluding non-cash share-based compensation and listing expenses, adjusted loss for the year of US$31.8 million reflects primarily our investments in developing the new Mobile business, while the losses were moderated due to enhanced profitability of our core Peripherals business as well as improved profit profile and scale of our Systems business. Furthermore, our adjusted loss of US$31.8 million for 2017 included a one-off charge of US$4.4 million related to the remeasurement of the deferred tax assets and liabilities of our U.S. incorporated subsidiaries being recognised in 2017, due to the tax reform enacted in the U.S.
- Loss from operations was at US$163.4 million for 2017 and adjusted EBITDA (defined as loss from operations added back with depreciation and amortisation, share-based compensation, and additionally, listing expenses in 2017 and impairment of acquisition-related intangible assets in 2016) was US$13.8 million for 2017, compared to loss from operations of US$63.1 million and adjusted EBITDA of US$9.5 million for 2016.
- Hardware:
  - Peripherals revenues grew 13.4% year-on-year as the Group grew in tandem with the industry while maintaining industry high margins.
  - Systems revenues grew 51.0% year-on-year. Gross profit margin for Systems improved year-on-year thanks to greater economies of scale and maturing financial profile.
- Software:
  - Total registered users of our software platform grew to over 40 million as of December 31, 2017.
- Services:
  - Started to monetise our hardware/software platform with the launch of zGold virtual credits service and loyalty-based zSilver rewards points system.
  - Revenue from our Services business was US$10.6 million. The Services business has a significantly higher gross profit margin than our Hardware business.
- Others:
  - We entered the mobile business category with the launch of the Razer Phone in November 2017. The Razer Phone has since been well-received by the market, being both a critical success with the press and reviewers, and a commercial success with our users.
  - Revenue for Others grew nearly twelvefold to US$31.6 million, driven primarily by the contribution of the Razer Phone.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended December 31,			
	2014 US$'000	2015 US$'000	2016 US$'000	**2017** **US$'000**
Revenue	315,247	319,706	392,099	**517,937**
Gross profit	107,973	100,201	109,451	**151,025**
Profit/(loss) before income tax	21,346	(17,146)	(63,270)	**(164,585)**
Profit/(loss) for the year	20,332	(20,356)	(59,616)	**(165,839)**
Total comprehensive income for the year	20,326	(20,461)	(59,696)	**(164,877)**
Profit/(loss) attributable to equity shareholders of the Company	20,332	(20,356)	(59,332)	**(164,020)**
Total comprehensive income attributable to equity shareholders of the Company	20,326	(20,461)	(59,412)	**(163,058)**
Adjusted profit/(loss) for the year	20,322	(6,200)	(20,263)	**(31,825)**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at December 31,			
	2014 US$'000	2015 US$'000	2016 US$'000	**2017** **US$'000**
Non-current assets	14,966	23,165	52,722	**93,429**
Current assets	174,516	165,245	263,758	**911,834**
Total assets	189,482	188,410	316,480	**1,005,263**
Current liabilities	95,908	104,881	164,776	**217,966**
Net current assets	78,608	60,364	98,982	**693,868**
Non-current liabilities	4,534	4,145	3,516	**3,921**
Net assets	89,040	79,384	148,188	**783,376**
Total equity attributable to equity shareholders of the Company	89,040	79,384	144,601	**781,608**
Non-controlling interests	–	–	3,587	**1,768**
Total equity	89,040	79,384	148,188	**783,376**

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

2017 was a phenomenal year for gamers all around the world, the gaming industry and Razer.

The numbers of gamers around the world continued to increase, across geographies and demographics. As a result, the gaming industry continues to be the fastest growing segment in the entertainment industry, eclipsing the cinema and music industries. In addition, esports has quickly grown from a niche segment to mass market with millions of viewers to rival that of traditional sports.

The Razer ecosystem of hardware, software and services continues to be the largest integrated gaming ecosystem in the world[1]. We took huge strides in 2017 growing our ecosystem; within our Hardware business, Peripherals and Systems had robust year-on-year growth, and we successfully launched the Razer Phone, our first entrant in the mobile category, which represents an all new growth category for us. Our Software business witnessed strong growth, achieving over 40 million registered users. To round off the Razer ecosystem triumvirate, we launched the zGold virtual credits service as part of our Services business, and it has very quickly become one of the biggest virtual credits services for gamers around the world.

We achieved solid revenue growth of 32.1% year-on-year to US$517.9 million. Our gross profit margin increased from 27.9% to 29.2%. Our adjusted loss was US$31.8 million, primarily due to extensive investments in developing the new Mobile business, while the loss was moderated due to enhanced profitability in the core Peripherals business as well as improved profit profile and scale of our Systems business. Furthermore, our adjusted loss of US$31.8 million for 2017 included a one-off charge of US$4.4 million related to the remeasurement of the deferred tax assets and liabilities of our U.S. incorporated subsidiaries being recognised in 2017, due to the tax reform enacted in the U.S.

Our Hardware business made up the majority of our overall revenues with our Peripherals business growing 13.4% year-on-year, as we grew in tandem with the industry while maintaining our industry high margins. Our Systems business experienced excellent growth of 51.0% year-on-year, and correspondingly, with the scaling of our Systems business, our maturing financial profile for the Systems business also meant gross profit margin for the business improved year-on-year.

The Razer Phone had a stunning debut in November 2017, and contributed significantly to the US$31.6 million revenues in the Others segment, which primarily includes our next-generation products that remain in the development or early marketing

phases. The Razer Phone has been both a critical success with the press and a commercial success with our users. The Razer Phone is an exciting prospect for the Company, and although the extensive investments in developing the phone and the Mobile business have impacted our profit in the short term, we believe this category will mature in line with the Systems business in the future.

While we do not monetise our Software business historically due to a focus on driving user acquisition and retention, we offer services to our users on our hardware/software platform. In our first year of launch of zGold, our Services business achieved revenues of US$10.6 million in its launch year with significantly higher gross profit margin than our Hardware business.

THE RISE OF GAMERS, THE GAMING INDUSTRY AND ESPORTS

The gamer opportunity is massive. The world has approximately 2.1 billion gamers, which is estimated to grow to approximately 2.7 billion by 2021[2]. With the growth of the number of gamers, the gaming industry has grown in tandem as the fastest growing segment within the global entertainment industry, where its revenue exceeded both cinema and music in 2016[3], and reached US$101.1 billion in 2016. Games are integral to the modern way of life. More than 70% of millennials currently play games[4].

According to Newzoo, esports is a massive standalone industry with a forecast global audience of 386 million in 2017, reaching 665 million in 2021. Esports revenues are forecasted to grow at a CAGR of 24.1% from 2017 to US$1.65 billion in 2021. To put that into context, major esports tournaments have a huge following; 60 million people watched the League of Legends final in 2017, more than the NBA Finals and The Oscars combined. China has the largest esports audience with 106 million viewers in 2016 and is expected to remain the largest in 2021, reaching a total of 218 million at a CAGR of 14.6% from 2017.

Esports is also gaining mainstream acceptance from various organisations worldwide. In early 2017, the Olympic Council of Asia announced esports will become a medal event at the 2022 Asian Games. More recently, the Hong Kong government announced it will allocate HK$100 million in its budget plan to Cyberport with esports earmarked as one of the supported areas of development, recognising the growing importance and potential of the esports market to the economy as a whole.

We are one of the pioneers of esports, having sponsored top athletes and tournaments for over a decade. As of December 31, 2017, Team Razer, our esports brand, comprised 175 top esports athletes from 30 different countries. In 2017, Team Razer developed new relationships with premier esports franchise such as SK Gaming and Rise Nation, while continuing to support long-term world champions SK Telecom T1 and Team Liquid. Razer's sponsored teams dominated esports tournaments throughout 2017, winning various tournaments across the world.

With our loyal user base, strong social media presence and viral marketing campaigns, we are a prime mover to bring esports to the growing gamer market worldwide.

CHAIRMAN'S STATEMENT

THE RAZER ECOSYSTEM – THE LARGEST INTEGRATED GAMING ECOSYSTEM IN THE WORLD

The Razer ecosystem is clearly differentiated by our gaming hardware, software and services designed and developed to integrate seamlessly and enhance personalised user experiences across different entertainment genres. According to Newzoo, there is no single game focused brand that has the same breadth and strength as Razer's ecosystem.

Our Hardware business includes our gaming peripherals which are designed to empower competitive gamers at the highest levels, including high-precision mice, fully customisable keyboards, audio devices, mouse mats and gaming console controllers. In addition, our systems products consist of gaming laptops that combine performance and an exceptional gamer user interface, providing seamless integration and enhanced portability for gamers.

Our Razer Software Platform grew from 35 million users as of June 30, 2017 to over 40 million users as of December 31, 2017. Our software platform comprises Razer Synapse, an IoT platform, which allows users to access our software platform via our hardware devices; Razer Chroma, our proprietary RGB lighting technology system; and Razer Cortex, an all-in-one game launcher, game optimiser, game aggregator and price comparison engine.

We believe these software offerings draw users to our ecosystem, keep them engaged and allow us to offer additional services to users. Our Razer Software Platform also allows us to collect data through analytics and make suggestions and recommendations to gamers to improve user experience and influence the design of future products.

We are in the early stages of monetising our Razer Hardware and Software Platform by offering Services to our users. We further expanded our ecosystem in March 2017 with the launch of zGold virtual credits, allowing users to purchase digital content and in-game items, and our loyalty-based zSilver rewards points system.

We believe our brand has a unique position as a lifestyle icon to allow us to expand into new categories easily. Moreover, the Razer ecosystem continually contributes to the successful launches of new hardware, software and services, creating a virtuous cycle. The Razer Phone, which has been positively received by the market, is a prime example of this.

2017 – A MILESTONE IN RAZER'S HISTORY

Financially, we delivered solid year-on-year growth in revenue, with broad-based growth across all segments and geographies.

Operationally, we remained a clear leader in Peripherals, our profitable core, in key categories such as mice and keyboards in the U.S., Europe and China. We also gained market share in the audio category driven by a strong performance in the U.S. and China. We achieved significant growth in the console category, thanks to the introduction of Razer Raiju, a premium line of licensed gaming controller for PlayStation 4.

The growth of our Systems business outperformed the wider market due to strong brand awareness and our retail and regional expansion strategy.

On the Services front, we have seen growing traction with our zGold virtual credits globally through working with distributors such as MOL Global in Southeast Asia and CK Hutchison's Three Group in Hong Kong. As of January 2018, we have approximately 4 million zVault e-wallets where users store their zGold and zSilver. In its debut year alone, our Services business achieved revenue of US$10.6 million with a significantly higher gross profit margin than our Hardware business.

The newly launched Razer Phone was a great success and contributed significantly to our revenues in Others segment.

We continue to establish a global footprint in the gamer market. As of December 31, 2017, our products are sold in 66 countries through 324 online platforms and through more than 25,000 offline retail outlets.

In 2017, we successfully completed our initial public offering on the Stock Exchange of Hong Kong. As a listed company, we intend to continue delivering the best user experiences to gamers, whilst expanding and deepening our brand appeal, and product and service offerings across the world.

The results are discussed in detail under the sections headed "Business Highlights" and "Management Discussion and Analysis" in this annual report.

OUTLOOK

In the coming years, we expect the number of gamers around the world to continue to grow and the gaming industry to keep pace as the fastest growing segment in the entertainment industry. We believe that esports will continue to gain traction into mainstream adoption. Riding the rising tide, Razer is at the forefront of the industry.

We expect that our integrated ecosystem of hardware, software and services will continue to further our leadership in the gaming industry where we are the choice partner for many players in the ecosystem.

For example, our tie up with Philips Hue's smart lighting system allows users to sync any colour-capable Hue light product with Razer devices via our Razer Chroma software – which essentially brings our gaming software platform from the desktop to the smart home.

In addition, the spectacular launch of the Razer Phone in the crowded smartphone space has entrenched us in a position to bring more immersive experiences to our youth and millennial markets. We recently announced that Razer Phone will be the world's first smartphone to deliver Netflix entertainment in both HDR and Dolby Digital Plus 5.1. While we are still in the early development and marketing phases of the mobile business, the launch of the mobile category has allowed us to be one of the very few technology companies in the world to have the unique opportunity to straddle the PC, console and mobile markets.

Finally, we have just begun to monetise our growing user base through zGold on the Razer Software Platform and our new zGold virtual credits service is expected to see good growth in 2018. Our content-neutral position allows us to partner with a variety of content providers to further grow our user base and to keep users engaged on our platform. We intend to expand the geographical reach of zGold through distribution partnerships (such as with MOL Global, Hutchison and other distributors) and directly through our zGold platform.

We recently increased our investment in MOL Global in February 2018. The additional investment positions us as their single largest shareholder and enables us to gain further access to MOL Global's massive network of content, customers and partners throughout emerging markets, built over the past 17 years. The investment also allows us to expand our partnership beyond virtual credits service into fast growing areas such as e-payment and digital wallet solutions, both of which are very relevant to the youth and millennial users.

Razer is well positioned to lead the convergence of digital entertainment. The examples above are just a few initiatives that demonstrate how the Razer brand is leading the way in immersive digital entertainment.

Looking forward, we seek to broaden the appeal of our brand and roll out category-defining and award-winning products to even more gamers. We are in a very unique leadership position in one of the fastest growing industries with one of the most recognisable brands in the market. In addition, our brand has transcended that of gamers and has become synonymous with the youth lifestyle – allowing us to extend into multiple new verticals of growth – evidenced by our recent entry in the smartphone and virtual credits space.

We plan to achieve profitability primarily through the continued growth of our Peripherals business and, rapid scale of our Systems business. Our Services business will continue to see strong growth, and while we expect the profit margin to normalise, it will still be significantly higher than our Hardware margins.

In terms of our outlook for 2018 for the Group, we expect strong revenue growth in 2018 to persist. We expect significant investments in first half of 2018 in preparation for new product launches in the second half of 2018.

For our Hardware business, we expect to maintain steady, strong and profitable growth of our more established Peripherals business as we continue to introduce new product categories within this segment. Most recently, we made foray into the fast-growing streaming and broadcaster category to further participate in the growth of the esports market, given the growing popularity with streamers and broadcasters in the streaming of gameplay as well as live commentary to millions of esports spectators. On top of that, we expect that our Systems business, to which we have contributed a significant amount of investments in the past few years, will experience continued growth and be a key driver of our overall scale, revenue growth and profits, as we expand the availability of our systems outside of the U.S. and into Europe and Asia, to drive further economies of scale and improvement in gross profit margin as we expand this business.

For Software, as the user base continues to grow and become more engaged, it will enable us to understand them more with big data, which will in turn provide a much larger platform for monetisation of Hardware and Services businesses.

For our Services business, our launch year saw very high gross profit margin for our zGold virtual credits business and we expect it to normalise in 2018 but still maintain a significantly higher level than our Hardware business. We expect our Services business to continue growing and, as a result of its much higher gross profit margin, contribute significantly to our Company's profits over time.

Finally, we expect our Mobile business to grow to take advantage of the untapped opportunity of mobile gaming and esports. As a result, we expect our integrated ecosystem to expand with each business segment experiencing continued growth and improvement in profit profile.

In 2018, as our Systems business and new categories such as Mobile expand as a proportion of our overall business, we expect the overall gross profit margin to be lower as compared with 2017. However, this will be moderated in part by the growth of our Peripherals and Services businesses which have much higher margins.

As a growth company serving the fast-expanding addressable market of gamers, we will continue to invest in new categories that will benefit the Razer ecosystem, our users and our partners.

In closing, I would like to take this opportunity to thank you all; our users and the Razer community, our esports athletes, our partners, our shareholders, our team, for your continued support. 2017 was a transformational year for Razer and we could not have done it without you.

For Gamers. By Gamers.

Min-Liang Tan
Co-Founder, Chairman and CEO

[1, 2, 3, 4] Source: Reports prepared by Frost & Sullivan dated as of June 23, 2017 and Report prepared by Newzoo International N.V. dated as of October 17, 2017 ("Newzoo")

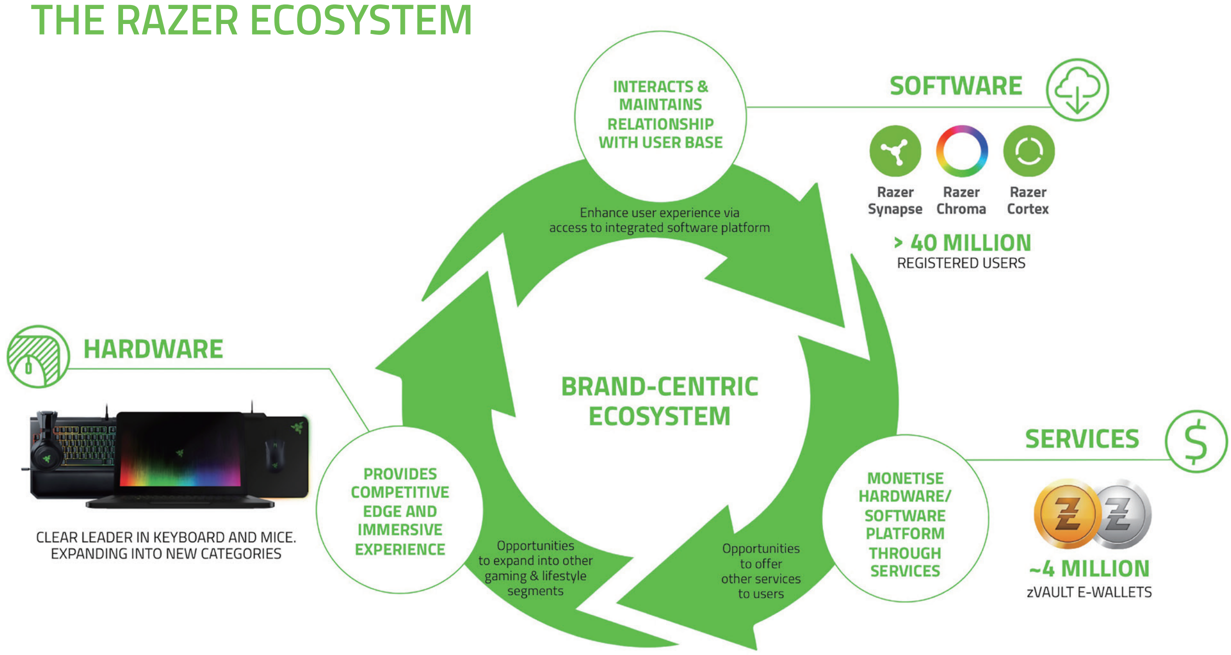
BUSINESS HIGHLIGHTS


12:17 AM
TUE, NOV 14
EMERGENCY

BUSINESS HIGHLIGHTS

2017 HIGHLIGHTS

THE RAZER ECOSYSTEM



Razer is the world's leading lifestyle brand for gamers. The Razer ecosystem delivers gamers a competitive edge, immersive gaming experiences and access to a comprehensive catalogue of digital entertainment. Our ecosystem is one of the largest integrated ecosystems in the world for gamers, which consists of hardware, software and services designed and developed to integrate seamlessly and enhance personalised user experiences across different entertainment genres.

HARDWARE

Peripherals

Revenue from the core Peripherals segment increased by 13.4% year-on-year to US$338.7 million in 2017, primarily due to continued strong sales of the existing peripherals categories as well as the launch of new products in the gaming console peripherals and the streamer and broadcaster categories.

During the year, we reinforced our leadership in key categories such as mice and keyboards across the Americas, Europe and China, while expanding our market share in the audio category driven by strong performance in the Americas and China.

We recorded significant growth in the gaming console peripherals category, and re-focused our efforts around the growing streamer and broadcaster market with the introduction of two products that were designed hand-in-hand with streamers around the globe: The Razer Kiyo, hailed for its unique design and innovative ring light, and the Razer Seiren, an entry-level broadcaster microphone.

BUSINESS HIGHLIGHTS

Systems

Revenue from the Systems segment increased 51.0% year-on-year to US$137.0 million in 2017, driven primarily by an increase in sales of the newer versions of our laptop models.

We increased our market share by outperforming the rest of the market, thanks to strong brand awareness, alongside our retail and regional expansion strategy.

In 2017, we were one of the top three fastest growing gaming systems brands in the Americas. Additionally, towards the end of 2017, we began to scale further the launch of our systems products outside of the U.S. in Europe and Asia.

SOFTWARE

Our Razer Software Platform, another key pillar of the integrated ecosystem, grew from approximately 35 million users as of June 30, 2017 to over 40 million registered users as of December 31, 2017.

Our software platform comprises the Razer Synapse IoT platform, Razer Chroma lighting system and the Razer Cortex game launcher.

We recently expanded Razer Chroma beyond the desktop and into the smart home through partnering with Philips Hue, which enables integration of smart lighting with immersive gaming experiences.

SERVICES

We are in the early stages of monetising our Razer Hardware and Software Platform by offering services such as zGold virtual credits service for gamers in purchasing digital content and in-game items from over 2,500 game titles, and our loyalty-based zSilver rewards points system, since March 2017. Through working with distributors such as MOL Global in Southeast Asia and CK Hutchison's Three Group in Hong Kong, zGold has become one of the biggest virtual credits service for gamers in the world, and made up the bulk of our Services revenue in 2017, at significantly higher margins than our Hardware business. As of January 2018, we have approximately 4 million zVault e-wallets where users store their zGold and zSilver.

OTHERS

This segment primarily includes our next-generation products, which remain in the development or early marketing and launch phases.

During the year, we entered the mobile device market to participate in the fast-growing mobile gaming and digital entertainment industry when we launched the first Razer Phone in November 2017. The Razer Phone is designed as the ultimate mobile entertainment device and is equipped with the world's first 120 Hz UltraMotion™ display that delivers an incredible viewing experience for mobile entertainment content compared to other smartphones in the industry.

We secured partnerships with some of the world's top gaming companies, such as Tencent for "Arena of Valor" and Square Enix for "Final Fantasy", to bring compelling experiences to mobile and take full advantage of the Razer Phone's features.

The Razer Phone is also the world's first smartphone to deliver Netflix entertainment in both HDR and Dolby Digital Plus 5.1.

Feedback on the Razer Phone has been positive, and we expanded the shipments from select markets in North America, Canada and Europe, to select markets in Asia Pacific such as Singapore and Hong Kong.

In addition, THX, which is renowned for the certification of world-class cinemas and consumer electronics, began its full year contribution to our revenue since we acquired THX in October 2016. In December 2017, THX entered into a strategic partnership with China Film Giant Screen, ("CGS") a subsidiary of China Film Group. The strategic partnership between THX and CGS is expected to enable both parties to work together over the next three years to secure commitments from exhibitors to roll out a target of 400 screens worldwide featuring jointly developed next generation cinema experience. In the same month, THX and CGS also announced the grand opening of Zhuhai Haiyun China Film Cinema, China's first all-THX certified multiplex, together with two of CGS's auditoriums.

INNOVATION AND PARTNERSHIPS

Razer began 2017 very successfully by winning the 'Best of Show' award at the Consumer Electronics Show ("CES") in Las Vegas, the world's biggest consumer electronics show, for the seventh consecutive year for the Project Ariana concept, the world's first video projection system designed for immersive gaming. Razer often brings new concepts and innovations to CES to demonstrate its ability to disrupt industries and define new experiences for the gaming and entertainment market.

The Razer Music initiative went from strength to strength during 2017, adding award winning artists like Anderson.Paak to further establish our high-performance Blade laptops in the creative industries. The annual RazerTour went on its 20-city journey across the U.S. bringing the Razer brand to popular events such as E3, Rooster Teeth's RTX and Comic-Con.

2017 was another great year of presence for Razer at major global events such as IFA and Gamescom in Germany, the Tokyo Game Show, PAX West, BlizzCon, Dreamhack and TwitchCon, where hundreds of thousands of fans came to experience Razer's ecosystem.

In May 2017, Razer formed its first telco alliance with Three Group in Europe and Hong Kong. Working alongside Three Group Hong Kong, Razer launched the sixth RazerStore in Causeway Bay, Hong Kong. Over 1,000 gamers queued up for hours in torrential rain to await the opening of the store. Razer and Three Group also worked collaboratively with the Li Ka Shing Foundation for the commemorative "HKXP" gaming event in July to bring gaming to the broader public.

ESPORTS

Razer equips sponsored esports winning teams and athletes with the latest and greatest in high performance gaming equipment to give them the winning edge during competition. We work with our sponsored athletes to take direct player feedback in the development of future products to ensure the features and quality meet the highest standards of gaming needs. As of December 31, 2017, Team Razer comprised 175 top esports athletes from 30 different countries. Team Razer also developed new relationships with organisations such as SK Gaming and Rise Nation, while continuing to support its key long-term partners like SK Telecom T1 and Team Liquid. Razer's sponsored teams took numerous podiums and first place trophies in a wide range of esports leagues and tournaments in 2017, including:

- SK Gaming – 1st place in 6 Premier/Major Counter-Strike Global Offensive events
- Team Liquid – 1st place at The International 2017 and 6 other 1st place finishes in Premier/Major DOTA 2 events
- SK Telecom T1 – 1st place at LCK Spring Split and Mid-Season Invitational, 2nd place at LOL World Championship. Faker was crowned the Best Esports Player 2017
- Rise Nation – 1st place at Street Fighter Capcom Cup
- Elevate – 1st place at World of Tanks WGLNA
- Xian – 1st place at Street Fighter Final Round XX
- QGHappy – 1st place KPL Fall Championship

SALES AND DISTRIBUTION

We sell our products (i) through a global distribution network of distributors (including those who operate or distribute to our three RazerStores in Bangkok, Manila and Hong Kong), (ii) through physical and online retailers, and (iii) directly to customers through our directly managed RazerStores in San Francisco, Shanghai and Taipei and our online store: www.razerstore.com.

The Group's revenue by sales channels for 2017 and 2016 is as follows:

	Year ended December 31,			
	2017 US$'000	**%**	2016 US$'000	%
Distributors	**220,682**	**42.6**	197,502	50.3
Retailers	**190,961**	**36.9**	109,308	27.9
Direct Sales	**106,294**	**20.5**	85,289	21.8
Total	**517,937**	**100.0**	392,099	100.0

The majority of our revenue for the year ended December 31, 2017 is derived from selling our products to distributors and retailers.

Our online store, www.razerstore.com, is available to customers in over 100 different countries and territories as of December 31, 2017, including the U.S., China and many countries throughout the European Union.

Our RazerStores serve mainly as "experience stores," where customers can experience new products and immerse themselves in a dedicated gaming environment prior to making a purchase both in-store or online.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended December 31,	
	2017	2016
	US$'000	US$'000
Revenue	**517,937**	392,099
Cost of sales	**(366,912)**	(282,648)
Gross profit	**151,025**	109,451
Selling and marketing expenses	**(90,041)**	(69,993)
Research and development expenses	**(80,809)**	(52,175)
General and administrative expenses	**(143,589)**	(49,606)
Impairment of goodwill	**–**	(805)
Loss from operations	**(163,414)**	(63,128)
Other non-operating expenses	**(3,147)**	(653)
Finance income	**1,985**	525
Finance costs	**(9)**	(14)
Loss before income tax	**(164,585)**	(63,270)
Income tax (expense)/benefit	**(1,254)**	3,654
Loss for the year	**(165,839)**	(59,616)
Loss attributable to:		
Equity shareholders of the Company	**(164,020)**	(59,332)
Non-controlling interests	**(1,819)**	(284)
Loss for the year	**(165,839)**	(59,616)
Non-GAAP measures		
Adjusted loss for the year	**(31,825)**	(20,263)
Adjusted EBITDA	**(13,760)**	(9,545)

Revenue

Our revenue increased by 32.1% from US$392.1 million in 2016 to US$517.9 million in 2017, primarily due to an increase in revenue from Systems in 2017 and to a lesser extent revenue from Software and Services and Others which include new product categories such as mobile in 2017.

Our revenue is measured at the fair value of the consideration received or receivable, net of estimated product returns, and expected payments for cooperative marketing arrangements and pricing programs (if any). We generate revenue from four business segments: (i) Peripherals, (ii) Systems, (iii) Software and Services and (iv) Others. The following table sets forth our segment revenue by amount and as a percentage of our revenue for the periods presented.

	Year ended December 31,			
	2017		2016	
	US$'000	**%**	US$'000	%
Segment Revenue				
Hardware				
Peripherals	**338,717**	**65.4**	298,626	76.2
Systems	**137,001**	**26.5**	90,697	23.1
Software and Services	**10,604**	**2.0**	95	0.0
Others	**31,615**	**6.1**	2,681	0.7
	517,937	**100.0**	392,099	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

We are a global company with an established footprint in the games industry and have a diversified revenue base.

Peripherals. We generate a majority of our hardware revenue from the sale of Peripherals, which primarily comprises the sale of high-precision mice, fully customisable keyboards, audio devices and gaming console controllers.

Revenue from the Peripherals segment increased by 13.4% from US$298.6 million in 2016 to US$338.7 million in 2017, primarily due to an increase in revenue generated by the sales of our gaming console controllers and audio devices.

Systems. The other major component of our hardware revenue comes from the sale of Systems, which primarily comprises of gaming laptops. We currently have three lines of laptops, namely *Razer Blade Stealth, Razer Blade and Razer Blade Pro*.

Revenue from the Systems segment increased by 51.0% from US$90.7 million in 2016 to US$137.0 million in 2017, primarily due to continued channel expansion in the U.S.

Software and Services. Revenue from the Software and Services segment increased from US$0.1 million in 2016 to US$10.6 million in 2017, primarily driven by our revenue-sharing arrangement with MOL Global on sales of zGold.

Others. Revenue from the Others segment increased from US$2.7 million in 2016 to US$31.6 million in 2017, primarily due to the launch of the Razer Phone in November 2017 and to a lesser extent arising from the acquisition of certain assets by THX from SST. THX acquired the assets in the fourth quarter of 2016 which began contributing to our revenue beginning in that quarter.

Cost of sales and gross profit

Cost of sales increased by 29.8% from US$282.6 million in 2016 to US$366.9 million in 2017. Gross profit increased from US$109.5 million in 2016 to US$151.0 million in 2017, an increase of 37.9% and gross margin increased from 27.9% for 2016 to 29.2% for 2017.

Peripherals. Segment cost for Peripherals increased by 13.1% from US$193.1 million in 2016 to US$218.4 million in 2017, which was generally in line with the increase in our Peripherals revenue. Gross margin for our Peripherals segment improved from 35.3% for 2016 to 35.5% for 2017.

Systems. Segment cost for Systems increased by 41.9% from US$88.1 million in 2016 to US$125.0 million in 2017, which was generally in line with the increase in our Systems revenue. Gross margin for our Systems segment increased from 2.9% for 2016 to 8.8% for 2017, primarily due to economies of scale and a general increase in margins across all existing Systems product lines.

Software and Services. Segment cost for Software and Services increased slightly from US$0.01 million in 2016 to US$0.2 million 2017 due to higher fees paid for payment processing services.

Others. Segment cost for Others increased from US$1.4 million in 2016 to US$23.3 million in 2017, which was generally in line with the increase in our Others revenue as a result of the launch of the Razer Phone in November 2017. Gross margin for our Others segment decreased from 47.6% for 2016 to 26.2% for 2017, primarily due to the increased sales contribution of the Razer Phone in 2017 to this segment.

Selling and marketing expenses

Selling and marketing expenses increased by 28.6% from US$70.0 million in 2016 to US$90.0 million in 2017. The increase was primarily due to (i) a US$7.7 million increase in salaries and benefits for personnel, primarily due to an increase in the headcount of our selling and marketing personnel in 2017, (ii) a US$4.5 million increase in share-based compensation expense in connection with RSUs granted to employees, and (iii) a US$2.7 million increase in marketing expenses primarily due to increased online advertising and other marketing events to promote new products and services launches.

Research and development expenses

Research and development expenses increased by 54.8% from US$52.2 million in 2016 to US$80.8 million in 2017. The increase was primarily due to (i) a US$9.8 million increase in share-based compensation expense in connection with the grant of RSUs to employees and to a lesser extent, post-combination compensation expenses in relation to the Nextbit acquisition, (ii) a US$9.2 million increase in external research and development costs primarily due to the development of new mobile devices and updates to Systems products, and (iii) a US$4.3 million increase in salaries and benefits for personnel primarily due to an increase in the headcount of our research and development personnel in 2017.

General and administrative expenses

General and administrative expenses increased by 189.5% from US$49.6 million in 2016 to US$143.6 million in 2017. The increase was primarily due to (i) a US$68.4 million increase in share-based compensation expense in connection with RSUs granted to employees including the one-time extraordinary grant of 105,104,724 RSUs (approximately US$52.3 million) to the Chief Executive Officer as disclosed in the section headed "Appendix IV – Statutory and General Information" in the Prospectus for his past contributions to the Group, (ii) listing expense of US$12.8 million incurred in connection with the initial public offering and listing of our shares in November 2017, and (iii) a US$7.1 million increase in salaries and benefits for personnel primarily due to an increase in the headcount of our general and administrative personnel in 2017.

Other non-operating expenses

Other non-operating expenses increased from US$0.7 million in 2016 to US$3.1 million in 2017. The increase was primarily due to the fair value remeasurement of the holdback shares associated with the acquisition of THX from SST.

Net finance income

Our finance income increased from US$0.5 million in 2016 to US$2.0 million in 2017 due to an increase in interest income from higher cash balances.

Loss before income tax

As a result of the foregoing, our loss before income tax increased from a loss of US$63.3 million in 2016 to a loss of US$164.6 million in 2017, an increase of 160.0%.

Income tax (expense)/benefit

There was a tax benefit of US$3.7 million in 2016, compared to an expense of US$1.3 million in 2017. The increase in tax expense was primarily due to tax reform enacted in the U.S. which resulted in a one-off charge of US$4.4 million related to the remeasurement of the deferred tax assets and liabilities of our U.S. incorporated subsidiaries being recognised in 2017.

Loss for the year

Our loss for the year increased by 178.2% from US$59.6 million in 2016 to US$165.8 million for 2017. The increase in loss for the year is attributed largely to the following:

A) Listing expenses of approximately US$12.8 million incurred in connection with the initial public offering and listing of the our shares in November 2017 as described in the sub-section headed "General and administrative expenses" above; and

B) Non-cash share-based compensation expense as described in the sub-sections headed "Selling and marketing expenses", "Research and development expenses" and "General and administrative expenses" above which includes a one-time extraordinary grant of 105,104,724 RSUs (approximately US$52.3 million) to the Chief Executive Officer as disclosed in the section headed "Appendix IV – Statutory and General Information" in the Prospectus to reward his past contributions to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

NON-GAAP MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted loss and adjusted EBITDA as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-GAAP measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they do for our management. However, our presentation of the adjusted loss and adjusted EBITDA may not be comparable to a similarly titled measures presented by other companies. The use of these non-GAAP measures have limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial position as reported under IFRS.

Adjusted Loss

We define adjusted loss as loss for the year added back with share-based compensation, expenses related to the initial public offering in 2017, and impairment of acquisition-related intangible assets in 2016. The following table reconciles our adjusted loss for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is loss for the years indicated.

	Year ended December 31,	
	2017 US$'000	2016 US$'000
Loss for the year	**(165,839)**	(59,616)
Add:		
Share-based compensation	**121,194**	38,548
Impairment of acquisition-related intangible assets	**–**	805
Listing expenses	**12,820**	–
Adjusted loss for the year	**(31,825)**	(20,263)

Adjusted EBITDA

We define adjusted EBITDA as loss from operations added back with depreciation and amortisation, share-based compensation, and in addition, expenses related to the initial public offering in 2017 and impairment of acquisition-related intangible assets in 2016. The following table reconciles our adjusted EBITDA for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is loss from operations for the years indicated.

	Year ended December 31,	
	2017 US$'000	2016 US$'000
Loss from operations	**(163,414)**	(63,128)
Add:		
Depreciation and amortisation	**15,640**	14,230
Share-based compensation	**121,194**	38,548
Impairment of acquisition-related intangible assets	**–**	805
Listing expenses	**12,820**	–
Adjusted EBITDA	**(13,760)**	(9,545)

Notwithstanding the above, in particular, the impact of the listing expenses and the non-cash share- based compensation, the Board is of the view that the Group's main operational business is robust and the Group remains confident about the fundamentals and prospects of its ongoing operations as well as the growth prospects of its new businesses.

LIQUIDITY AND CAPITAL RESOURCES

Our cash and bank balances (comprising cash at bank and in hand, fixed deposits and money market funds held at call with banks) as at December 31, 2017 and 2016 were as follows:

	2017 US$'000	2016 US$'000
Cash at bank and in hand	**645,938**	37,686
Fixed deposits and money market funds	**63,311**	83,443
Cash and cash equivalents in the consolidated cash flows statement	**709,249**	121,129
Short-term fixed deposits	**30,184**	10,000
Cash and bank balances in the consolidated statement of financial position	**739,433**	131,129

As at December 31, 2017, our cash and bank balances was US$739.4 million. The increase was mainly due to the net proceeds of approximately US$596 million received from our initial public offering that was completed in December 2017.

We seek to maintain our cash balances in institutions across various jurisdictions, primarily denominated in U.S. dollars. We currently do not expect to incur any material liability in connection with any repatriation of earnings from foreign subsidiaries.

OTHER FINANCIAL INFORMATION

Capital expenditures

	Year ended December 31,	
	2017 **US$'000**	2016 US$'000
Capital expenditures		
Acquisition of property, plant and equipment	**11,015**	12,086
Acquisition of intangible assets	**894**	6,674
Total	**11,909**	18,760

Our capital expenditures comprised the acquisition of property, plant and equipment such as retail fixtures, tooling assets, computers, software and equipment and leasehold improvements and the purchase of intangible assets such as intellectual property rights.

Treasury policy

We have established policies to monitor and control the risks relating to our business operations and treasury activities in order for us to meet our financial obligations in a timely manner. Our treasury policy seeks to govern areas regarding counterparty, interest rate and foreign exchange risks in order to ensure that the Group has sufficient sources of funding for working capital and investments. As part of our cash management activities, we typically invest our surplus cash in low-risk investments that generate reasonable returns.

Foreign exchange risk

Our financial statements are expressed in U.S. dollars and approximately 74.2% and 76.6% of our revenue was denominated in U.S. dollars in 2017 and 2016, respectively. We have entered into foreign currency hedging contracts to hedge against the currency risks and the exchange rate fluctuations did not have a material impact on our results of operations.

Interest rate risk policy

Our exposure to interest rate risk primarily relates to interest income from our fixed deposits placed with financial institutions. We have not been exposed to material risks due to changes in market interest rates. However, our future interest income may fall due to changes in market interest rates.

Bank loans and other borrowings

For the years ended December 31, 2017 and 2016, we did not have any material bank loans, debt securities, borrowings, indebtedness, guarantees, hire purchase commitments or mortgages.

Contingent liabilities

As of December 31, 2017 and 2016, we did not have any material contingent liabilities.

Dividends

No dividends have been paid or declared by us during the years ended December 31, 2017 and 2016.

Significant investments held, material acquisitions and disposals of subsidiaries

Other than the acquisition of certain assets of Nextbit Systems Inc. and the acquisition of shares of MOL Global, the details of which are set out in the notes 25 and 20 to the Financial Statements respectively, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the year ended December 31, 2017.

Material investments and source of funding

On February 8, 2018, ZVMidas Pte. Ltd., a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement ("Share Purchase Agreement") with MOL.com Sdn. Bhd. pursuant to which ZVMidas Pte. Ltd. agreed to purchase 10,125,670 shares in MOL Global, representing approximately 15.0% of the total issued share capital of MOL Global as at the date of the Share Purchase Agreement. The total consideration paid under the Share Purchase Agreement amounted to US$15,000,000 which was funded by internal sources of funding. The completion of the acquisition took place on the same date as the date of the Share Purchase Agreement.

As a result of the completion of the acquisition pursuant to the Share Purchase Agreement and the investment in MOL Global pursuant to a share purchase agreement dated April 26, 2017 (the details of which are set out in the note 20 to the Financial Statements, the Group holds approximately 34.9% of the total issued share capital in MOL Global and will account for this investment as an associate based on equity accounting.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Min-Liang Tan

Aged 40, was designated as an executive Director and was appointed as the Chairman of the Board on June 21, 2017. He is also a member of the Remuneration Committee of the Company. Mr. Tan is the co-founder and Director and has served as the Chief Executive Officer since September 2006. He also served as the Creative Director since September 2006, and is responsible for directing and overseeing the design and development of all products of the Company.

Mr. Tan also holds positions in other members of the Razer Group, namely as a director of Razer (Asia-Pacific) Pte. Ltd., Razer USA Ltd., Razer (Europe) GmbH, Jook, Inc., Razer Everglide Pte. Ltd., Razer Taiwan Co., Ltd., Razer Chengdu Pte. Ltd., Razer Korea LLC, Razer Online Pte. Ltd., OUYA Global Pte. Ltd., OUYA Publishing Inc., RazerVentures Holdings Pte. Ltd., ZVF2 Pte. Ltd., THX, THX Holdings Limited, ZVMidas Pte. Ltd., Razer Pay Singapore Pte. Ltd. and Razer Pay Holdings Pte. Ltd., and the chief executive officer of Razer USA Ltd., OUYA Publishing Inc. and THX.

Prior to the founding of Razer in 2005, Mr. Tan was an attorney at Rajah & Tann, a law firm in Singapore.

Mr. Tan obtained a bachelor's degree in law from the National University of Singapore in August 2002.

Mr. Khaw Kheng Joo

Aged 69, was appointed as an executive Director on June 21, 2017. Mr. Khaw has served as the Chief Operating Officer since June 2012. From October 2009 to November 2009, Mr. Khaw served as the interim Chief Executive Officer, and from February 2011 to May 2012, Mr. Khaw served as the consultant and interim Chief Operating Officer.

From 2000 to 2001, Mr. Khaw was the president of Omni Electronics (later acquired by Celestica Inc. in 2001), a large electronic contract manufacturer in Asia. After the acquisition, Mr. Khaw served as senior vice president of Celestica Inc. until 2002. Mr. Khaw previously spent 26 years at Hewlett-Packard Company developing extensive experience in both technology and manufacturing operations. From 2002 to 2009, Mr. Khaw served as the chief executive officer as well as a member of the board of directors of MediaRing Ltd, a mobile VoIP, voice, data and computing services company. From 2005 to 2011, he served on the board of directors of SATS Ltd. Since 2011, Mr. Khaw has served on the resource panel for Credence Partners Pte. Ltd. From 2011 to 2013, Mr. Khaw served on the board of directors of Multi-Fineline Electronix Inc.

Mr. Khaw obtained a diploma in electronic and communication engineering from Singapore Polytechnic in August 1973, a bachelor's degree in electrical and computer engineering from Oregon State University in June 1982 and a master degree in business administration from Santa Clara University in June 1987.

Mr. Chan Thiong Joo Edwin

Aged 40, was appointed as an executive Director on June 21, 2017. Mr. Chan has served as the Chief Financial Officer since June 2013. Mr. Chan previously served as the Director of Corporate Finance from July 2009 to May 2011, the Vice President of Strategy and Corporate Finance from May 2011 to May 2013, and Director from November 2012 to March 2015. Mr. Chan is also responsible for leading corporate strategic initiatives for the Company.

Mr. Chan also serves as a director in certain subsidiaries of the Company, namely Razer (Asia-Pacific) Pte. Ltd., RazerVentures Holdings Pte. Ltd., ZVF2 Pte. Ltd., THX, ZVF1 Pte. Ltd., ZVMidas Pte. Ltd. and ZVMidas Cayman Inc.

Mr. Chan has over 15 years of experience in finance and capital markets, including six years of financial reporting experience. Mr. Chan previously worked at global investment banks and a global hedge fund.

Mr. Chan obtained a bachelor's degree in accounting and finance with first class honours from the London School of Economics and Political Science in July 2001.

NON-EXECUTIVE DIRECTOR

Mr. Lim Kaling

Aged 54, was designated as a non-executive Director on June 21, 2017. He is also a member of the Nomination Committee of the Company. Mr. Lim has been the founding investor since May 2005 and has served as a member of the Board since November 2012.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lim worked at SST as the chief executive officer and chairman from June 2012, as a director from November 2002 and as an executive officer from November 2005. Mr. Lim has over 30 years of experience in private equity and as a seed investor. Mr. Lim was a founding investor of Premisys Communications Inc., a company listed on NASDAQ and was subsequently acquired by Zhone Technologies Pte Ltd. Mr. Lim served as a director of Premisys Communications Inc. from 1990 to 1996. Mr. Lim was also the founding investor of Lucasfilm Animation Singapore Pte. Ltd. and has served as a director since 2004. Currently, Mr. Lim is the chairman of his 100-year old family business, Lim Teck Lee Pte Ltd., of which he remains a director today. Mr. Lim also sat on the board of directors of a joint venture company with Volvo, NSK Bearings (Malaysia) Sdn. Bhd. and Singapore Electrical Steel Services Pte Ltd.

Mr. Lim obtained a Bachelor of Science in business administration from the University of California, Berkeley in June 1983.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gideon Yu

Aged 46, has served as an independent Director since September 2014 and designated as an independent non-executive Director on October 31, 2017. Mr. Yu is also the chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee of the Company.

Mr. Yu has held numerous financial and executive management positions in the technology industry, including as chief financial officer of Facebook, Inc. (a company which was subsequently listed on the Nasdaq Stock Market (Stock Code: FB)) from 2007 to 2009, as chief financial officer of YouTube, LLC from 2006 to 2007 (which was purchased by Google, a company listed on the Nasdaq Stock Market (Stock Code: GOOG)), and in various leadership roles at Yahoo Inc. (a company listed on the Nasdaq Stock Market (Stock Code: YHOO)) from 2002 to 2006, as treasurer and senior vice president of finance.

Mr. Yu also has wide experience in other sectors. From 2000 to 2002, Mr. Yu was the chief financial officer of NightFire Software. In the period from 1993 to 1998, Mr. Yu held various positions at The Walt Disney Company (a company listed on the New York Stock Exchange (Stock Code: DIS)), Hilton Worldwide Holdings, Inc. (also a company listed on the New York Stock Exchange (Stock Code: HLT)), and Donaldson, Lufkin & Jenrette (predecessor of Credit Suisse Group (a company listed on the SIX Swiss Exchange (Stock Code: CSGN) and the New York Stock Exchange (Stock Code: CS), respectively)). In addition, Mr. Yu was a general partner at Khosla Ventures from 2009 to 2011.

Currently, Mr. Yu is the co-owner of the San Francisco 49ers football team, a professional football team in the National Football League, where he previously served as its president from 2012 to 2014 and as chief strategy officer from 2011 to 2012. Mr. Yu has served as the founder, chairman and chief executive officer of EVA Automation Inc., a privately held technology and media company since 2014. In 2016, EVA Automation acquired Bowers & Wilkins Group, Ltd., and Mr. Yu has served as its executive chairman since the acquisition.

Mr. Yu obtained a bachelor's degree in industrial engineering and engineering management from Stanford University in June 1993. Mr. Yu also obtained a master's degree in business administration from Harvard Business School in June 1999. In 1989, he received the First Place Grand Award in Environmental Science at the 40th International Science and Engineering Fair.

Mr. Chau Kwok Fun Kevin

Aged 57, was appointed as an independent non-executive Director on June 21, 2017 with effect from October 31, 2017. Mr. Chau is also the chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee and the Nomination Committee of the Company.

Mr. Chau began his career in 1982 with a U.S. bank in New York dealing in fixed income and derivative syndication and had been posted to the bank's London and Tokyo offices. In 1990, Mr. Chau set up his own real estate investment company in California, the United States, investing in real estate projects in Texas and California. Since 1996, Mr. Chau has been an independent non-executive director of the Tai Sang Land Development Limited (a company listed on the Stock Exchange (Stock Code: 89)). From 2005 to 2012, Mr. Chau was the executive vice chairman of Sincere Watch (Hong Kong) Limited (a company listed on the Stock Exchange (Stock Code: 444)) ("Sincere Watch Group"), during which he was responsible for the overall development of Sincere Watch Group's business, as well as the strategic planning and positioning and management of the Sincere Watch Group. Prior to joining the Sincere Watch Group, he was a principal officer of an investment company in Hong Kong dealing in real estates and the food and beverage industry in the PRC from 1993 to 1996. From 2008 to 2009, Mr. Chau served as director of the Tung Wah Group of Hospitals. Since 2012 and 2015 respectively, Mr. Chau has been the owner and principal of KRC Projects Limited, a private investment company, and a partner and director of Emagination Asia, a technology software company specialising in providing customisation solutions to businesses with ecommerce platforms.

Mr. Chau obtained a bachelor's degree in economics from Wesleyan University in Connecticut, the United States in June 1983.

Mr. Lee Yong Sun

Aged 73, was appointed as an independent non-executive Director on June 21, 2017 with effect from October 31, 2017. Mr. Lee is also the chairman of the Nomination Committee and a member of the Audit and Risk Management Committee of the Company.

Mr. Lee has extensive experience in banking, accounting and finance. From 2001 to 2008, Mr. Lee was the non-executive director of Shangri-la Asia Limited (a company listed on the Stock Exchange (Stock Code: 69)). From 2000 to 2015, Mr. Lee was a director of China World Trade Center Company Limited (a company listed on the Shanghai Stock Exchange (Stock Code: 600007)). Mr. Lee was a director of Kerry Group Limited from 1992 to 2011. Mr. Lee has been a director of Kerry Holdings Limited since February 1976 and the vice chairman of Kerry Holdings Limited since December 1999.

Mr. Lee obtained a bachelor's degree in accountancy from the University of Singapore in June 1971. He has been a Fellow member of The Institute of Singapore Chartered Accountants, CPA Australia and The Association of Chartered Certified Accountants since August 2004, December 2004 and April 2006, respectively.

Changes in Information of Directors

Save for the appointment of Mr. Min-Liang Tan as a director of Razer Pay Singapore Pte. Ltd. on February 23 , 2018 and Razer Pay Holdings Pte. Ltd. on April 6, 2018 and the appointment of Mr. Chan Thiong Joo Edwin as a director of ZVMidas Cayman Inc. on March 29, 2018, there has been no change in the information required to be disclosed by the Directors under Rule 13.51(2) (a) to (e) and (g) of the Listing Rules subsequent to the date of publication of the Prospectus.

SENIOR MANAGEMENT

Mr. Min-Liang Tan has served as the Chief Executive Officer since September 2006. Please refer to the section headed "Executive Directors" above for the biography of Mr. Tan.

Mr. Khaw Kheng Joo has served as the Chief Operating Officer since June 2012. Please refer to the section headed "Executive Directors" above for the biography of Mr. Khaw.

Mr. Chan Thiong Joo Edwin has served as the Chief Financial Officer since June 2013. Please refer to the section headed "Executive Directors" above for the biography of Mr. Chan.

Mr. Michael Dilmagani

Aged 61, has served as Senior Vice President of Sales and Marketing of the Company since March 2011. He also served as Vice President of Sales of the Company in the United States from October 2005 to October 2006 and as General Manager and Vice President of Sales and Marketing of the Company in the United States from October 2006 to January 2011.

Mr. Dilmagani received a masters degree in Business Administration from the University of San Francisco in December 1983.

Mr. Choo Wei Pin

Aged 46, is Senior Vice President, Corporate Development and General Counsel of the Company. He joined the Company in January 2015 as Vice President, Legal and Corporate Development, was appointed as Vice President, Corporate Development and General Counsel in April 2016 and was appointed to his current role in February 2017. Mr. Choo has also been Company Secretary of the Company since July 2015.

Mr. Choo also serves as a director in certain subsidiaries of the Company, namely RazerVentures Holdings Pte. Ltd., ZVF1 Pte. Ltd., ZVMidas Pte. Ltd. and ZVMidas Cayman Inc.

Mr. Choo was admitted as an advocate and solicitor of the Supreme Court of the Republic of Singapore in May 1998 and has more than 15 years of experience as a legal practitioner. From 2008 to 2012, Mr. Choo served as Assistant General Counsel at Singapore Telecommunications Limited (a company currently listed on the Singapore Exchange Limited (Stock Code: Z74) and previously listed on Australian Securities Exchange (Stock Code: SGT)). From 2012 to 2013, he was Senior Vice President, Company Secretary and Head of Legal and Secretariat of CapitaMalls Asia Limited (a company previously listed on both Singapore Exchange Limited (Stock Code: JS8) and the Stock Exchange (Stock Code: 6813)), following which Mr. Choo served as Senior Vice President, Legal of CapitaLand Limited until 2014.

Mr. Choo graduated from the University of Leicester with a bachelor's degree in law in May 1996 and completed the Master of Business Administration program at The Anderson School at the University of California, Los Angeles in June 2002.

Ms. Liu Siew Lan Patricia

Aged 53, is Chief of Staff of the Company since February 2018. She has served as the Chief Customer Officer of the Company from August 2016 to January 2018 and was a consultant in Razer (Asia-Pacific) Pte. Ltd. from 2012 to 2013.

Ms. Liu served in various leadership positions at Hewlett Packard for 15 years, including Director of Strategy and Planning, Vice President of Volume Direct Business Operations, Director of Total Customer Experience and Quality, Worldwide Marketing Manager, and Worldwide Learning Products and Localisation Manager. From 2013 to 2016, Ms. Liu was the Managing Director of Asia Pacific for Omega Engineering, part of Spectris plc, a precision instrumentation and controls company (a company listed on the London Stock Exchange (Stock Code: SXS)).

Ms. Liu graduated from the National University of Singapore with a bachelor of business administration in June 1986 and then obtained her executive diploma in directorship in June 2015 from the Singapore Management University.

Relationships between Directors and Senior Management

None of the Directors or members of senior management is related to any other Director or member of senior management.

REPORT OF THE DIRECTORS

REPORT OF THE DIRECTORS

REPORT OF THE DIRECTORS

The Board is pleased to present its 2017 report and the audited consolidated financial statements of the Group for the year ended December 31, 2017 (the "Financial Statements").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are those relating to the design, manufacture, distribution, research and development of gaming peripherals, systems, software, services, mobiles and accessories.

Details of the principal activities of the principal subsidiaries of the Company are set out in note 15 to the Financial Statements.

BUSINESS REVIEW

A fair review of the business of the Group for the year ended December 31, 2017, including analysis of the Group's performance during the year and indication of likely future development in the business of the Group, is set out in the sections headed "Chairman's Statement" on pages 12 to 15, "Business Highlights" on pages 18 to 21 and "Management Discussion and Analysis" on pages 24 to 29 of this annual report.

All references herein to other sections or reports in this annual report form part of this Report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the Group's principal risks and uncertainties that may adversely impact the Company's performance and the execution of its strategies are disclosed within the "Risk Management and Internal Controls" section of the Corporate Governance Report on pages 55 to 58 of this annual report.

THE INITIAL PUBLIC OFFERING

On November 13, 2017, the Shares were listed on the Main Board of the Stock Exchange. The initial public offering comprised the Hong Kong public offering of 531,800,000 Shares and the international offering of 691,340,000 Shares (including 159,540,000 Shares issued pursuant to the exercise of the over-allotment option granted by the Company).

SUMMARY FINANCIAL INFORMATION

A summary of the financial information for the last four financial years, as extracted from the audited financial statements, is set out in the section headed "Financial Summary and Highlights" on page 9 in this annual report.

BANK BORROWINGS AND OTHER BORROWINGS

The Group had no bank borrowings and other borrowings as at December 31, 2017.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year of 2017 are set out in note 13 to the Financial Statements.

CHARGE ON ASSETS

As at December 31, 2017, no property, plant and equipment was pledged to banks as loan security.

REPORT OF THE DIRECTORS

SHARE CAPITAL

On October 25, 2017, in preparation for the initial public offering, the existing shareholders of the Company passed a resolution to re-designate and re-classify the authorised share capital of the Company from US$60,000 divided into 4,000,000 ordinary shares of par value of US$0.01 each, 500,000 Series A Preferred Shares of par value of US$0.01 each, 500,000 Series B Preferred Shares of par value of US$0.01 each, 500,000 Series C Preferred Shares of par value of US$0.01 each and 500,000 Series D Preferred Shares of par value of US$0.01 each, to US$60,000 divided into 6,000,000 ordinary shares with a nominal value of US$0.01 each, and to increase the authorised share capital of the Company from US$60,000 divided into 6,000,000 ordinary shares of a par value of US$0.01 each to US$100,000,000 divided into 10,000,000,000 ordinary shares with a par value of US$0.01 each.

Immediately following the completion of the Capitalization Issue, the initial public offering and the issuance of the Archview Holdback Shares (further details of each of which are set out in the Prospectus), the authorised share capital of the Company was US$100,000,000 divided into 10,000,000,000 ordinary shares with a par value of US$0.01 each, among which 8,863,020,913 Shares were issued and fully paid.

On December 11, 2017, the Company issued 159,540,000 Shares pursuant to the full exercise of the over-allotment option granted by the Company to the joint global coordinators of the initial public offering. As of December 31, 2017, the authorised share capital of the Company was US$100,000,000 divided into 10,000,000,000 ordinary shares with a par value of US$0.01 each, among which 9,022,560,913 Shares were issued and fully paid.

Details of movements in the Company's share capital during the year ended December 31, 2017 are set out in note 24 to the Financial Statements.

SUBSIDIARIES

Particulars of the names, principal countries of operation, places of incorporation and issued/registered share capital of the Company's principal subsidiaries are set out in note 15 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date.

Since the Listing Date and up to December 31, 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

RESULTS AND DIVIDENDS

The results of the Group for the year ended December 31, 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 80 of this annual report.

The Board does not recommend the payment of any dividend for the year ended December 31, 2017.

RESERVES

As at December 31, 2017, the Company has no reserves available for distribution.

Details of the movements in the respective reserves of the Group and the Company during the year ended December 31, 2017 are set out in the consolidated statement of changes in equity and note 24 to the Financial Statements.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS OF SHARES

The notice of the forthcoming annual general meeting ("AGM") will be published and dispatched to shareholders of the Company in accordance with the requirements of the Listing Rules and the Articles of Association. The Company will announce the period of closure of register of members of Shares in the notice of AGM to be issued.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2017, approximately 72.0% of the Group's total purchases were attributable to the Group's five largest suppliers and approximately 27.9% of the Group's total purchases were attributable to the largest supplier. During the year ended December 31, 2017, approximately 34.3% of the Group's total revenues were attributable to the Group's five largest customers and approximately 11.7% of the Group's total revenues were attributable to the largest customer.

None of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) has any interest in the Group's five largest suppliers or five largest customers.

DIRECTORS

The Directors during the year ended December 31, 2017 and up to the date of this annual report were as follows:–

Executive Directors

Mr. Min-Liang Tan (Chairman)
(designated as an executive Director on June 21, 2017)
Mr. Khaw Kheng Joo (appointed on June 21, 2017)
Mr. Chan Thiong Joo Edwin (appointed on June 21, 2017)

Non-executive Director

Mr. Lim Kaling
(designated as a non-executive Director on June 21, 2017)

Independent Non-executive Directors

Mr. Gideon Yu (designated as an independent non-executive Director on October 31, 2017)
Mr. Chau Kwok Fun Kevin (appointed on June 21, 2017 with effect from October 31, 2017)
Mr. Lee Yong Sun (appointed on June 21, 2017 with effect from October 31, 2017)

Mr. Koh Boon Hwee, Mr. He Zhitao and Mr. Liao Pen-Fu (alternate to Mr. He Zhitao) resigned from the Board on June 21, 2017 prior to the listing of the Company.

In accordance with article 16.18 of the Articles of Association, Mr. Min-Liang Tan, Mr. Lim Kaling and Mr. Gideon Yu will retire at the forthcoming AGM and being eligible, offer themselves for re-election thereat.

Pursuant to article 16.2 of the Articles of Association, Mr. Khaw Kheng Joo, Mr. Chan Thiong Joo Edwin, Mr. Chau Kwok Fun Kevin and Mr. Lee Yong Sun who were appointed by the Board during the year will retire at the forthcoming AGM and being eligible, offer themselves for re-election thereat.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Company and the changes in Board composition during the year ended December 31, 2017 are set out on pages 33 to 35 of this annual report.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the "Connected Transactions" and "Related Party Transactions" sections in this report, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in the year was a Director or his connected entity had, directly or indirectly, a material interest subsisted at any time during the year ended December 31, 2017 or as at December 31, 2017.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2017.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors had any interests in any business which, competes or is likely to compete, either directly or indirectly, with the business of the Company or the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2017, the interest and/or short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

REPORT OF THE DIRECTORS

(a) Long positions in the Shares of the Company

Directors	Capacity	Nature of Interests	Number of Shares held	Approximate percentage of total issued shares
Mr. Min-Liang Tan ("Mr. Tan")	Beneficial owner	Personal interest	112,196,856[(1)]	1.24%
	Founder of a discretionary trust	Other interest	2,921,445,801[(2)]	32.38%
Mr. Khaw Kheng Joo	Beneficial owner	Personal interest	91,054,908[(3)]	1.00%
Mr. Chan Thiong Joo Edwin	Beneficial owner	Personal interest	56,837,892[(4)]	0.62%
Mr. Lim Kaling ("Mr. Lim")	Beneficial owner	Personal interest	520,986[(5)]	0.00%
	Interest of controlled corporations	Corporate interest	786,596,427[(6)]	8.72%
	Founder of a discretionary trust	Other interest	1,342,446,474[(7)]	14.88%
Mr. Gideon Yu	Beneficial owner	Personal interest	3,907,395[(8)]	0.04%
Mr. Chau Kwok Fun Kevin	Founder of a discretionary trust	Other interest	600,000	0.00%

Notes:

(1) Mr. Tan had a beneficial interest in a total of 112,196,856 Shares which included beneficial interest in 7,092,132 Shares underlying 7,092,132 RSUs which have been granted and have not yet vested as at December 31, 2017.

(2) The 2,921,445,801 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of the Chen Family Trust, which beneficially owns Chen Family (Global) Holdings Limited which in turn wholly owns Chen Family (Hivemind) Holdings Limited. The Chen Family Trust was established by Mr. Tan as the settlor and the investment advisor. Mr. Tan and his family members are the beneficiaries of the Chen Family Trust. Mr. Tan is also a director of Chen Family (Hivemind) Holdings Limited.

(3) Mr. Khaw Kheng Joo had a beneficial interest in a total of 91,054,908 Shares which included beneficial interest in 84,004,791 Shares underlying 84,004,791 RSUs which have been granted and have not yet vested as at December 31, 2017.

(4) Mr. Chan Thiong Joo Edwin had a beneficial interest in a total of 56,837,892 Shares which included beneficial interest in 51,199,479 Shares underlying 51,199,479 RSUs which have been granted and have not yet vested as at December 31, 2017.

(5) Mr. Lim had a beneficial interest in 520,986 Shares underlying 520,986 RSUs which have been granted and have not yet vested as at December 31, 2017.

(6) The 786,596,427 Shares were held by Mr. Lim through his controlled corporations – Lim Teck Lee Land Pte Ltd, Primerose Ventures Inc., Archview Capital Ltd and Sandalwood Associates Limited. Lim Teck Lee Land Pte Ltd is 93.66% owned indirectly by Mr. Lim through Lim Teck Lee (Pte.) Ltd.. Primerose Ventures Inc., Archview Capital Ltd. and Sandalwood Associates Limited are indirectly wholly-owned by Mr. Lim through Immobillari Limited.

(7) The 1,342,446,474 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of the KL Family Trust, which beneficially owns Excelsior Equity Limited which in turn wholly owns Voyager Equity Limited. The KL Family Trust was established by Mr. Lim as the settlor and the investment advisor. Mr. Lim and his family members are the beneficiaries of the KL Family Trust. Mr. Lim is also the sole director of Voyager Equity Limited.

(8) Mr. Gideon Yu had a beneficial interest in 3,907,395 Shares underlying 3,907,395 RSUs which have been granted and have not yet vested as at December 31, 2017.

(b) Long positions in the shares, underlying shares and debentures of the associated corporations of the Company

Name of Director	Company in which the interests are held	Class of shares	Capacity	Nature of Interests	Number of shares held	Percentage of shareholding in the relevant class of shares
Mr. Lim Kaling	THX Ltd.	Common stock	Interest of controlled corporations	Corporate interest	20[(1)]	20.00%

Note:

(1) Held by Archview Capital Ltd., which is indirectly wholly-owned by Mr. Lim through Immobillari Limited.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at December 31, 2017, so far as is known to the Directors, the persons or entities, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Long positions in the Shares of the Company

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate percentage of total issued shares
Julius Baer Group Ltd	Interest of controlled corporations and security interest	4,264,054,275(1)	47.26%
Julius Baer Trust Company (Channel Islands) Limited	Trustee	4,263,892,275(2)(3)	47.26%
Chen Family (Global) Holdings Limited	Interest of controlled corporations	2,921,445,801(2)	32.38%
Chen Family (Hivemind) Holdings Limited	Beneficial owner	2,921,445,801(2)	32.38%
Excelsior Equity Limited	Interest of controlled corporations	1,342,446,474(3)	14.88%
Voyager Equity Limited	Beneficial owner	1,342,446,474(3)	14.88%
Computershare Limited	Interest of controlled corporations	708,104,004(4)	7.85%
ACN 081 035 752 Pty Limited	Interest of controlled corporations	708,104,004(4)	7.85%
Computershare Asia Limited	Interest of controlled corporations	708,104,004(4)	7.85%
Computershare Hong Kong Development Limited	Interest of controlled corporations	708,104,004(4)	7.85%
Computershare Hong Kong Investor Services Limited	Interest of controlled corporations	708,104,004(4)	7.85%
Hong Kong Registrars Limited	Interest of controlled corporations	708,104,004(4)	7.85%
Computershare Hong Kong Nominees Limited	Interest of controlled corporations	708,104,004(4)	7.85%
Computershare Hong Kong Trustees Limited	Trustee	708,104,004(4)	7.85%

Notes:

(1) The 4,264,054,275 Shares include 4,263,892,275 Shares held by Julius Baer Trust Company (Channel Islands) Limited as trustee (as described in notes (2) and (3) below) and 162,000 Shares held for private clients of Julius Baer Group Ltd as custodian.

(2) The 2,921,445,801 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of the Chen Family Trust, which beneficially owns Chen Family (Global) Holdings Limited which in turn wholly owns Chen Family (Hivemind) Holdings Limited. The Chen Family Trust was established by Mr. Tan as the settlor and the investment advisor. Mr. Tan and his family members are the beneficiaries of the Chen Family Trust. Mr. Tan is also a director of Chen Family (Hivemind) Holdings Limited.

(3) The 1,342,446,474 Shares were held by Julius Baer Trust Company (Channel Islands) Limited is the trustee of the KL Family Trust, which beneficially owns Excelsior Equity Limited which in turn wholly owns Voyager Equity Limited. The KL Family Trust was established by Mr. Lim as the settlor and the investment advisor. Mr. Lim and his family members are the beneficiaries of the KL Family Trust. Mr. Lim is also the sole director of Voyager Equity Limited.

(4) The 708,104,004 Shares were held by Computershare Hong Kong Trustees Limited as trustee of the 2016 Equity Incentive Plan. Computershare Hong Kong Trustees Limited is indirectly wholly owned by Computershare Limited through its wholly owned subsidiary ACN 081 035 752 Pty Limited which in turn wholly owns Computershare Hong Kong Investor Services Limited, Computershare Asia Limited, Hong Kong Registrars Limited, Computershare Hong Kong Nominees Limited and Computershare Hong Kong Development Limited, each of which owns 20% of Computershare Hong Kong Trustees Limited.

Save as disclosed above, as at December 31, 2017, no other person (other than the Directors and chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

COMPLIANCE ADVISOR'S INTEREST

As at March 22, 2018, as notified by the Company's compliance advisor, Anglo Chinese Corporate Finance, Limited (the "Compliance Advisor"), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated June 21, 2017, neither the Compliance Advisor nor its directors, employees or its close associates (as defined under the Listing Rules) had any interests in the securities to the Company which is required to be notified to the Company.

PERMITTED INDEMNITY

The Articles of Association provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, and against any loss in respect of his personal liability for the payment of any sum primarily due from the Company. Directors liability insurance is in place to protect the directors of the Company or its subsidiaries against potential costs and liabilities arising from claims brought against the Directors.

REMUNERATION POLICY

The Directors, senior management and employees receive compensation in the form of salaries, allowances, bonuses, share-based awards and other benefits-in-kind. Their salaries based on their qualification, position and seniority. The Group had 840 employees as of December 31, 2017. The Group also uses independent contractors to provide the Group more flexibility over overall workforce numbers.

In order to assist us in attracting, retaining and motivating our employees, Directors and consultants who will contribute to the success of the Company, the Company has adopted the 2016 Equity Incentive Plan, pursuant to which the Company may grant awards to eligible participants. The principal terms of the 2016 Equity Incentive Plan and details of the RSUs which have been granted by the Company are summarised in the section "2016 Equity Incentive Plan" below.

During the years ended December 31, 2017 and 2016, no amount was paid to the Directors or the five highest paid individuals, as inducement to join or upon joining the Company. In addition, no compensation was paid to the Directors or past Directors for the same period in connection with the loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. Further, there was no other arrangement under which a Director waived or agreed to waive any remuneration during the same period.

Details of the remuneration to Directors and chief executive, senior management and the five highest paid individuals are set out in note 9, note 10 and note 26(a) to the Financial Statements.

2016 EQUITY INCENTIVE PLAN

The Company adopted the 2016 Equity Incentive Plan by a resolution of the Board on July 25, 2016 and a resolution of the shareholders of the Company on August 23, 2016, which was further amended by way of a resolution of the Board and of the shareholders of the Company on October 25, 2017. The terms of the 2016 Equity Incentive Plan governing the grant of RSUs are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by the Company to subscribe for new Shares.

The purposes of the 2016 Equity Incentive Plan are (i) to recognise the contributions by grantees of the 2016 Equity Incentive Plan and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) to attract and motivate suitable personnel for further development of the Group.

Unless terminated earlier by the Company, terms governing RSUs under the 2016 Equity Incentive Plan shall be valid and effective for a term of 10 years commencing on July 25, 2016, after which period no further RSUs shall be granted or accepted, but the provisions of this Plan shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the 2016 Equity Incentive Plan.

Unless otherwise duly approved by the shareholders of the Company, the total number of Shares underlying RSUs which may be granted under the 2016 Equity Incentive Plan shall not exceed 1,594,406,095, equivalent to approximately 18.0% of the total number of issued Shares as at the Listing Date (the "Scheme Limit').

To facilitate the administration of the 2016 Equity Incentive Plan, an aggregate of 708,104,004 Shares were issued to Computershare Hong Kong Trustees Limited, as trustee, on Listing Date, representing approximately 8.0% of the Shares in issue as at the Listing Date. Accordingly, the number of Shares underlying the RSUs which remains available under the Scheme Limit to be granted is 886,302,091 Shares. The grant and vesting of the RSUs granted pursuant to the 2016 Equity Incentive Plan are in compliance with Rule 10.08 of the Listing Rules.

Details of the RSUs granted and outstanding under the 2016 Equity Incentive Plan

Name of grantees of RSUs	Number of Shares underlying RSUs outstanding at the Listing Date	RSUs granted during the period from the Listing Date to December 31, 2017	RSUs vested during the period from the Listing Date to December 31, 2017	RSUs cancelled during the period from the Listing Date to December 31, 2017	Number of Shares underlying RSUs outstanding at December 31, 2017
Directors of the Company					
Mr. Min-Liang Tan	7,092,132	105,104,724	(105,104,724)	–	7,092,132
Mr. Khaw Kheng Joo	84,004,791	–	–	–	84,004,791
Mr. Chan Thiong Joo Edwin	51,199,479	–	–	–	51,199,479
Mr. Lim Kaling	520,986	–	–	–	520,986
Mr. Gideon Yu	3,907,395	–	–	–	3,907,395
Other connected persons of the Company					
Mr. Koh Boon Hwee[(1)]	12,512,067	–	–	–	12,512,067
Mr. He Zhitao[(1)]	134,448	–	–	–	134,448
Subtotal of 5 Directors and 2 other connected persons of the Company	159,371,298	105,104,724	(105,104,724)	–	159,371,298
Other employees, and consultants[(2)]	428,931,135	13,629,666	–	(1,588,167)	440,972,634
TOTAL OF ALL GRANTEES	588,302,433	118,734,390	(105,104,724)	(1,588,167)	600,343,932

Notes:

(1) Mr. Koh Boon Hwee and Mr. He Zhitao are former Directors of the Company in the 12 months ended December 31, 2017.

(2) Comprised 650 other employees and 1 ex-director as of the Listing Date and 687 other employees, 1 ex-director and 6 consultants as of December 31, 2017.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "2016 Equity Incentive Plan" in this report and the asset purchase agreement entered into between Razer USA Ltd. and Nextbit Systems Inc. dated December 30, 2016 pursuant to which the Deferred Settlement Shares will be issued (the details of which are set out in the Prospectus), no equity-linked agreements subsisted at December 31, 2017.

Save for the asset purchase agreement entered into between THX and SST dated October 5, 2016 and as amended and supplemented by supplemental agreements dated October 5, 2017 and January 8, 2018, pursuant to which the Archview Holdback Shares were issued to Archview Capital Ltd. on the Listing Date (the details of which are set out in the Prospectus), no equity-linked agreements were entered into by the Group during the year ended December 31, 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in the Articles of Association or under the applicable laws of the Cayman Islands where the Company is incorporated.

DONATIONS

During the year ended December 31, 2017, donations made by the Group for charitable purposes amounted to approximately US$128,000.

CONNECTED TRANSACTIONS

During the period from the Listing Date up to December 31, 2017, the Company has not entered into or conducted any connected transactions, which were subject to the reporting, announcement or independent shareholders' approval requirements as required under the Listing Rules.

RELATED PARTY TRANSACTIONS

A summary of all material related parties' transactions entered into by the Group during the year ended December 31, 2017 is contained in note 26 to the Financial Statements. None of the related party transactions as described in note 26 are connected transactions which are subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, at no time during the year had the Company or any of its subsidiaries entered into any contract of significance with the Controlling Shareholder or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the Controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company intends to apply the net proceeds from the initial public offering for the purposes as set out in the Prospectus. As at December 31, 2017, the net proceeds have not been used and have been held in accordance with our treasury policies as further described in the section headed "Management Discussion and Analysis" of this annual report.

SUBSEQUENT EVENTS

As disclosed in the Company's announcement dated February 8, 2018, the Group acquired 10,125,670 additional ordinary shares in the capital of MOL Global (the "Acquisition"). Following the Acquisition, the Group holds approximately 34.9% of the total issued share capital in MOL Global and is the single largest shareholder of MOL Global, which enables the Group to gain further access to MOL Global's network of content, customers and partners throughout emerging markets. The Board believes that the Acquisition will also allow the Group to further expand the existing partnership with MOL Global beyond virtual credits into areas such as e-payment and digital wallet solutions.

COMPLIANCE WITH THE CG CODE

The Company has adopted and applied the principles and code provisions as set out in the CG code contained in Appendix 14 to the Listing Rules. During the period between the Listing Date and up to December 31, 2017, the Company has complied with the applicable code provisions as set out in the CG Code, save for the code provisions A.2.1, A.5.6 and A.6.4. Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" on pages 50 to 59 of this annual report.

COMPLIANCE WITH THE MODEL CODE

The Board has adopted the Model Code as the code of conduct regulating Directors' dealings in securities of the Company. Having made specific enquiry to the Directors, all the Directors confirmed that they have complied with the standards as set out in the Model Code from the Listing Date to December 31, 2017.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended December 31, 2017, the Group is not aware of any non-compliance with laws and regulations that have a significant impact on the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Information on the Company's environmental policies and performance is set out in the ESG Report on pages 62 to 73 of this annual report.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2017, the Group was not engaged in any material litigation or arbitration and no material litigation or claim is known to the Directors to be pending or threatened against the Group.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that its employees, customers and business partners are keys to its sustainability. The Group has been striving to achieve corporate sustainability through engaging its employees, providing quality services for its customers, collaborating with business partners and supporting the community.

The Group's success depends on our ability to attract, retain and motivate qualified personnel. As part of its retention strategy, the Group offer employees competitive salaries, performance-based cash bonuses, other benefits and incentives. The Group also believes that Razer employees are part of the Razer global community and feel an affinity with the Razer brand, which strengthens retention and forges a sense of community among our staff and throughout our workplaces. In 2017, the Group won the Singapore Computer Society's "Best Tech Companies to Work For 2017" award in the large organisations and multi-national corporations' category for its "corporate culture, robust talent development and innovation excellence." The Group provides on-board training to all new employees, and is committed to extending training and development programs to all employees at all levels of our organisation.

The Group aims to provide both pre-sales and after-sales services to the Group's customers in order to maintain a high level of customer satisfaction. We are available to our customers through the Company's website, by phone, live chat, email or social media, and the Company's customer engagement agents are located in three call centers around the world so as to best serve all of the Group's customers.

The Group's products are manufactured to its specifications by independent contract manufacturers. The Group works closely with its manufacturers at all stages of the design-for-manufacturing process to ensure a smooth production process. The Group also contracts with technology providers to provide sub-components that may require additional technical expertise, and works with its manufacturers to aggregate these components such as chipsets and sensors into finished products.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Financial Statements has been reviewed by the Audit and Risk Management Committee of the Company. Further information on the work and composition of the Audit and Risk Management Committee are set out in the Corporate Governance Report on page 53.

AUDITORS

The Financial Statements have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the AGM of the Company.

On behalf of the Board
Min-Liang TAN
Chairman

Hong Kong, March 22, 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to ensuring the Company adhere to a high standard of corporate governance.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted and applied the principles as set out in the CG Code.

The Board is of the view that since the Listing Date and up to December 31, 2017 (the "Review Period"), the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision A.2.1 described in the paragraph headed "Board of Directors – Chairman and Chief Executive Officer", code provision A.5.6 described in the paragraph headed "Board Committee – Nomination Committee" and code provision A.6.4 described in the paragraph headed "Model Code for Securities Transactions".

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code as the code of conduct regulating Directors' dealings in securities of the Company. Having made specific enquiry to the Directors, all Directors have confirmed that they have complied with the Model Code throughout the Review Period.

Code provision A.6.4 provides the Board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the issuer's securities. The Company has adopted written guidelines for relevant employees in respect of prohibitions of dealings in the Company's securities under part A of the Model Code by relevant employees since the Listing Date. The Board has also approved the written guidelines for the procedure of notification under part B of the Model Code.

BOARD OF DIRECTORS

The Board oversees the businesses, strategic decisions and performance of the Group and makes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises seven Directors, consisting of three executive Directors, one non-executive Director, and three independent non-executive Directors.

The composition of the Board is as follows: -

Executive Directors

Mr. Min-Liang Tan (Chairman)
(designated as an executive Director on June 21, 2017)
Mr. Khaw Kheng Joo (appointed on June 21, 2017)
Mr. Chan Thiong Joo Edwin (appointed on June 21, 2017)

Non-executive Director

Mr. Lim Kaling (designated as a non-executive Director on June 21, 2017)

Independent Non-executive Directors

Mr. Gideon Yu (designated as an independent non-executive Director on October 31, 2017)
Mr. Chau Kwok Fun Kevin (appointed on June 21, 2017 with effect from October 31, 2017)
Mr. Lee Yong Sun (appointed on June 21, 2017 with effect from October 31, 2017)

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 32 to 35 of this annual report.

None of the members of the Board are related to one another.

Mr. Koh Boon Hwee, Mr. He Zhitao and Mr. Liao Pen-Fu (alternate to Mr. He Zhitao) resigned from the Board on June 21, 2017 prior to the listing of the Company. There has been no change to the composition of the Board or Board committees during the Review Period.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

The roles of the Chairman and Chief Executive Officer of the Company are held by Mr. Min-Liang Tan. Mr. Tan, a co-founder and an executive Director, has served as the Chief Executive Officer since September 2006 and was appointed the Chairman of the Board on June 21, 2017.

The Board believes that Mr. Tan should continue to assume the responsibilities of the Chief Executive Officer of the Company and Chairman of the Board as this arrangement will improve the efficiency of the decision-making and execution process of the Company. The Company has put in place an appropriate check-and-balance mechanism through the Board and the independent non-executive Directors. In light of the above, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in the circumstances of the Company.

Independent Non-executive Directors

During the Review Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years, subject to the Articles of Association and the Listing Rules.

The Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the next following annual general meeting of the Company.

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of meeting at which he retires and shall be eligible for re-election thereat.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board is responsible for decision-making in all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. As provided by the Articles of Association, the Board has delegated certain of its powers relating to strategy and management to Mr. Min-Liang Tan, the Chief Executive Officer and an executive Director. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit and Risk Management Committee, the Remuneration Committee, and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 4 of this annual report.

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of three independent non-executive Directors, namely Mr. Gideon Yu, Mr. Chau Kwok Fun Kevin and Mr. Lee Yong Sun. Mr. Chau Kwok Fun Kevin is the chairman of the Audit and Risk Management Committee.

The terms of reference of the Audit and Risk Management Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit and Risk Management Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

During the Review Period, the Audit and Risk Management Committee held one meeting with the internal auditors and external auditors to discuss the audit plan and internal audit matters.

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Min-Liang Tan, executive Director, Mr. Gideon Yu, independent non-executive Director, and Mr. Chau Kwok Fun Kevin, independent non-executive Director. Mr. Gideon Yu is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining/reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his/her own remuneration.

No meeting of the Remuneration Committee was held during the Review Period.

Details of the fees and other emoluments paid or payable to the Directors and the five individuals with the highest emoluments are set out in notes 9 and 10 to the Financial Statements respectively.

The remuneration paid to members of senior management by band during the year is set out below:

in Hong Kong dollars ("HKD")	2017	2016
1,500,001-2,000,000	–	1
2,000,001-2,500,000	–	1
6,000,001-6,500,000	1	–
8,000,001-8,500,000	–	1
11,000,001-11,500,000	1	–
31,000,001-31,500,000	–	1
33,000,001-33,500,000	1	–
43,500,001-44,000,000	–	1
47,000,001-47,500,000	1	–
50,000,001-50,500,000	–	1
53,500,001-54,000,000	1	–
527,000,001-527,500,000	1	–

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Lim Kaling, non-executive Director, Mr. Chau Kwok Fun Kevin, independent non-executive Director and Mr. Lee Yong Sun, independent non-executive Director. Mr. Lee Yong Sun is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

Code provision A.5.6 provides that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. Although a policy on the diversity of the board members has not been formally adopted, the Board considers that the Company's existing practices (including the role of the Nomination Committee) have due regard for the benefits of diversity on the Board. Board appointments have been, and will continue to be, made based on attributes that complement and expand the skill set, experience and expertise of the Board as a whole, taking into account factors such as age, professional experience, qualifications, cultural and educational background, and any other factors that the Board and the Nomination Committee may consider relevant to the Company's strategy, governance and business and that contribute to the Board's effectiveness. The Board and the Nomination Committee review and monitor, from time to time, the effectiveness and application of these factors.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy, where appropriate, before making recommendations to the Board.

No meeting of Nomination Committee was held during the Review Period.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the Review Period, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors

The attendance record of each Director at the Board and Board committee meetings of the Company held during the Review Period is set out in the table below:–

	Number of Meetings Attended/Number of Meeting held for the Review Period			
Name of Directors	**Board meeting**	**Audit and Risk Management Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**
Executive Directors				
Mr. Min-Liang Tan	0/0	–	0/0	–
Mr. Khaw Kheng Joo	0/0	–	–	–
Mr. Chan Thiong Joo Edwin	0/0	–	–	–
Non-executive Director				
Mr. Lim Kaling	0/0	–	–	0/0
Independent Non-executive Directors				
Mr. Gideon Yu	0/0	1/1	0/0	–
Mr. Chau Kwok Fun Kevin	0/0	1/1	0/0	0/0
Mr. Lee Yong Sun	0/0	1/1	–	0/0

No annual general meeting was held during the Review Period.

Continuous Professional Development of Directors

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Company arranges continuous professional development training to Directors such as internally-facilitated briefings and provision of reading material on relevant topics to ensure Directors keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. All Directors are also encouraged to attend relevant training courses at the Company's expense.

The following Directors pursued continuous professional development and relevant details are summarised as follows:–

Name of Directors	Type of Training *Note*
Executive Directors	
Mr. Min-Liang Tan	√
Mr. Khaw Kheng Joo	√
Mr. Chan Thiong Joo Edwin	√
Non-executive Director	
Mr. Lim Kaling	√
Independent Non-executive Directors	
Mr. Gideon Yu	√
Mr. Chau Kwok Fun Kevin	√
Mr. Lee Yong Sun	√

Note:

During the year ended December 31, 2017, all Directors received training and training materials, including from the Company's external legal advisor, about matters relevant to their duties as directors of a listed company. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit and Risk Management Committee, assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The internal control processes and procedures that have been established for various aspects of the business, with clearly defined scopes of responsibilities, forms the foundation for the Group's internal control system to ensure compliance of business operations with applicable regulations.

During the reporting period, the management had also appointed an independent risk consultant ("Risk Consultant") to conduct an enterprise-wide risk review exercise to identify the key and significant risks across the businesses. A bottoms-up and top-down approach was adopted, where bottoms-up inputs from key internal stakeholders across verticals and business units were collated and appraised, with refinement and adjustments through top-down inputs from the senior management in an iterative manner. Six (6) enterprise key risk areas along with the mitigating strategies were identified following this exercise. At the same time, the Risk Consultant had also reviewed the Enterprise Risk Management framework and the recommendations to improve our risk assessment process had been taken into consideration by the management. The management had appointed an independent internal control consultant ("Internal Control Consultant") to perform analysis and independent appraisal of the Group's internal control system, focusing on the adequacy and effectiveness of internal controls across business functions globally.

During the reporting period, the management had outsourced its internal audit function to an independent internal audit firm ("Internal Auditor"). The Internal Auditor reports directly to the

CORPORATE GOVERNANCE REPORT

Audit and Risk Management Committee on all internal audit matters. The internal audit plan is submitted to the Audit and Risk Management Committee for approval prior to the commencement of the internal audit work. The Audit and Risk Management Committee reviews the internal audit report and monitors the implementation of the improvements required on internal control weaknesses identified.

The Board has, through the management and the Audit and Risk Management Committee, conducted a review of the effectiveness of risk management and internal control systems of the Group for the year ended December 31, 2017. Based on the internal controls established and maintained by the Group, work performed by appointed independent consultants, the reviews performed by the management and the Audit and Risk Management Committee, the Board, with the concurrence of the Audit and Risk Management Committee, is of the opinion that the internal controls and risk management systems were adequate and effective to address financial, operational, compliance and information technology controls risks which the Group considers material and relevant to its operations.

Our Code of Business Conduct and Ethics ("Code of Conduct") spells out the guiding principles and responsibilities for our employees in the following areas such as compliance with the law, working ethically and with integrity, and treating others inside and outside of the Group fairly and honestly. New employees are required to confirm that they have understood the Code of Conduct appropriate to their role and position in the Company on joining and provide annual confirmation of compliance in writing. The Code of Conduct is accessible to all employees via our intranet, and will be assessed from time to time, to ensure it reflects best practices and meets expectations of all stakeholders.

Whistleblower and Complaint Policy is also in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

The Group has also adopted a Policy on Information Disclosure Management which sets out comprehensive guidelines in respect of handling and dissemination of inside information. This policy sets out the procedures and internal controls to ensure the timely disclosure of information on the Group and the fulfillment of the Group's continuous disclosure obligations, including:

- the processes for identifying, assessing and escalating potential inside information to the Company Secretary;
- restrictive access to inside information to a limited number of employees on a "need to know" basis;
- identified members of senior management who are authorised to release inside information; and
- the requirement of all directors, officers and employees of the Group to observe the Policy on Information Disclosure Management.

The Board is entrusted with the responsibility for monitoring and implementing the procedural requirements in the Policy on Information Disclosure Management.

Significant Risks of the Group

The Group's business, financial condition and results of operations are subject to various business risks and uncertainties. As part of the Audit and Risk Management Committee's review of the Group's risk management systems, the Audit and Risk Management Committee considers the significant risks facing the Group and the nature and extent of such risks. The risk management and internal control management processes set out in this section details the main features of the Group's risk management and internal control system, along with how the Group identifies, evaluates and manages significant risks.

In 2017, the Group has identified and determined significant risks through the risk management process. The risks set out below are those that the Group believes could adversely affect the Group's financial condition or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

1. **Competitive Landscape**

   The technology, Internet, gaming and consumer electronics industry is highly competitive, innovative and ever-changing due to evolving consumer preferences and products and services with increasingly short life cycles. Therefore, one of the Group's challenges is to anticipate, gauge and respond to these changing consumer preferences and technological trends in a timely manner, while maintaining the authenticity of our brand and quality and relevance of our products. At the same time, the Group is also focused on attracting new consumers while expanding its existing market share. In light of these challenges, the absence of new technology and product innovation would impair the core competitiveness of the Group.

   In order to mitigate these risks, the Group focuses on user experience by keeping track of the development of new technologies in a timely manner, capturing changes in user experience, and continuously developing new products and services to meet the expectations of the market. The Group not only encourages its employees to innovate, but also allocates considerable resources including hiring personnel to the research and development of new technologies and the optimisation of features as well as enhancement of user experience of products.

   Further, the Group closely monitors its product lifecycle management and maintains oversight over our third-party manufacturers' and service providers' capabilities and performance to enable the Group to bring our products and services to the market in a timely manner.

2. **Ecosystem Strategy risk**

   Product Quality and Reliability
   Our brand, our distinctive triple-headed snake logo and our signature acid green and black aesthetics are widely recognised by the gamer community. The Group believes that our brand, logo and colours are seen as being synonymous with high performance and industry-leading technology and represent the gamer lifestyle.

   As such, to ensure that the Group delivers quality and high performance products and services to the market, the Group maintains oversight on quality of incoming raw materials to the manufacturing process, executes quality and reliability testing programs and conducts site audit checks on third party manufacturers to ensure compliance with product specifications and requirements.

   Software and Services Delivery Infrastructure
   Within the Razer ecosystem, the stability of servers and network infrastructure for products and platforms of the Group is of vital importance not only for the successful operation of the Group's business but also the provision of high quality user experience. Any material functional defect, interruption, breakdown or other issue in connection is likely to materially adversely impact the Group's businesses and users' experience.

   In order to mitigate this risk, the Group binds its third party service providers through contractual agreements to implement adequate preventive measures for required service recovery. The Group also continually assesses its IT infrastructure's capacity to accommodate growing needs and/or sudden surges in demand, maintains the necessary systems protection and builds capacity redundancy to ensure IT systems resilience.

3. **Information Security risk**

   Protecting user data is a priority of the Group, and the Group is fully aware that any loss or leakage of sensitive user information could have a negative impact on affected users and the Group's reputation, even leading to potential legal action.

   The Group is obliged to protect sensitive user information and as such, the Group strives to provide the highest level of protection to such data. In this regard, the Group has formulated policies and control measures to protect user data. Information security is ensured through effective management systems, encryption, access restrictions and process protocols. In addition, the Group performs review periodically and engages independent specialists to review the Group's data protection practices.

4. **Intellectual Property risk**

   The Group's branding and intellectual property ("IP") assets are critical to our business. To protect these IP assets, the Group relies on a combination of trademark, patent, design and other IP-related laws within the jurisdictions in which we operate, as well as confidentiality agreements signed with stakeholders that we work with.

CORPORATE GOVERNANCE REPORT

In order to mitigate these risks, we have a dedicated IP team that we continue to grow that is responsible for the day-to-day management of legal matters involving our business' trademarks, patents, designs, and other IP rights. The Group continuously monitors on-going contentious IP-related matters and undertakes legal recourse against infringers. The Group also registers its IP rights across jurisdictions and binds contractual parties to IP clauses in agreements to govern and enforce the Group's IP rights.

5. **Legal and Compliance risk**

Although the Internet and technology industry is still evolving, regulatory authorities in numerous jurisdictions have been, in an attempt to keep up with such evolution, developing more comprehensive and stringent regulations to regulate the industry. As the Group is expanding its businesses in the PRC and overseas, it is required to comply with the new applicable laws and regulations in different jurisdictions that are specifically relevant to the Group's businesses, such as laws relating to data protection, Internet information security, IP, gaming and Internet finance.

The Group has set up professional departments and teams that work closely with management of business groups to monitor and identify changes in any relevant laws and regulations, so as to take appropriate actions or measures to ensure the Group is in compliance with applicable laws and regulations. The Group also leverages on professional firms to provide advisory and compliance consulting services.

6. **People risk**

The Group's success is dependent upon continued service from personnel employed by our Group and our ability to attract and assimilate personnel quickly. The Group's future success also substantially depends on the continued service of our senior management team. In particular, our co-founder and Chief Executive Officer, Mr. Tan, has been instrumental in the vision and creativity of the Group's business, and continues to be intimately involved in the development and design of our products.

In order to mitigate this risk, the Group proactively seeks out personnel to join the Group and is in the process of establishing a succession plan for key personnel and senior management.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2017.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 76 to 79.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, Messrs KPMG, in respect of audit services and non-audit services for the year ended December 31, 2017 is set out below:

Service Category	**Fees Paid/Payable** (US$)
Audit Services	647,000
Non-audit Services	1,187,000
Total	1,834,000

The fees attributable to the non-audit services above mainly include the service fee paid to KPMG as the reporting accountants of the Company in connection with the initial public offering.

JOINT COMPANY SECRETARIES

Mr. Choo Wei Pin and Ms. Chan Wai Ling are the joint company secretaries of the Company. Mr. Choo Wei Pin is the Company's Senior Vice President, Corporate Development and General Counsel. The Company has appointed Ms. Chan Wai Ling of Tricor Services Limited, an external service provider, as one of the Company's joint company secretaries. Her primary contact person at the Company is Ms. Goh Mei Lan, Senior Corporate Secretarial Manager of the Company.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

Mr. Choo and Ms. Chan have each taken no less than 15 hours of relevant professional training during the year ended December 31, 2017 in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a Shareholders Communication Policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening and Putting Forward Proposals at General Meetings

General meetings may be convened on the written requisition of any two or more members holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company deposited at the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The written requisition must specify the objects of the meeting and be signed by the requisitionists.

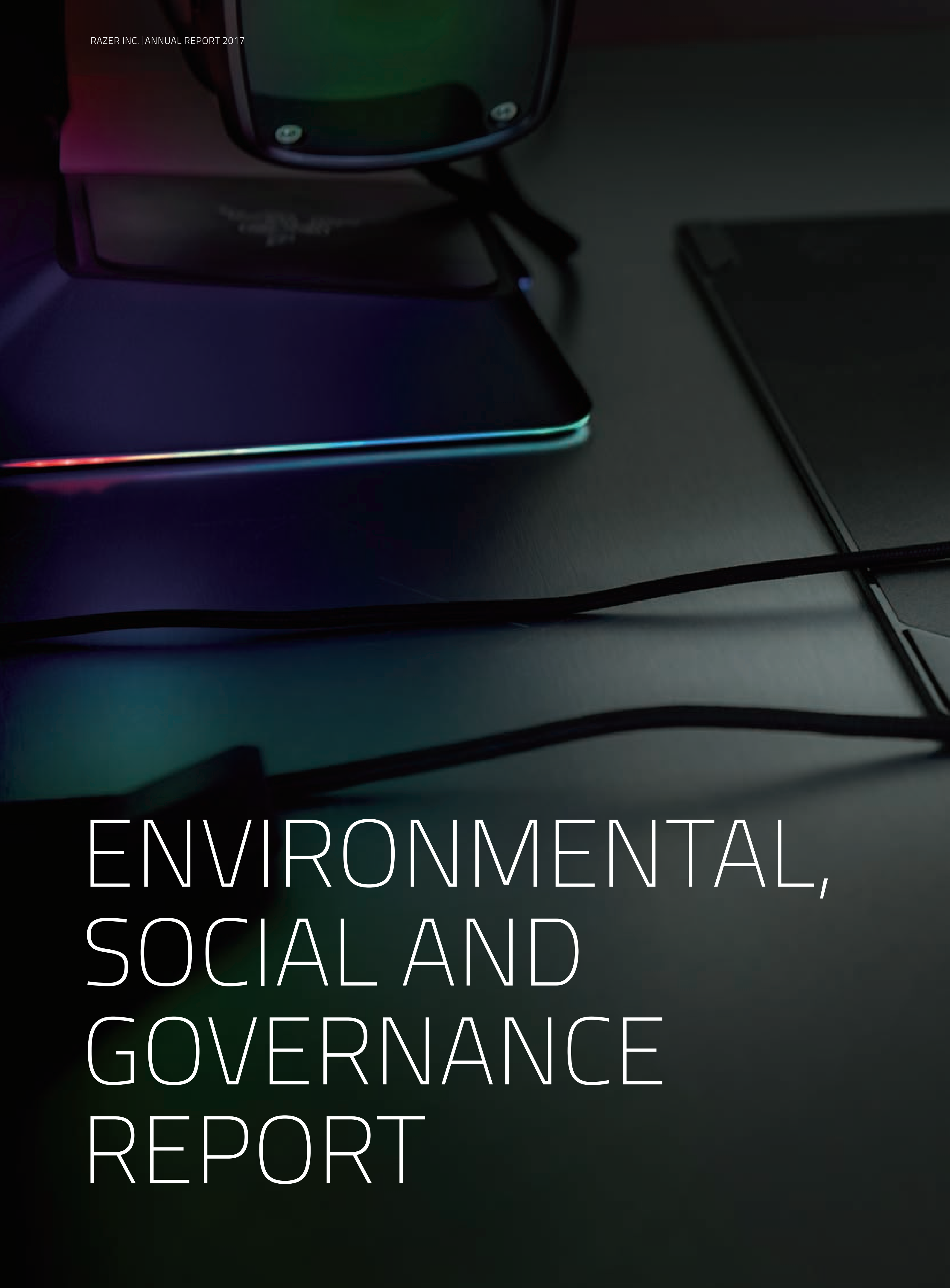
Putting Forward Enquiries to the Board

Shareholders may send written enquiries to the Board by email to ir@razer.com or by mail to 514 Chai Chee Lane, #07-05, Singapore 469029 for the attention of the Director of Investor Relations.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with shareholders and in particular, through general meetings or other proper means.

The Company has not made any changes to its Memorandum and Articles of Association since the Listing Date. An up to date version of the Company's Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT


1
2
3
4
5
6
7
8
9
10
11
12

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Reporting Period & Scope

This report covers the sustainability performance of the Group for the period from January 1, 2017 to December 31, 2017. The scope of this report includes activities and data from all of our offices, and that of our top five contract manufacturers in our supply chain, unless specifically stated otherwise.

Approach to ESG Strategy and Reporting Standard

The environmental, social and governance ("ESG") strategy of the Group, details of which are set out in this report, aligns with its commitment to create long-term value for the Group's stakeholders. During the reporting period, we have implemented an ESG policy to guide ESG considerations and drive ESG initiatives in our daily operations. We will focus on each of these areas in turn in this report, particularly those environmental and social issues that could have a material impact on the sustainability of our operations and that are of interest to stakeholders.

Reporting Standard

This report was prepared in accordance with the ESG Guide. For detailed information about the "comply or explain" provisions of the ESG Guide, please refer to the ESG Guide content index on pages 70 to 73.

ESG GOVERNANCE

The Board and Management are committed to continually enhance stakeholder's values through a robust corporate governance framework under which we manage ESG related risks and opportunities throughout our operations. The Board considers ESG-related risks and opportunities as part of the Group's overall strategic formulation, and the significant ESG impacts caused by day-to-day operations and businesses. The Board maintains oversight to and approves the identification and assessment of ESG issues that are material to operations and interests of key stakeholder groups.

The Management have established internal control systems and risk management processes to govern sustainability related practices so as to provide reasonable assurance of effective ESG management to the Board and key stakeholders. For this report, we have engaged key internal stakeholders across the Group who drive sustainability initiatives and proactively manage and monitor material ESG performance.

ENVIRONMENTAL

Environment

A3. Environment & Natural Resources

Our sustainability vision is to reduce and minimise adverse impact on the environment through a commitment for continuous improvement. Across our operating jurisdictions and activities along the value chain, we aspire to improve the awareness and involvement of all stakeholders in our sustainable journey to reduce carbon footprint and negative impact on the environment, biodiversity and natural resources.

In addition to implementing the ESG policy during the reporting period, we launched various initiatives to promote eco-friendly practices. We encourage energy conservation by all employees and incorporate eco-friendly practices into daily habits at workplace. Moving forward, we strive to roll out more initiatives and awareness training in the future to reduce resources consumption and environmental impact.

A1. Emission

Carbon Emission

The Group recognises that the use of purchased electricity contributes to the emission of carbon and other Green House Gas (GHG). We have taken conscious efforts to measure and monitor the consumption of electricity at our corporate offices across operating locations, and that of our contract manufacturers in the manufacturing process of our products.

At corporate offices, electricity consumption is used for the purpose of ensuring normal business operations on a day to day basis. Along our value chain, we also identify the need to focus on electricity consumed at production facilities operated by our contract manufacturers. In our first ESG report, we are disclosing the electricity consumption of our top five contract manufacturers in terms of total percentage of our annual spending.

During the reporting period, the electricity consumption and carbon dioxide emission at corporate offices and contract manufacturers were as follows. Global Warming Potentials rates from the Second Assessment Report of the Intergovernmental Panel on Climate Change was used as the basis for computing and disclosing GHG data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Source of Consumption	Total Electricity Consumption (kWh)	Carbon Dioxide Emission Equivalence (Metric Tons)*
Corporate Offices		
Singapore	235,875	176
US – Razer	302,299	225
US – THX	50,883	37.9
Europe	29,579	22
China – Razer	72,477	53.9
China – THX	1,600	1.2
Taiwan	11,637	8.7
Contract Manufactures		
Peripherals		
CM1	1,952,273	1,453
CM2	601,448	448
CM3	229,461.36	171
CM4	3,791,247.65	2,822
Systems		
CM5	1,030,000	767

* GHG emission is calculated using emission factor: 1,640.7 lbs CO_2/MWh × (4.536 × 10^{-4} metric tons/lb) × 0.001 MWh/kWh = 7.44 × 10^{-4} metric tons CO_2/kWh

Regulatory Compliance

The Group is not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the reporting period.

Waste Management

The Group is committed to dispose hazardous waste responsibly and comply with relevant local and international environmental, safety and health regulations as well as industry standards. We have put in place waste disposal procedures that governs both hazardous and non-hazardous waste management at our repair centres and warehouses.

Hazardous Waste Management

Hazardous waste generated in our business operations consists of lithium batteries from defective and/or returned laptops and mobile phones. The disposal of such hazardous wastes are handled by government authorised waste disposal companies. During the reporting period, there were no incidents of non-compliance with environmental, health and safety standards in the disposal of our hazardous waste by our waste disposal companies.

Non-Hazardous Waste Management

Non-hazardous waste consists of returned, obsolete, and defective peripherals products such as mice, headphones, wires and keyboards, and packaging materials such as card boxes, paper and plastics. These are all collected at our warehouses located in Hong Kong, Germany and the United States, where sorting and recording will take place. The waste will then be disposed by government authorised waste disposal companies.

Total disposal of non-hazardous waste and packaging materials are consolidated in the table below. During the reporting period, there were no incidents of non-compliance relating to disposal of non-hazardous waste.

For Hong Kong, the Group has started to establish a tracking process for packaging materials disposed and shall disclose the information for subsequent reports. For the US, disposal of non-hazardous waste at warehouse will be tracked and disclosed by types of waste going forward.

Types of Non-Hazardous Waste	Quantity (Tons) Hong Kong	Germany	US
Peripherals Product (Mice, Headphones, Keyboards, Wires)	23.48	3.84	19.54
Packaging Materials (Card boxes, plastics, paper, foam)	–	5	

A2. Use of Resources

Energy Consumption

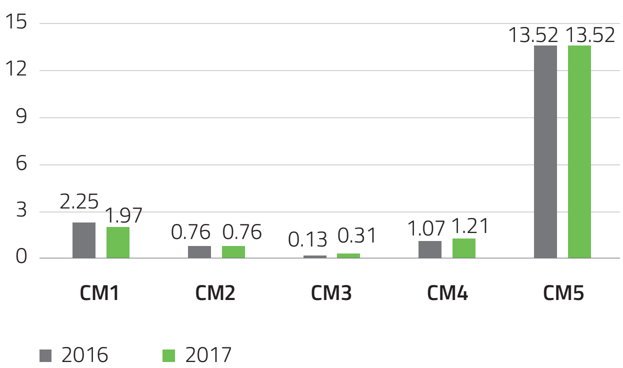
We have taken various initiatives to raise awareness of energy reduction and conservation at offices. Our corporate office in Singapore has installed window units instead of centralised air-conditioning so as to encourage energy usage on a need basis. We also strongly encourage employees to adopt paperless communication through email reminders.

Energy consumption at corporate offices and that of our top five contract manufacturers during the reporting period are as follows:

Region	Water Consumption (Metric Tons)	Electricity Consumption (kWh)	Waster Intensity (per square meter)	Electricity Intensity (per square meter)
Singapore	219	235,875	0.05	51.61
US – Razer	*	302,299	*	75.19
US – THX	372	50,883	0.3	44.28
Europe	143	29,579	0.3	67.69
China – Razer	*	72,477	*	37.51
China – THX	*	1,600	*	30.77
Taiwan	325	11,637	0.4	15.19

* Water consumption is managed by the landlord

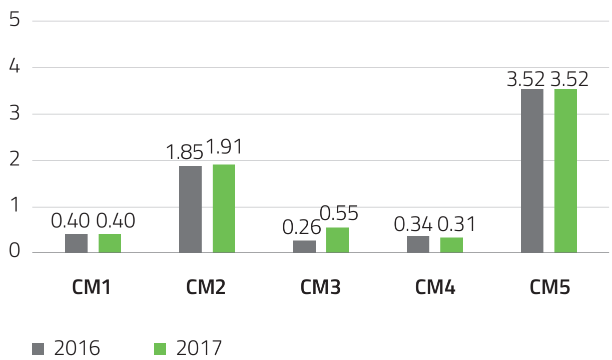
Electricity Per Unit Production (Kwh/Unit)



Sourcing of Materials
All raw materials and components used in our products that are sold in Europe and the United States, are compliant with Restriction of Hazardous Substances (RoHS2), REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) and Waste Electrical and Electronic Equipment (WEEE). The Company ensures raw materials and packaging materials used are sourced from quality and reliable suppliers who are ISO 9001 and ISO 14001 certified.

The total packaging materials consumed per unit of production by our top five contract manufacturers are measured and tracked by our sourcing team. The consolidated packaging materials per unit production is presented in the chart below:

Packaging Materials Used Per Unit Production (Kg/Unit)



SOCIAL

Employment & Labour Practices

B1. Employment

Operating in a highly competitive industry, we believe our continued success lies in attracting and retaining the right and best people to drive the Razer brand to greater heights. We are committed to maintaining a work environment that not only values integrity, diversity, collaboration, and communication, but at the same time respects labour and human rights of all employees.

Employment Relationship
All of our employees' employment relationship with the Group are on a voluntary basis. Employees are free to resign at any time subjected to notice period.

Equal Opportunity
Razer is an equal opportunity employer. Our employment decisions are based on merit and business needs, and not based upon race, colour, citizenship status, religious creed, national origin, ancestry, gender, sexual orientation, age, marital status, veteran status, physical or mental disability, medical condition, or any other conditions prohibited by law.

Discrimination and Harassment
The Group does not tolerate unlawful discrimination and harassment in the workplace. In connection with our Code of Conduct, we expressly prohibit any form of unlawful discrimination and harassment based on race, colour, religion, sexual orientation, sex, gender identity, national origin, age, disability, genetic information, military or veteran status, pregnancy, childbirth or related medical conditions or status in any group protected by state or local law. Improper interference with the ability of employees to perform their expected job duties is not tolerated.

Wages and Benefits
We are committed to provide to all our employees above the local legal minimum wage and benefits, along with annual leave, sick leave, maternity and/or paternity leave, in accordance with the respective national laws and regulations that we are operating in, and without any repercussions.

Regulatory Compliance
The Group is not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the reporting period.

B2. Health & Safety

We recognised the importance of safety at work place and have put in place the necessary safety precaution for all our offices. At the same time, we do encourage our employees to embrace safety as both a personal and collective responsibility. All our employees are trained to be aware and adhere to safety rules, be vigilant at work at all times, and have a duty to immediately report any unsafe conditions to their appropriate supervisor/manager. During the reporting period, there were no material non-compliance with relevant laws and regulations relating to workplace health and safety.

Health & Wellness
We have established wellness initiatives that are designed to promote an overall culture of healthy living within Razer, and includes an incentive program and a variety of wellness activities for our employees. Some of our activities include yoga, zumba, cycling, jogging, and tennis. These activities are on an on-going basis and driven entirely by employees.

Employee Engagement
At Razer, open communication is a concept we embrace. Our employees can stay up to date on company announcements through team discussions, and even quickly get in touch with colleagues on the other side of the world via multiple social platforms. Every month, a company-wide town hall meeting is held, where the CEO delivers updates on the business performance, goals for the quarters ahead, and other selected topics of interest. This is streamed "live" across every Razer office. The town hall meetings always finish with a live Q&A session, where all questions from employees are welcome.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Regulatory Compliance
The Group is not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the reporting period.

B3. Training and Development

The Group recognised the importance of training and development and believe in helping our people reach their fullest potential. We provide the necessary resources and support for employees who are keen to learn and develop their functional, technical, leadership and professional skills. During the reporting period, HR has rolled out a People Management training workshop that aims to expand leadership and people management skills for Managers and Managers to-be in the Company.

B4. Labour Standards

Child and Forced Labour
We seek to comply with all relevant local and international regulations in relation to human rights and labour practices. During the reporting period, there were no grievances in relation to, or incidents of non-compliance with, relevant laws and regulations relating to child and forced labour. The Group is not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to child and forced labour.

Operating Practices

B5. Supply Chain Management

At Razer, we are committed to manage our supply chain in an environmentally-friendly and socially responsible manner. To ensure ethical and socially responsible practices along our value chain, we maintain a zero tolerance for unethical treatment and illegal labour practices including forced labour, child labour, and inhuman working conditions.

We have established supply chain management protocol to govern our sourcing, on-boarding, performance evaluation, quality checks, as well as undertake the necessary measures to ensure suppliers and contract manufacturers are compliant with the required regulatory compliance in their respective operating locations. For instance, as part of our on-boarding process, we conduct site inspections and require contract manufacturers to provide evidence or references proving their quality of service, practices, financial capability and track record related to compliance.

A list of certifications we require from our contract manufacturers are summarised in the table below:

Certifications in Manufacturing Facilities	
ISO 9001	Quality Management System
ISO 14001	Environmental Management Systems
OHSAS 18001	Occupational Health and Safety Management Systems
SA 8000	Social Accountability

We also enforced onto our contract manufacturers, as part of their contractual responsibilities, to ensure raw materials and components for our products are compliant with international safety, health and quality requirements, including Restriction of Hazardous Substances (RoHS2) and REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals).

To maintain oversight, we conduct periodic factory audits, site visits and engage with our suppliers and contract manufacturers via conference calls, emails and business review meetings on a regular basis. We see our suppliers and manufacturers as partners and strive to forge sustainable long term relationships built on trust and respect.

To ensure our products are accessible for customers around the world, we strategically partner with a network of distributors and retailers. Our products are sold in large online and offline retailers such as Amazon, Best Buy and Walmart in North America; JD.com and Tmall in China and MediaMarket, Saturn and Fnac in Europe.

B6. Product Responsibility

Quality Assurance
Driven by a passion to create high quality products that meets our own demanding needs as gamers, we have implemented stringent quality control and compliance checks over our processes, from incoming materials inspection, to sampling checks during manufacturing process, and performing independent quality assessment and reliability testing on certain percentages of our finished products to ensure that they are free from defects before delivery.

To uphold consistent quality standards, all our products are manufactured at facilities with ISO 9001 and ISO 14001 certifications. We also perform on-site audits and inspections on our contract manufacturers from time to time to ensure their processes adhere to our specifications and demands.

For instance, we perform comprehensive testing on products to identify and rectify any potential defects at each of our engineering, design and production verification testing stages. Temperature and drop tests are performed on sampled products to ensure hardware reliability, while software testing are performed to ensure our software and services features are bug free and fully functional.

We ensure our products are compliant with the relevant environmental and safety standards and requirements in the respective markets that they are sold in. Our peripherals, systems and mobile devices sold in US and Europe are fully compliant with the Restriction of Hazardous Substances (RoHS2), REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) and Waste Electrical and Electronic Equipment (WEEE) directives. All other related product specifications and information, including safety guidelines, are clearly labelled and packaged together with the finished product.

A list of environmental and safety standards of our products are shown in the table below:

Country	Certification Agency
Non-Wireless Devices	
USA	FCC 15B
Canada	ICES-003
Europe	CE Mark (EMC/LVD Directive)
AUS/NZ	C-Tick
Taiwan	BSMI
China	CCC (if applicable)
Korea	KC Mark
Japan	PSE Mark (if applicable)
Wireless Devices	
European Union	CE ETSI (R&TTE Directive)
Australia/New Zealand	C-Tick
United States	FCC ID
Canada	IC ID
Taiwan	NCC
Korea	KC
China	SRRC
Japan	TELEC
Malaysia	SIRIM
Indonesia	SPPI
Singapore	IDA
Thailand	NTC
Philippines	NTC
UAE	TRA
Saudi Arabia	CITC
India	DoT

All our products are warranted against defects and workmanship fault. We have multiple channels, such as contact centres, social media platforms, or through our distributors and retailers, that allow customers to reach out to us with ease over any product concerns. A dedicated team (i.e. Sustaining Engineering) proactively works on all reported cases, carrying out the required investigations and product evaluation, followed by corrective actions to timely resolve all customers' concerns. During the reporting period, there were no incidents relating to recall of products sold or shipped due to quality, safety and health reasons.

Intellectual Property Rights

Our branding and intellectual property ("IP") assets are critical to our business. To protect them, we rely on a combination of trademark, patent, design and other IP-related laws within the jurisdictions in which we operate, as well as confidentiality agreements signed with stakeholders that we work with.

We have a dedicated IP team who is responsible for the day-to-day management of legal matters involving our business' trademark, patent, designs, and other IP rights. We also have policies and protocols in place for IP-related matters such as inventions, applications and third party IP conflicts. To protect our assets and minimise the risks of infringement, we have established a comprehensive and efficient process to identify, register, maintain and monitor our IP rights where applicable. We are also vigilant in ensuring that our IP assets are not encroached upon by third parties. For instance, we maintain worldwide watch services for certain key trademarks to ensure that we are able to block third party applications for confusingly similar marks in a timely manner. We also work with the police or with customs authorities which detect suspected counterfeit Razer products – we either bring action on our own or cooperate with the authorities in civil or criminal action brought against the counterfeiters.

Service Responsibilities

Our mission as a Company – for Gamers, by Gamers – is to constantly meet and exceed customers' expectations, and anticipate their future needs. To ensure our gamers and fan base are supported, connected and engaged from pre-sale support, to gaming experiences, and post-sale technical support at all times, we have multiple channels and platforms (such as contact centres, razer.com, social media platforms, as well as through our distributors and retailers) to receive customers' feedback and opinions timely.

We have a dedicated Engineering team who proactively works on all reported cases relating to post-sale technical support, where they will carry out the required investigations and product evaluation, followed by corrective actions to ensure customers' concerns are resolved timely.

We also have our Customer Support team who are readily available for our gamers and fan base to reach out to us. At the same time, we also leverage on chat-bot technology to proactively seek and address customers' concerns through their comments and expressions at online forums and on social media platforms. Moving forward, we strive to enhance our pre-sale customer support through live chat on razer.com, to enable real time interaction between us and customers prior to or at the point of purchase. During the reporting period, there were no incidents relating to recall of products sold or shipped due to quality, safety and health reasons.

Personal Data Privacy

We respect customers' data privacy and their rights to personal information gathered through our products and services.
All personal data collected is accessible only by authorised personnel and are handled in a confidential manner. Our Data Classification Policy, available to all employees via our intranet, provides guidance on the baseline security controls that needs to be undertaken so as to protect data. During the reporting period, there were no incidents and substantiated complaints concerning breaches of customer privacy or loss of customer data.

Regulatory Compliance

The Group is not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7. Anti-Corruption

Razer is committed to promoting the highest ethical and legal standards of business conduct, as well as the highest level of compliance with applicable laws, rules and regulations. Our core values are the key principles according to which we run our business on a day-to-day basis. Adherence to our core values is key to working as an employee of Razer.

Code of Conduct

Our Code of Business Conduct and Ethics ("Code of Conduct") spells out the guiding principles and responsibilities for our employees in the following areas such as compliance with the law, working ethically and with integrity, and treating others inside and outside of Razer fairly and honestly. New employees are required to confirm that they have understood the Code of Conduct appropriate to their role and position in the Company on joining and provide annual confirmation of compliance in writing. The Code of Conduct is accessible to all employees via our intranet, and will be assessed from time to time, to ensure it reflects best practices and meets expectations of all stakeholders.

Whistle Blowing

We operate a Whistleblower and Complaint policy to encourage and assist whistleblowers to report all known and suspected violations to laws and regulations, as well as improper activities relating to misconduct, malpractices or irregularities through a confidential and anonymous channel. The policy is communicated to all our employees through our intranet. Under the policy, the whistleblower may make a report through email at play.fair@razer.com, by letter addressed to Razer at 514 Chai Chee Lane #07-05, Singapore 469029, marked "Attention: General Counsel" or "Attention: Head of HR" or directly to the ARMC via armc.ww@razer.com. Both the General Counsel and Head of HR are appointed executives responsible to review reported cases, determine the appropriate mode of investigation and corrective actions, and will in turn report applicable cases to the Audit and Risk Management Committee.

Anti-Corruption and Business Integrity

Razer prohibits employees from giving or offering money or anything of value to any third parties in order to secure any business advantages. We expect our employees to avoid actual or apparent conflict of interest between their personal and professional relations. The Group does not make contributions or payments that could be considered a contribution to a political party or candidate, but does not restrict employees from doing so, provided there is no conflict of interest to their role as an employee at Razer.

During the reporting period, the Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group. There were also no confirmed legal cases regarding corrupt practices brought against Razer or its employees.

Anti-Money Laundering

Razer strictly abides by all applicable laws and regulations on anti-money laundering and anti-terrorism financing, and fulfilled its social responsibilities and legal obligations on anti-money laundering. There were no confirmed legal cases relating to non-compliance with applicable laws and regulations on anti-money laundering and anti-terrorism financing.

Regulatory Compliance

The Group is not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

Community

B8. Community Investment

We aim to build a sustainable community by supporting local initiatives that create effective and lasting benefits to the community through initiatives that may include corporate philanthropy, establishing community partnerships, and mobilising our employees to participate in volunteer work.

As part of our commitment, we have continued to give back to the gamers' community through sponsorship of e-sports teams across multiple regions. During festive seasons such as Christmas, we organised mega gifts and autographed gear giveaways for our fan base through social media platforms.

North	Europe	Asia
Team Liquid Team Elevate Rise Nation	SK Gaming Red Reserve	SK Telecom T1 Afreeca Freecs KT Rolster Xian PandaCute

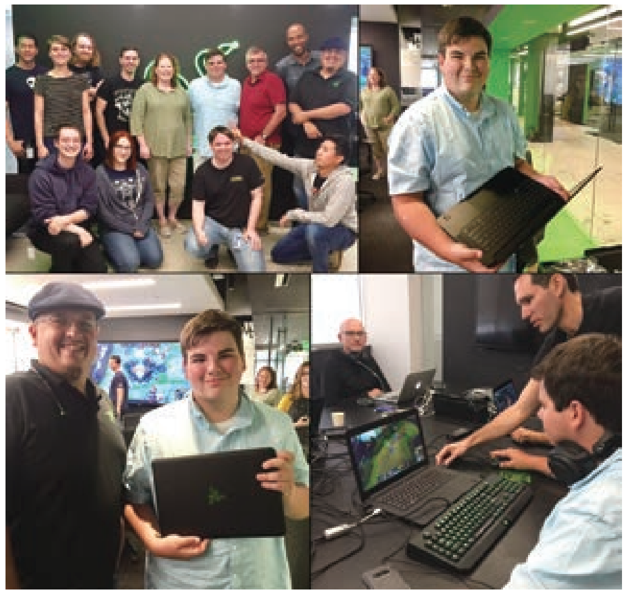
Three notable charitable acts we supported in 2017 have demonstrated that we live our values of "One Team. One Love. One Razer."

Every Fan is Part of Razer Family – June 2017

Brendan is a gamer and a Razer fan. Due to an unfortunate house fire, he and his brother lost their Razer kit. We discovered that Brendan's older brothers selflessly entered the burning family home to find their younger brother, who was still asleep in the attic room.

They found him, got him out onto the roof and all three climbed to safety. Fortunately, no one was hurt, but sadly, even though the emergency services were there within minutes, everything the family owned was lost due to smoke or water damages.

It was from a hotel room that Brendan contacted us, to ask if we could help with some replacement gear. Once we heard of what the family had been through, we got in touch with Brendan's mother and organised a surprise visit to present the brothers with two full sets of latest Razer gaming kit.



Game-changing Experience for Child with Critical Illness – July, 2017

Razer's San Francisco office partnered with the Make-A-Wish Foundation to create a game-changing experience for Lucas who is critically ill.

Our staff invited Lucas to spend a day with us at our office in San Francisco to fulfil his dream of working at Razer. This selfless and generous act once again reminded everyone at Razer why we do what we do.

Sending Christmas Joy to A Child Whose Gifts were Stolen – December 2017

A thief had broken into a house in Sydney and made away with some tools, laptop computers, credit card and Christmas presents. Among the items stolen was a Razer keyboard that was meant to be a 12-year-old boy, Callum's Christmas gift.

Callum's mother Adela Courteille said that the thief had gained access to their underground garage and made away with the items.

Upon learning from the news about Callum's story, we decided to replace the stolen Razer keyboard with an additional gaming suite.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Aspects Content Index

Aspect	Disclosure	Page Number
Subject Area A. Environment		
A1. Emission		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Pages 63 - 64
KPI A1.1	The types of emissions and respective emissions data.	Pages 63 - 64
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Pages 63 - 64
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group's waste management approach is set out under Waste Management section of our ESG report. The Group currently does not report on the volume of hazardous waste produced as we are in the process of establishing the data collection process with our repair centres. We plan to disclose this information in future.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 64
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Pages 63 - 64
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Pages 63 - 64
A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Page 64
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Page 64
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Page 64
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Page 64
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	The Group does not have any issue in sourcing water that is fit for purpose.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group currently does not report on the volume of total packaging materials used. We plan to disclose this information in future.

A3. Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Page 63
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 63
Subject Area B. Social		
B1. Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 65
KPI B1.2 (Optional)	Employee turnover rate by gender, age group and geographical region.	We maintain average staff turnover rate at or below 12%.
B2. Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Page 65
KPI B2.1 (Optional)	Number and rate of work-related fatalities.	There was no work related fatalities during the reporting period.
KPI B2.2 (Optional)	Lost days due to work injury.	NA
KPI B2.3 (Optional)	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Page 65
B3. Training and Development		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Page 66
KPI B3.1 (Optional)	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	NA
KPI B3.2 (Optional)	The average training hours completed per employee by gender and employee category.	NA
B4. Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Page 66

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPI B4.1 (Optional)	Description of measures to review employment practices to avoid child and forced labour.	Supplier visits and assessment are carried out to ensure no child and forced labour at our contract manufacturers.
KPI B4.2 (Optional)	Description of steps taken to eliminate such practices when discovered.	No such incidents were reported during the reporting period.
B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Page 66
KPI B5.1 (Optional)	Number of suppliers by geographical region.	NA
KPI B5.2 (Optional)	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Page 66
B6. Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Pages 66 - 67
KPI B6.1 (Optional)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There was no product recalled during the reporting period.
KPI B6.2 (Optional)	Number of products and service related complaints received and how they are dealt with.	The Group is not aware of any significant complaints related to product and services during the reporting period. We consider issues that are significant to be those related to material non-compliance with relevant standards, rules and regulations on health and safety, mis-advertising and labelling, and intellectual property rights etc. Upon any complaints received, formal investigations are launched and follow up actions are taken in a timely manner.
KPI B6.3 (Optional)	Description of practices relating to observing and protecting intellectual property rights.	Page 67
KPI B6.4 (Optional)	Description of quality assurance process and recall procedures.	Page 67
KPI B6.5 (Optional)	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Page 67

B7. Anti-Corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Page 68
KPI B7.1 (Optional)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Zero cases
KPI B7.2 (Optional)	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Page 68
B8. Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 69
KPI B8.1 (Optional)	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 69
KPI B8.2 (Optional)	Resources contributed (e.g. money or time) to the focus area.	Page 69

FINANCIAL STATEMENTS


RAZER

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report
to the shareholders of Razer Inc.
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Razer Inc. ("the Company") and its subsidiaries ("the Group") set out on pages 80 to 130, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of potential impairment of intangible assets and goodwill

Refer to notes 4(a), 4(b) and 14 to the consolidated financial statements and the accounting policies in notes 3(d) and 3(h)(iv).

The Key Audit Matter	How the matter was addressed in our audit
The carrying values of the Group's intangible assets and goodwill as at December 31, 2017 amounted to US$32,006,000, of which US$17,636,000 and US$8,939,000 relate to the acquisitions of businesses from Slot Speaker Technologies, Inc. ("SST", formerly known as THX Ltd.) and Nextbit Systems Inc. ("Nextbit") on October 5, 2016 and January 26, 2017 respectively. The intangible assets and goodwill recognised from the acquisition of businesses from SST and Nextbit have been allocated to the THX cash-generating unit ("CGU") and the Mobile CGU respectively.	Our audit procedures to assess the potential impairment of intangible assets and goodwill included the following: • evaluating management's identification of the CGUs and the value of intangible assets and goodwill allocated to each CGU and assessing the methodology applied by management in the preparation of the discounted cashflow forecasts with reference to the requirements of the prevailing accounting standards;

INDEPENDENT AUDITOR'S REPORT

Assessment of potential impairment of intangible assets and goodwill (continued)

The Key Audit Matter (continued)

Management performs impairment assessments of goodwill and intangible assets with indefinite useful lives annually and whenever there is an indication that intangible assets with definite useful lives may be impaired. Management compares the aggregate carrying values of the CGUs to which the intangible assets and goodwill have been allocated with their estimated recoverable amounts by preparing discounted cashflow forecasts to determine the amount of impairment which should be recognised for the year, if any.

The preparation of discounted cashflow forecasts involves the exercise of significant judgement, particularly in estimating the revenue growth rates and the discount rates applied.

We identified assessing potential impairment of intangible assets and goodwill as a key audit matter because the impairment assessments prepared by management are complex and contain certain judgemental assumptions applied which could be subject to management bias in their selection.

How the matter was addressed in our audit (continued)

- comparing data in the discounted cashflow forecasts prepared by management with the relevant data, including revenue and operating expenses, contained in the financial budget which was approved by the management;
- challenging the key assumptions adopted by management in the preparation of the discounted cashflow forecasts, including the pre-tax discount rate and revenue growth rate, adopted in the discounted cashflow forecasts by referring to industry and other available third party information, the recent financial performance of each CGU subject to impairment assessment and management's future plan;
- engaging our internal valuation specialists to assist us in evaluating whether the discount rates applied in the discounted cashflow forecasts were within the range adopted by other companies in the same industry; and
- assessing the impact of changes in the key assumptions on the conclusions reached in the impairment assessments and whether there were any indicators of management bias.

Revenue recognition from the sale of goods

Refer to note 5 to the consolidated financial statements and the accounting policies in note 3(i)(i).

The Key Audit Matter

The Group's revenue is principally generated from sales of goods, which are sold through three sales channels: distributors, retailers and direct sales.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of estimated product returns, and expected payments for sales channel incentive programs (if any). Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continual managerial involvement with the goods and the amount of revenue can be measured reliably.

Management's estimations of expected payments for sales channel incentive programs and returns are based on the terms and conditions in the sales arrangements as well as historical experience and expectation of future conditions.

We identified the recognition of revenue from sales of goods as a key audit matter because of the different types of sales channel incentive programs the Group has and the inherent level of complex and subjective management judgement required in assessing the assumptions in the estimation of payments for sales channel incentive programs, which could be subject to management bias in their selection.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue from the sale of goods included the following:

- assessing the design, implementation and operating effectiveness of management's key internal controls over revenue recognition;
- inspecting sales contracts with distributors and retailers on a sample basis, to understand the trade terms agreed with individual customer including the terms of delivery and acceptance, applicable arrangement of payments for sales channel incentive programs and any sales return arrangements to assess the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;
- comparing, on a sample basis, sales transactions recorded during the financial reporting period with underlying delivery documents, which contained evidence of acknowledgement of the customer's receipt of the goods, and assessing whether the related revenue was properly recognised in accordance with the trade terms set out in the respective sales contracts;
- assessing, on a sample basis, whether specific revenue transactions recorded around the end of the financial reporting period have been recognised in appropriate financial period by inspecting the trade terms agreed with the individual customers and the delivery status of the relevant products;

INDEPENDENT AUDITOR'S REPORT

Revenue recognition from the sale of goods (continued)	
The Key Audit Matter (continued)	**How the matter was addressed in our audit (continued)**
	• inspecting the sales ledger subsequent to the financial reporting period and making enquiries of management to identify significant credit notes issued and sales returns and inspecting relevant underlying documentation to assess if the related revenue had been accounted for in the appropriate financial period in accordance with the requirements of the prevailing accounting standards; • evaluating the key assumptions adopted by management in estimating the provision for sales channel incentive programs by, on a sample basis, inspecting the trade terms agreed with the individual customers and comparing the assumptions to contract terms and the Group's relevant experience in the sales channel incentive programs; and • comparing, on a sample basis, actual payments for sales channel incentive programs subsequent to the reporting date with the provision for those payments at the reporting date to assess whether there were any significant under/over-provision.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chu Ngar Yee.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
March 22, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2017
(Expressed in United States dollars)

	Note	**2017 US$'000**	2016 US$'000
Revenue	5	**517,937**	392,099
Cost of sales		**(366,912)**	(282,648)
Gross profit		**151,025**	109,451
Selling and marketing expenses		**(90,041)**	(69,993)
Research and development expenses		**(80,809)**	(52,175)
General and administrative expenses		**(143,589)**	(49,606)
Impairment of goodwill	14	**–**	(805)
Loss from operations		**(163,414)**	(63,128)
Other non-operating expenses		**(3,147)**	(653)
Finance income	7	**1,985**	525
Finance costs	7	**(9)**	(14)
Loss before income tax	8	**(164,585)**	(63,270)
Income tax (expense)/benefit	11	**(1,254)**	3,654
Loss for the year		**(165,839)**	(59,616)
Other comprehensive income for the year, net of nil tax unless specified			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**209**	(80)
Net change in fair value of available-for-sale investments		**753**	–
Other comprehensive income for the year		**962**	(80)
Total comprehensive income for the year		**(164,877)**	(59,696)
Loss attributable to:			
Equity shareholders of the Company		**(164,020)**	(59,332)
Non-controlling interests		**(1,819)**	(284)
Loss for the year		**(165,839)**	(59,616)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(163,058)**	(59,412)
Non-controlling interests		**(1,819)**	(284)
Total comprehensive income for the year		**(164,877)**	(59,696)
Loss per share	12		
Basic		**US$(0.03)**	US$(0.01)
Diluted		**US$(0.03)**	US$(0.01)

The notes on pages 87 to 130 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at December 31, 2017
(Expressed in United States dollars)

	Note	December 31, 2017 US$'000	December 31, 2016 US$'000
Non-current assets			
Property, plant and equipment	13	**15,937**	14,334
Intangible assets and goodwill	14	**32,006**	24,086
Available-for-sale investments	20	**20,250**	–
Deferred tax assets	17	**22,150**	11,054
Restricted cash		**1,635**	1,589
Other receivables	19	**1,451**	1,659
		93,429	52,722
Current assets			
Inventories	18	**41,428**	27,519
Trade and other receivables	19	**125,683**	100,993
Forward exchange contracts	27	**–**	16
Prepayments		**2,914**	3,901
Current tax receivables		**413**	–
Available-for-sale investments	20	**1,753**	–
Restricted cash		**210**	200
Cash and bank balances	21	**739,433**	131,129
		911,834	263,758
Total assets		**1,005,263**	316,480
Current liabilities			
Trade and other payables	22	**215,616**	160,759
Forward exchange contracts	27	**–**	8
Deferred revenue		**1,628**	433
Finance leases		**48**	108
Current tax payables		**674**	3,468
		217,966	164,776
Net current assets		**693,868**	98,982
Total assets less current liabilities		**787,297**	151,704

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at December 31, 2017
(Expressed in United States dollars)

	Note	**December 31, 2017 US$'000**	December 31, 2016 US$'000
Non-current liabilities			
Deferred tax liabilities	17	**60**	106
Deferred revenue		**4**	6
Other payables	22	**1,613**	537
Other tax liabilities	16	**2,217**	2,796
Finance leases		**27**	71
		3,921	3,516
NET ASSETS		**783,376**	148,188
Capital and reserves			
Share capital	24(b)	**90,225**	8
Share premium		**725,125**	187,211
Reserves		**(33,742)**	(42,618)
Total equity attributable to equity shareholders of the Company		**781,608**	144,601
Non-controlling interests		**1,768**	3,587
TOTAL EQUITY		**783,376**	148,188

Approved and authorised for issue by the board of directors on March 22, 2018.

Min-Liang Tan)
Chan Thiong Joo Edwin) Directors

The notes on pages 87 to 130 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2017
(Expressed in United States dollars)

	Note	Attributable to equity shareholders of the Company								Non-controlling interests US$'000	Total equity US$'000
		Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Reserve for treasury shares US$'000	Share-based payments reserve US$'000	Retained Profits/ (Accumulated losses) US$'000	Total US$'000		
Balance at January 1, 2016		8	56,451	(4,000)	(109)	(5,499)	5,794	26,739	79,384	–	79,384
Changes in equity for 2016:											
Loss for the year		–	–	–	–	–	–	(59,332)	(59,332)	(284)	(59,616)
Other comprehensive income		–	–	–	(80)	–	–	–	(80)	–	(80)
Total comprehensive income		–	–	–	(80)	–	–	(59,332)	(59,412)	(284)	(59,696)
Issuance of ordinary shares, as part of business combinations	25	–	8,823	–	–	–	–	–	8,823	–	8,823
Non-controlling interests contribution related to business combinations	25	–	–	–	–	–	–	–	–	3,871	3,871
Issuance of ordinary shares		–	1,100	–	–	–	–	–	1,100	–	1,100
Issuance of Series C convertible preference shares	24(d)	–	121,158	–	–	–	–	–	121,158	–	121,158
Repurchase of ordinary and convertible preference shares	24(d) & (e)	–	–	–	–	(45,000)	–	–	(45,000)	–	(45,000)
Retirement of treasury shares	24(e)	–	(321)	–	–	321	–	–	–	–	–
Share-based compensation expense	23	–	–	–	–	–	38,548	–	38,548	–	38,548
Balance at December 31, 2016		8	187,211	(4,000)	(189)	(50,178)	44,342	(32,593)	144,601	3,587	148,188

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended December 31, 2017
(Expressed in United States dollars)

	Note	Attributable to equity shareholders of the Company										
		Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve US$'000	Reserve for treasury shares US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at January 1, 2017		8	187,211	(4,000)	(189)	-	(50,178)	44,342	(32,593)	144,601	3,587	148,188
Changes in equity for 2017:												
Loss for the year		-	-	-	-	-	-	-	(164,020)	(164,020)	(1,819)	(165,839)
Other comprehensive income		-	-	-	209	753	-	-	-	962	-	962
Total comprehensive income		-	-	-	209	753	-	-	(164,020)	(163,058)	(1,819)	(164,877)
Issuance of ordinary shares before initial public offering ("IPO"), as part of business combinations	25(b)	-	9,749	-	-	-	-	-	-	9,749	-	9,749
Issuance of ordinary shares before IPO, as part of investment in equity securities	20	-	19,900	-	-	-	-	-	-	19,900	-	19,900
Issuance of Series D convertible preference shares	24(d)	-	43,339	-	-	-	-	-	-	43,339	-	43,339
Retirement of treasury shares	24(e)	-	(50,178)	-	-	-	50,178	-	-	-	-	-
Share-based compensation expense	23	-	-	-	-	-	-	128,837	-	128,837	-	128,837
Effect of capitalisation issue	24(c)	70,802	(70,802)	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares to RSU trustee	24(e)	7,081	-	-	-	-	(7,081)	-	-	-	-	-
Issuance of ordinary shares after IPO, as part of pre-IPO business combinations	24(c)	103	4,997	-	-	-	-	-	-	5,100	-	5,100
Issuance of ordinary shares under IPO, net of share issuance expenses	24(c)	12,231	580,909	-	-	-	-	-	-	593,140	-	593,140
Balance at December 31, 2017		90,225	725,125	(4,000)	20	753	(7,081)	173,179	(196,613)	781,608	1,768	783,376

The notes on pages 87 to 130 form part of these financial statements.

CONSOLIDATED CASH FLOWS STATEMENT

for the year ended December 31, 2017
(Expressed in United States dollars)

	Note	2017 US$'000	2016 US$'000
Cash flows from operating activities			
Loss for the year		**(165,839)**	(59,616)
Adjustments for:			
Depreciation of property, plant and equipment	13	**8,973**	8,300
Amortisation of intangible assets	14	**6,667**	5,930
Loss on disposal of property, plant and equipment		**470**	71
Loss on disposal of intangible assets		**56**	12
Impairment of goodwill	14	**–**	805
Impairment loss/(reversal of impairment loss) on trade receivables	19	**983**	(590)
Write-down of inventories	18	**2,316**	6,081
Finance income	7	**(1,985)**	(525)
Finance costs	7	**9**	14
Share-based compensation expense		**121,194**	38,548
Loss on derivatives		**273**	73
Changes in fair value relating to holdback shares		**2,980**	–
Income tax expense/(benefit)	11	**1,254**	(3,654)
		(22,649)	(4,551)
Changes in working capital:			
Increase in inventories		**(16,225)**	(14,764)
Increase in trade and other receivables		**(25,465)**	(31,010)
Decrease/(increase) in prepayments		**987**	(370)
Increase in trade and other payables		**46,583**	54,715
Increase in restricted cash		**(56)**	–
Increase/(decrease) in deferred revenue		**1,193**	(146)
		7,017	8,425
Income taxes paid		**(4,457)**	(2,196)
Net cash (used in)/generated from operating activities		**(20,089)**	1,678
Cash flows from investing activities			
Interest received		**1,985**	525
Acquisition of property, plant and equipment		**(11,015)**	(12,086)
Acquisition of intangible assets		**(894)**	(6,674)
Increase in short-term fixed deposits		**(20,184)**	(10,000)
Investment in available-for-sale equity securities		**(1,350)**	–
Acquisition of subsidiaries, net of cash assumed		**–**	(4,125)
Net cash used in investing activities		**(31,458)**	(32,360)

CONSOLIDATED CASH FLOWS STATEMENT (CONTINUED)

for the year ended December 31, 2017
(Expressed in United States dollars)

	Note	2017 US$'000	2016 US$'000
Cash flows from financing activities			
Interest paid		**(9)**	(14)
Issuance of ordinary shares and convertible preference shares before IPO		**43,339**	122,258
Repurchase of ordinary shares and convertible preference shares		**–**	(45,000)
Repayment of finance lease liability		**(104)**	(110)
Payment of issuance costs of ordinary shares under IPO		**(11,999)**	–
Proceeds from issuance of ordinary shares under IPO		**608,263**	–
Net cash generated from financing activities		**639,490**	77,134
Net increase in cash and cash equivalents		**587,943**	46,452
Cash and cash equivalents at January 1	21	**121,129**	74,731
Effect of exchange rate fluctuations on cash and cash equivalents		**177**	(54)
Cash and cash equivalents at December 31	21	**709,249**	121,129

During the year ended December 31, 2017, the Group issued 5,611 ordinary shares as the consideration for the acquisition of the business of Nextbit Systems Inc. ("Nextbit") (note 25(b)).

During the year ended December 31, 2017, the Group issued 8,634 ordinary shares in exchange for 19.9% of equity interest in MOL Global, Inc. (note 20).

During the year ended December 31, 2017, the Group issued holdback shares of 10,251,660 shares after taking into account the capitalisation issue (note 24(c)), to settle the consideration for the business acquisition from Slot Speaker Technologies, Inc. ("SST", formerly known as THX Ltd.) (note 25(a)).

During the year ended December 31, 2016, the Group issued 5,078 ordinary shares as part of the consideration transferred for the business acquisition from SST. (note 25(a)).

The notes on pages 87 to 130 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Razer Inc. ("the Company") is a company incorporated in the Cayman Islands with limited liability. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The dual global headquarters and principal places of business of the Company are located at 201 3rd Street, Suite 900, San Francisco, CA 94103, the United States of America and 514 Chai Chee Lane, #07-05, Singapore 469029.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since November 13, 2017 by way of its initial public offering ("IPO").

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together "the Group") are those relating to the design, manufacture, distribution, research and development of gaming peripherals, systems, software, services, mobiles and accessories. The principal activities of the subsidiaries are set out in note 15 to the financial statements.

The consolidated financial statements for the year ended December 31, 2017 comprise the Company and its subsidiaries.

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details of the significant accounting policies adopted are set out in note 3.

IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3(r) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

(c) Functional and presentation currency

The consolidated financial statements are presented in United States dollars ("US$") which is also the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Total comprehensive income of subsidiaries is attributed to the equity shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less impairment losses (note 3(h)), unless classified as held for sale.

(ii) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Deferred consideration comprises obligations to pay specific amounts at future dates. Deferred consideration is recognised and measured at fair value at the acquisition date and included in the consideration transferred. The unwinding of any interest element of deferred consideration is recognised in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control). The resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss and other comprehensive income.

(iii) Non-controlling interests

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by IFRSs.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their own capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of net assets of the subsidiary.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the consolidated statement of profit or loss and other comprehensive income except for differences arising on the translation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to US dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to US dollars at exchange rates prevailing at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in consolidated statement of changes in equity. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the consolidated statements of profit or loss and other comprehensive income.

(c) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (note 3(h)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When different parts of a property, plant and equipment have different useful lives, such parts are accounted for as separate items (major components) of the property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised at the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives are as follows:

Office equipment	3 to 5 years
Computer software and equipment	3 years
Leasehold improvements	Shorter of lease term and 5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Retail fixtures	Shorter of lease term and 3 years
Tooling assets	1 to 3 years

(d) Intangible assets and goodwill

(i) Goodwill

At initial recognition, goodwill is measured at cost, being the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree;
- plus if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less the net amount recognised (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Goodwill that arises on business combinations is included in intangible assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses (note 3(h)). Goodwill is not amortised. Goodwill is tested for impairment on an annual basis.

(ii) Trademarks

Trademarks acquired by the Group through business combination have indefinite useful lives and are measured at cost less accumulated impairment losses (note 3(h)). The useful lives of the trademarks are estimated to be indefinite because based on the current market share and the strong branding of the trademark, management believes there is no foreseeable limit to the period over which the trademark is expected to generate net cash inflows for the Group because it is expected that their values will not be reduced through usage and the cost of renewal in relation to the period of their use is negligible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets and goodwill (continued)

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of materials, third party's services and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

Amortisation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of 1 to 3 years.

(iv) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 3(h)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Purchased technology assets	3 years
Patents	10 to 12 years
Customer relationships	20 years

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined on a weighted-average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Restricted cash

Restricted cash consists of security deposits received from customers and amounts held at bank as collateral primarily for our letters of credit.

(g) Financial instruments

(i) Derivative financial assets and liabilities

The Group uses forward foreign exchange contracts to manage some of its transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered for periods consistent with currency translation exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. Changes in the fair value of the forward contracts are recognised in other non-operating expense, net, in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: cash and cash equivalents and loans and receivables and available-for sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs, less allowance for sales rebates and returns (collectively "allowance for trade receivables"). Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances at banks, fixed deposits and money market funds held at call with banks that are not subject to significant risk of changes in value, are readily convertible into cash and have original maturities of three months or less at the time of purchase.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities are classified as available-for-sale financial assets and are initially measured at costs.

Subsequent to initial recognition, certain of the available-for-sale financial assets are remeasured at fair value and changes therein, other than impairment losses (note 3(h)) are recognised in other comprehensive income and presented within equity in the fair value reserve.

(iii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities comprise trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(iv) Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preference share capital
Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividend is discretionary. Dividends thereon are recognised as distributions within equity upon approval the Company's shareholders.

Repurchase of share capital (treasury shares)
When share capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold and reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

(h) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, and indications that a debtor or issuer will enter bankruptcy.

(ii) Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in the consolidated statement of profit or loss and other comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed and recorded in the consolidated statement of profit or loss and other comprehensive income.

(iii) Available-for-sale financial investments

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, and the current fair value, less any impairment loss previously recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment (continued)

(iv) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of other assets recognised in prior years is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Revenue recognition

(i) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of estimated product returns, and expected payments for cooperative marketing arrangements and pricing programs (if any). Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continual managerial involvement with the goods and the amount of revenue can be measured reliably. Revenue of transactions that have separately identifiable components are recognised based on their relative fair values. The Group records deferred revenue when it receives payments in advance of the delivery of products or the performance of services. Estimates of expected future product returns are recognised at the time of sale based on analyses of historical return trends by geographical region and other relevant customer and product information. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of transfer of risks and rewards varies depending on the individual terms of the contract of sale.

(ii) Royalty income

Revenue from licensing arrangement is recognised when earned, estimable and realisable. The Group generally recognised royalty revenue when it is reported to the Group by its licensee, which is generally one quarter in arrears from the licensee's sales of licensed products.

(iii) Rendering of virtual credits service

Revenue from virtual credits is recognised upon the end-user's utilisation of the virtual credits for the online purchase of goods, net of fees paid to distribution partners and content providers. Virtual credits that have been sold but not yet utilised at the reporting date are recognised as deferred revenue. Unutilised virtual credits will be forfeited, if there is inactivity in the customer's account for more than 2 years. The Group has determined that the likelihood of such inactivity to be remote and will recognise breakage as its occurs. For virtual credits utilised on third party platform, the Company does not determine the selling price of the content and is not the primary obligor to the customer. Therefore, the Company accounts for such sales on a net basis by recognising in net sales only the commission it retains from each sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Revenue recognition (continued)

(iv) Rendering of other services

Revenue from services contracts are recognised ratably over the service periods. The Group defers revenue when it receives payment in advance of the fulfilment of the performance of services. The Group sells extended warranties at its online store and records deferred revenue upon the sale of an extended warranty. Such revenue is deferred and recognised over the period of an extended warranty. All goods and services taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore excluded from revenues in the consolidated statement of profit or loss and other comprehensive income.

(j) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan other than a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income as incurred.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to reporting date.

(iv) Equity-settled share-based compensation expense

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

(k) Product warranties

Most of the Group's products are covered by warranty to be free from defects in materials and workmanship, for periods ranging from six months to two years. At the time of sale, the Group accrues a warranty liability for estimated costs to provide products, parts or services to replace products in satisfaction of the warranty obligation. The Group's estimate of costs to fulfil its warranty obligations is based on historical experience and expectations of future conditions. When the Group experiences changes in warranty claim activity or costs associated with fulfilling those claims, the warranty liability is adjusted accordingly.

(l) Leases

(i) Operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated statement of profit or loss and other comprehensive income as an integral part of the total lease expense, over the term of the lease. Contingent rentals are recognised in the consolidated statement of profit or loss and other comprehensive income in the accounting period in which they are incurred.

(ii) Finance lease

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each year/period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Finance income and finance costs

Finance income comprises interest income on bank deposits which is recognised as it accrues in the consolidated statement of profit or loss and other comprehensive income, using the effective interest method.

Finance costs comprise interest expense on borrowings and bank charges. All borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income using the effective interest method.

(n) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the consolidated statement of profit or loss and other comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investment in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future vents. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(o) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for treasury shares, for the effects of all dilutive potential ordinary shares.

(q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transaction with any of the Group's other components. The management of the Group has determined that its Chief Executive Officer ("CEO") is the chief operating decision maker ("CODM"). Further details are disclosed in the segment information in note 6.

(r) New accounting standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2018, and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements. The new and revised accounting standards and interpretations issued that will be effective for the accounting period beginning on or after January 1, 2018 are set out below.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	January 1, 2018
IFRS 15, *Revenue from contracts with customers*	January 1, 2018
IFRIC 22, *Foreign Currency Transactions and Advance Consideration*	January 1, 2018
Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards (Annual Improvements to IFRS Standards 2014-2016 Cycle)*	January 1, 2018
Amendments to IFRS 2, *Share-based Payment: Classification and Measurement of Share-based Payment Transactions*	January 1, 2018
IFRS 16, *Leases*	January 1, 2019
IFRIC 23, *Uncertainty over Income Tax Treatments*	January 1, 2019
Amendments to IFRS 10, *Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date yet to be confirmed

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have an impact on these financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially adopted in the Group's interim financial report for the six months ending June 30, 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New accounting standards and interpretations not yet adopted (continued)

Applicable to 2018 consolidated financial statements

New standards

Summary of the requirements	Potential impact on the consolidated financial statements
IFRS 15 *Revenue from Contracts with Customers*	
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, IFRS 15 replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 15 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.	The Group plans to adopt IFRS 15 in its financial statements for the year ending December 31, 2018, using the modified retrospective approach. As a result, the Group will recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings. The Group does not expect a material impact on the Group's results of operations and financial position upon the adoption of IFRS 15.
IFRS 9 *Financial Instruments*	
IFRS 9 replaces most of the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at January 1, 2018.	The expected impact on adoption of IFRS 9 are described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment, however the actual tax effect may change when the transition adjustments are finalised. **Classification and measurement: financial assets** For available-for-sale ("AFS") equity securities currently held at fair value, the Group expects to continue measuring these assets amounting to US$22,003,000 at fair value under IFRS 9. The Group plans to elect to present in other comprehensive income ("OCI") the changes in fair value of these AFS equity securities that are held by the Group because these investments are not held for trading.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New accounting standards and interpretations not yet adopted (continued)

Applicable to 2018 consolidated financial statements (continued)

New standards (continued)

Summary of the requirements	Potential impact on the consolidated financial statements
	Subsequent to the end of the reporting period, the Group has further acquired 15% of unquoted issued share capital of MOL Global, Inc. and the Group has established significant influence in MOL Global, Inc. (see note 30). The related AFS equity securities will be reclassified to an investment in associate which will be accounted for in the consolidated financial statements under the equity method. For the other AFS equity securities, the Group does not expect a material charge to OCI as a result of the election to present the changes in fair value of the AFS equity securities in the OCI. **Impairment** IFRS 9 replaces the current "incurred loss" model with a forward-looking expected credit loss ("ECL") model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and certain loan commitments and financial guarantee contracts. Under IFRS 9, loss allowance of the Group will be measured on either of the following bases: • 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or • Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument. The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables arising from the application of IFRS 9. The Group does not expect a material increase in impairment for trade and other receivables as at January 1, 2018. The Group is currently finalising the testing of its expected credit loss model and the quantum of the final transition adjustments may be different upon finalisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New accounting standards and interpretations not yet adopted (continued)

Applicable to 2019 consolidated financial statements

Summary of the requirements	Potential impact on the consolidated financial statements
IFRS 16 *Leases*	
IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the IAS 17 operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor. When effective, IFRS 16 replaces existing lease accounting guidance, including IAS 17, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives*, and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 is also applied.	Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into leases as the lessee. Once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term. IFRS 16 will primarily affect the Group's accounting as a lessee of leases which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At December 31, 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to US$15,576,000, the majority of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting. The Group plans to adopt the standard when it becomes effective in 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New accounting standards and interpretations not yet adopted (continued)

Applicable to 2019 consolidated financial statements (continued)

Summary of the requirements	Potential impact on the consolidated financial statements
IFRIC 23 *Uncertainty over Income Tax Treatments*	
IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity is required to assume that a tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information. Detection risk is not considered in the recognition and measurement of uncertain tax treatments. If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made (for example, by recognising an additional tax liability or applying a higher tax rate). The entity should measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty (that is, the entity should use either the most likely amount method or the expected value method when measuring an uncertainty). IFRIC 23 is effective for the annual periods beginning on or after January 1, 2019, with early adoption permitted.	The Group is currently still assessing the effects of this new standard but does not anticipate a material impact on the Group's results of operations and financial position, upon the adoption of IFRIC 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions based on currently available information that affect that reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgements are evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

In the process of applying the Group accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognised in the financial statements:

Estimates & assumptions

(a) CGU definition

The determination of CGUs requires judgment in defining the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

(b) Impairment

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstance indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(c) Deferred tax

The Group follows the statement of financial position method to be consistent with note 3(n). Assessing the recoverability of deferred tax assets requires the Group to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the deferred tax assets and liabilities recorded at the date of the statement of financial position could be impacted. Additionally, changes in tax laws could limit the ability of the Group to obtain tax deductions in the future.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated cost necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value.

(e) Depreciation and amortisation

Property, plant and equipment/intangible assets are depreciated/amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation/amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation/amortisation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates & assumptions (continued)

(f) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

5 REVENUE

	2017 **US$'000**	2016 US$'000
Sales of goods	**510,540**	390,303
Royalty income	**5,851**	1,569
Others	**1,546**	227
Total	**517,937**	392,099

6 SEGMENT INFORMATION

The Group has four reportable segments, as described below, which are the Group's business units. The business units offer different products and services, and are managed separately because they require different technology and marketing strategies.

The CODM of the Group periodically reviews and makes operating decisions, manages the growth and profitability of the business using the below segment reporting structure based on product lines:

- *Peripherals* primarily consists of gaming mice, keyboards, audio devices and mouse mats developed, marketed and sold;
- *Systems* consists of laptops developed, marketed and sold;
- *Software and Services* primarily consists of provision of software over the Razer Software Platform and zGold virtual credits service; and
- *Others* primarily consists of new products and services which are in the development or early marketing phase including the Razer Phone and recently acquired business such as THX.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 SEGMENT INFORMATION (CONTINUED)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment gross profit, as included in the internal management reports that are reviewed by the CODM. The CODM does not evaluate operating segments using asset information.

	Peripherals US$'000	**Systems** US$'000	**Software and Services** US$'000	**Others** US$'000	**Total** US$'000
2017					
Revenue	**338,717**	**137,001**	**10,604**	**31,615**	**517,937**
Depreciation and amortisation	**(4,893)**	**(7,407)**	**(1,035)**	**(2,305)**	**(15,640)**
Gross profit	**120,301**	**11,990**	**10,454**	**8,280**	**151,025**
2016					
Revenue	298,626	90,697	95	2,681	392,099
Depreciation and amortisation	(4,902)	(8,610)	(597)	(121)	(14,230)
Gross profit	105,478	2,617	81	1,275	109,451

Revenue from customers that account for 10% or more of the Group's revenue during the respective years is as follows:

	2017 **US$'000**	2016 US$'000
Customer A	**–***	42,721
Customer B	**60,743**	–*

* Revenue from the customers accounted for less than 10% of the Group's revenue.

The following table presents a summary of revenue by region based on the location of customers and the amounts of non-current assets based on the location of the asset. The Group geographically categorises a sale based on the region to which the customer resides in.

Revenue by regions were as follows:

	2017 **US$'000**	2016 US$'000
Americas^	**240,825**	196,661
Europe, the Middle East and Africa ("EMEA")	**151,466**	105,712
Asia Pacific excluding China#	**65,471**	39,977
China	**60,175**	49,749
Total revenue	**517,937**	392,099

Non-current assets* by regions were as follows:

	2017 **US$'000**	2016 US$'000
Americas^	**20,326**	20,988
EMEA	**119**	131
Asia Pacific excluding China#	**19,472**	9,805
China	**8,026**	7,496
Total non-current assets*	**47,943**	38,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 SEGMENT INFORMATION (CONTINUED)

Disclosures on significant revenue and non-current assets by country are separately disclosed below.

^ Revenue from Americas region includes revenue from the United States of America ("U.S.") of US$223,499,000 for the year ended December 31, 2017 (2016: US$180,878,000). Non-current assets at Americas region includes non-current assets at U.S. of US$20,326,000 as at December 31, 2017 (2016: US$20,988,000).

Revenue from Asia Pacific region includes revenue from Singapore of US$11,149,000 for the year ended December 31, 2017 (2016: US$7,010,000). Non-current assets at Asia Pacific region includes non-current assets at Singapore of US$17,092,000 as at December 31, 2017 (2016: US$9,536,000).

* Non-current assets presented consist of property, plant and equipment, intangible assets and goodwill.

7 NET FINANCE INCOME

	2017 US$'000	2016 US$'000
Finance income		
Interest income on fixed deposits and money market funds	**1,985**	525
Finance costs		
Bank charges	**(9)**	(14)
Net finance income recognised in profit or loss	**1,976**	511

8 LOSS BEFORE INCOME TAX

The following items have been included in arriving at loss before income tax:

	2017 US$'000	2016 US$'000
Auditors' remuneration		
– Audit services	**706**	466
– Other services	**1,360**	160
Impairment of goodwill	**–**	805
Operating lease expense	**4,219**	3,733
Exchange gain	**(318)**	(573)
Staff costs:		
– Salaries and other benefits	**63,848**	44,598
– Contributions to defined contribution plans[#]	**3,730**	3,134
– Share-based compensation expense	**119,321**	36,357

[#] The Group's subsidiaries in Singapore participate in a defined contribution scheme which is administered by the Central Provident Fund ("CPF") Board in Singapore. Employees who are Singapore citizens and Singapore Permanent Residents and their employers are required to make mandatory contributions to CPF at the prevailing CPF contribution rates, subjected to a cap of monthly income of SGD 6,000 per employee.

Contributions to the defined contributions schemes of other countries are at various funding rates that are in accordance with the local practices and regulations. Contributions relating to the defined contribution schemes are charged to profit or loss as incurred.

Contributions to the defined contribution plans vest immediately. Other than the mandatory contributions made by the Group under the respective defined contribution plans, the Group has no further obligations for the actual pension payments or any post-retirement benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 DIRECTORS' REMUNERATION

Directors' remuneration as at the reporting dates is as follows:

	Directors' fees US$'000	**Salaries, allowance and benefits in kind[1] US$'000**	**Discretionary bonuses US$'000**	**Share-based compen-sation[2] US$'000**	**2017 Total US$'000**
Directors					
Koh Boon Hwee[4]	**30**	**–**	**–**	**1,154**	**1,184**
Gideon Yu	**41**	**–**	**–**	**315**	**356**
Lim Kaling	**41**	**–**	**–**	**99**	**140**
He Zhitao[4]	**13**	**–**	**–**	**48**	**61**
Tan Min-Liang	**74**	**505**	**41**	**66,893**	**67,513**
Chan Thiong Joo Edwin[5]	**9**	**200**	**16**	**4,029**	**4,254**
Khaw Kheng Joo[5]	**9**	**279**	**22**	**6,607**	**6,917**
Lee Yong Sun[6]	**15**	**–**	**–**	**4**	**19**
Chau Kwok Fun Kevin[6]	**21**	**–**	**–**	**6**	**27**
	253	**984**	**79**	**79,155**	**80,471**

	Directors' fees US$'000	Salaries, allowance and benefits in kind[1] US$'000	Discretionary bonuses US$'000	Share-based compen-sation[2] US$'000	2016 Total US$'000
Directors					
Koh Boon Hwee[4]	58	–	–	1,496	1,554
Gideon Yu	30	–	–	449	479
Lim Kaling	30	–	–	29	59
Michael Pfeiffer[3]	34	–	–	151	185
He Zhitao[4]	19	–	–	–	19
Tan Min-Liang	57	483	39	508	1,087
Chan Thiong Joo Edwin[5]	–	196	15	3,791	4,002
Khaw Kheng Joo[5]	–	261	22	6,220	6,503
	228	940	76	12,644	13,888

1 Allowances and benefits in kind include leave pay, insurance premium and contribution to defined contribution plans.

2 This represents the estimated share-based compensation expense recorded for each director.

3 Michael Pfeiffer resigned as director of the Company on September 30, 2016.

4 Koh Boon Hwee and He Zhitao resigned as directors of the Company on June 21, 2017.

5 Chan Thiong Joo Edwin and Khaw Kheng Joo were appointed as directors of the Company on June 21, 2017. They were senior management of the Group and the remuneration were paid in their capacities as employees during the years ended December 31, 2017 and 2016.

6 Chau Kwok Fun Kevin and Lee Yong Sun were appointed as directors of the Company on October 31, 2017.

Save as disclosed above, no emoluments were paid to other directors during the years ended December 31, 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2016: three) were directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2017 US$'000	2016 US$'000
Salaries, allowances and benefits in kind	**540**	486
Discretionary bonuses	**–**	12
Share-based compensation[1]	**7,594**	6,761
	8,134	7,259

[1] This represents the share-based compensation expense recorded for these individuals.

The emoluments of two (2016: two) individuals with the highest emoluments other than the three (2016: three) directors as disclosed in note 9 are within the following bands:

	2017	2016
in Hong Kong dollars ("HKD")		
12,000,001 – 12,500,000	**–**	1
16,000,001 – 16,500,000	**1**	–
43,500,001 – 44,000,000	**–**	1
47,000,001 – 47,500,000	**1**	–

11 INCOME TAX EXPENSE/(BENEFIT)

	2017 US$'000	2016 US$'000
Current tax expense		
Current year	**2,127**	3,669
Deferred tax expense		
Origination and reversal of temporary differences	**(5,307)**	(7,361)
Other deferred charges	**4,434**	38
	(873)	(7,323)
Total income tax expense/(benefit)	**1,254**	(3,654)

During the year ended December 31, 2017, a tax benefit of US$10,269,000 related to share-based compensation was recognised in equity. There were no income tax expense/(benefit) recognised in other comprehensive income or directly in equity during the year ended December 31, 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE/(BENEFIT) (CONTINUED)

On December 22, 2017, a new corporate tax law was enacted in the U.S. This new tax law permanently reduces the U.S. corporate income tax rate from 34% to 21% effective for tax years including or commencing on January 1, 2018. This change resulted in US$4,434,000 expense related to the re-measurement of deferred tax assets and liabilities of the Group's U.S. subsidiaries being recognised in 2017.

	2017 US$'000	2016 US$'000
Reconciliation of effective tax rate		
Loss before income tax	**(164,585)**	(63,270)
Income tax using Singapore tax rate of 17%	**(27,979)**	(10,756)
Effect of different tax rate in foreign jurisdictions	**(937)**	(1,714)
Non-deductible expenses	**6,479**	2,372
Current year losses for which no deferred tax asset was recognised	**9,883**	5,767
Tax incentives	**8,970**	390
Effect of re-measurement of temporary differences of the Group's U.S. subsidiaries	**4,434**	–
Others	**404**	287
Total income tax expense/(benefit)	**1,254**	(3,654)

Tax incentives

A subsidiary, Razer (Asia-Pacific) Pte. Ltd. was awarded the Development and Expansion Incentive under the International Headquarters Award (the "Incentive") by the Ministry of Trade & Industry ("MTI") on July 30, 2012. The income arising from the qualifying activities in excess of US$2,036,000 (equivalent to SGD2,699,000) is taxed at a concessionary rate from October 1, 2011 to September 30, 2018, subject to the subsidiary meeting the conditions of the award. Income arising from activities not covered under the Incentive is taxed at the prevailing Singapore corporate tax rate.

12 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share was based on the loss attributable to equity shareholders of the Company of US$164,020,000 (2016: loss of US$59,332,000) divided by the weighted average of ordinary shares of 5,346,307,237 shares (2016: 5,037,716,492 shares after adjusting for the capitalisation issue (note 24(c)) in issue during the year.

Weighted average number of ordinary shares:

	2017 Number of shares	2016 Number of shares
Issued ordinary shares at the beginning of the year	**627,207**	656,572
Effect of treasury shares	**(51,289)**	(57,587)
Effect of purchase of treasury shares	**–**	(767)
Effect of shares issued related to business combinations	**1,381,393**	1,270
Effect of shares issued related to investments in equity securities	**5,396**	–
Effect of shares issued in exchange of services	**–**	26
Effect of conversion of convertible preference shares to ordinary shares	**31,272**	–
Effect of capitalisation issue	**5,190,164,107**	5,037,116,978
Effect of shares issued upon IPO	**154,149,151**	–
Weighted average number of ordinary shares at end of the year	**5,346,307,237**	5,037,716,492

(b) Diluted loss per share

During the years ended December 31, 2017 and 2016, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the loss per share. Accordingly, the diluted loss per share is the same as basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Office equipment US$'000	Computer software and equipment US$'000	Leasehold improve-ments US$'000	Furniture and fittings US$'000	Motor vehicles US$'000	Retail fixtures US$'000	Tooling assets US$'000	Construc-tion in progress US$'000	Total US$'000
Cost:									
At January 1, 2016	1,245	5,934	1,879	863	508	1,250	14,688	3,038	29,405
Additions	622	568	959	130	–	1,257	1,082	7,603	12,221
Additions through business combination	1,072	812	614	378	–	–	–	–	2,876
Disposals	(4)	(121)	(30)	(4)	–	(9)	–	(48)	(216)
Transfer	11	217	68	12	–	7	7,604	(7,919)	–
Effect of movement in exchange rate	(1)	(11)	(7)	(1)	(6)	–	–	(6)	(32)
At December 31, 2016	2,945	7,399	3,483	1,378	502	2,505	23,374	2,668	44,254
At January 1, 2017	2,945	7,399	3,483	1,378	502	2,505	23,374	2,668	44,254
Additions	406	818	137	154	–	1,030	2,995	5,475	11,015
Disposals	–	(63)	–	–	–	–	(61)	(470)	(594)
Transfer	–	2,789	31	–	–	16	4,393	(7,229)	–
Effect of movement in exchange rate	13	47	46	2	6	–	5	(4)	115
At December 31, 2017	3,364	10,990	3,697	1,534	508	3,551	30,706	440	54,790
Accumulated depreciation:									
At January 1, 2016	674	5,020	1,384	246	281	688	11,068	–	19,361
Depreciation for the year	273	715	908	164	86	555	5,599	–	8,300
Additions through business combination	926	749	378	361	–	–	–	–	2,414
Disposals	(1)	(116)	(25)	(2)	–	(1)	–	–	(145)
Effect of movement in exchange rate	(1)	(3)	(3)	–	(3)	–	–	–	(10)
At December 31, 2016	1,871	6,365	2,642	769	364	1,242	16,667	–	29,920
At January 1, 2017	1,871	6,365	2,642	769	364	1,242	16,667	–	29,920
Depreciation for the year	402	1,269	376	207	80	990	5,649	–	8,973
Disposals	–	(63)	–	–	–	–	(61)	–	(124)
Effect of movement in exchange rate	7	36	33	1	5	–	2	–	84
At December 31, 2017	2,280	7,607	3,051	977	449	2,232	22,257	–	38,853
Net book value:									
At December 31, 2017	1,084	3,383	646	557	59	1,319	8,449	440	15,937
At December 31, 2016	1,074	1,034	841	609	138	1,263	6,707	2,668	14,334

Assets held under finance leases

During the year, there was no new asset that was acquired under finance leases (2016: US$134,000).

The carrying amount of motor vehicles and office equipment held under a finance lease was US$173,000 (2016: US$275,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS AND GOODWILL

	Development cost US$'000	Purchased technology assets US$'000	Patents US$'000	Trademarks US$'000	Customer relationships US$'000	Goodwill US$'000	Total US$'000
Cost:							
At January 1, 2016	7,993	2,574	–	–	–	805	11,372
Additions	6,674	–	–	–	–	–	6,674
Additions through business combination	–	–	5,460	2,736	407	9,620	18,223
Disposals	(14)	–	–	–	–	–	(14)
At December 31, 2016	14,653	2,574	5,460	2,736	407	10,425	36,255
At January 1, 2017	14,653	2,574	5,460	2,736	407	10,425	36,255
Additions	744	4,000	150	–	–	–	4,894
Additions through business combination	–	–	8,831	–	–	918	9,749
Disposals	(56)	–	–	–	–	–	(56)
At December 31, 2017	15,341	6,574	14,441	2,736	407	11,343	50,842
Accumulated depreciation and impairment losses:							
At January 1, 2016	4,947	489	–	–	–	–	5,436
Amortisation for the year	4,968	849	108	–	5	–	5,930
Disposals	(2)	–	–	–	–	–	(2)
Impairment loss	–	–	–	–	–	805	805
At December 31, 2016	9,913	1,338	108	–	5	805	12,169
At January 1, 2017	9,913	1,338	108	–	5	805	12,169
Amortisation for the year	4,125	1,256	1,266	–	20	–	6,667
At December 31, 2017	14,038	2,594	1,374	–	25	805	18,836
Net book value:							
At December 31, 2017	1,303	3,980	13,067	2,736	382	10,538	32,006
At December 31, 2016	4,740	1,236	5,352	2,736	402	9,620	24,086

In connection with the Group's acquisition of business from SST on October 5, 2016 and Nextbit on January 26, 2017 (note 25), the Group recognised goodwill of US$9,620,000 and trademarks with indefinite useful lives of US$2,736,000 from SST acquisition and goodwill of US$918,000 from Nextbit acquisition. Goodwill and trademarks recognised from the acquisition of business from SST have been allocated to the THX CGU, and goodwill from the Nextbit acquisition has been allocated to the Mobile CGU. Both the THX CGU and the Mobile CGU are part of the "Others" segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(a) Amortisation charge

The amortisation of development costs and purchased technology assets is included in research and development expenses. The amortisation of patents and customer relationships is included in selling and marketing expenses.

(b) Trademarks and Goodwill in connection with the acquisition of business from SST

As at December 31, 2017, trademarks of US$2,736,000 (2016: US$2,736,000) and goodwill of US$9,620,000 (2016: US$9,620,000) arising from the acquisition of business from SST (note 25) were allocated to the THX CGU within the "Others" segment. The recoverable amount of the THX CGU was based on its value in use calculations. These calculations use cash flows projections based on financial forecasts approved by management covering a five-year period (2016: seven-year period). Cash flows beyond the aforementioned financial forecasts period were extrapolated using estimated growth rate stated below. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and are based on historical data from both external and internal sources.

	2017 **%**	2016 %
Pre-tax discount rate	**20**	16
Terminal value growth rate	**0**	3
Budgeted revenue growth rate (average of financial forecasts period)	**47**	26

Pre-tax discount rate represents the current market assessment of the risks specific to THX CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. This is also the rate used for purchase price allocation purpose, computed and provided by external valuator.

The recoverable amounts of the THX CGU (including goodwill) based on the estimated value-in-use calculations were higher than their carrying amounts at December 31, 2017 and 2016. Accordingly, no provision for impairment loss for goodwill is considered necessary. Any reasonably possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at December 31, 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(c) Goodwill in connection with the acquisition of business from Nextbit

As at December 31, 2017, goodwill of US$918,000 arising from the acquisition of business from Nextbit (note 25) was allocated to the Mobile CGU within the "Others" segment. The recoverable amount of the Mobile CGU was based on its value-in-use calculations. These calculations use cash flows projections based on financial forecasts approved by management covering a nine-year period. Cash flows beyond the aforementioned financial forecasts period are extrapolated using estimated growth rate stated below. Cash flows for the stabilised years are equal to or lower than the cash flows of the ninth year of the business plan. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2017 **%**
Pre-tax discount rate	**9**
Terminal value growth rate	**0**
Budgeted revenue growth rate (average of financial forecasts period)	**70**

Pre-tax discount rate represents the current market assessment of the risks specific to Mobile CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. This is also the rate used for purchase price allocation purpose, computed and provided by external valuator.

The recoverable amounts of the Mobile CGU (including goodwill) based on the estimated value-in-use calculations were higher than their carrying amounts at December 31, 2017. Accordingly, no provision for impairment loss for goodwill is considered necessary. Any reasonably possible changes in the other key assumptions used in the value-in-use assessment model would not affect management's view on impairment at December 31, 2017.

(d) Goodwill in relation to the Group's step acquisition of Razer Chengdu Pte. Ltd.

In connection with the Group's step acquisition of Razer Chengdu Pte. Ltd. in 2015, the Group recognised goodwill of US$805,000 which was allocated to the Group's software business. The goodwill was mainly due to the potential growth of Razer Chengdu Pte. Ltd.'s business as the Group intended to further develop and monetise certain of Razer Chengdu Pte. Ltd.'s software products. However, Razer Chengdu Pte. Ltd.'s software business continues to be loss-making and management does not expect the software business to generate any significant revenue in the near future. Resultantly, the goodwill of US$805,000 was fully impaired in 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. All the subsidiaries are limited liability company.

Name of subsidiary	Principal activities	Place of incorporation and business	Particulars of issued and paid up capital	Attributable equity interest held by the Group	
				Direct %	Indirect %
Razer (Asia-Pacific) Pte. Ltd.	Design, manufacture, distribution, research and development of computer peripherals, systems and accessories	Singapore	Issued and paid-up capital of Singapore dollars ("SGD") 30,690,366.36 consisting of 782,038 ordinary shares	100	–
Razer USA Ltd	Trading of computer peripherals, systems and accessories	Place of incorporation is State of Delaware, U.S. Place of business in Irvine and San Francisco, California, U.S.	Issued and paid-up capital of US$0.10 consisting of 10 shares of common stock of US$0.01 each	–	100
Razer Everglide Pte. Ltd.	Design, manufacture and distribution of computer peripherals and accessories	Singapore	Issued and paid-up capital of SGD100.00 consisting of 100 ordinary shares	–	100
Razer (Europe) GmbH	Trading of computer peripherals and accessories	Hamburg, Germany	Paid up capital of EUR25,000.00	–	100
Razer Taiwan Co. Ltd.	Designing of computer hardware and software	Taiwan	Paid-up capital of Taiwan dollars ("NTS") 5 million	–	100
Razer Computer Gaming Technology (Shanghai) Co., Ltd (Note)	Marketing and consulting support	Shanghai, China	Registered paid-up capital of US$600,000	–	100
Razer Korea LLC	Trading of computer peripherals, systems and accessories	Seoul, Korea	Issued and paid up capital stock of 110,000,000 South Korea Won ("Won") consisting of 22,000 unit each with a par value of 5,000 Won	–	100
Razer Software Technology (Chengdu) Co., Ltd. (Note)	Development and research of the computer game software and related technical consulting and technical services	Chengdu, China	Registered capital of Renminbi ("RMB") 2,000,000	–	100
Razer Online Pte. Ltd.	Provision of software and virtual credit service	Singapore	Issued and paid-up capital of US$1.00 consisting of 1 ordinary share	–	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Place of incorporation and business	Particulars of issued and paid up capital	Attributable equity interest held by the Group	
				Direct %	Indirect %
Razer Technology Development (Shenzhen) Co., Ltd. (Note)	Research and development of computer peripherals	Shenzhen, China	Registered paid-up capital of RMB300,000	–	100
Razer Business Information Consultancy (Shanghai) Co., Ltd. (Note)	Trading of computer software, hardware business	Shanghai, China	Registered capital of RMB1,500,000	–	100
THX Ltd.	Audio and visual technology consulting, development and application	Place of incorporation is State of Delaware, U.S. Place of business in San Francisco, California, U.S.	Issued and paid-up capital of US$1.00 consisting of 100 shares of common stock of US$0.01 each	–	80
THX Holdings Limited	Audio and visual technology consulting, development and application	Hong Kong, China	Issued and paid-up capital of HK$10,000 consisting of 10,000 ordinary shares	–	80
THX Movie Technology (Shenzhen) Company Limited (Note)	Audio and visual technology consulting, development and application	Shenzhen, China	Registered capital of RMB1,000,000	–	80
ZVF1 Pte. Ltd.	Investment holding	Singapore	Issued and paid-up capital of US$1.00 consisting of 1 ordinary share	–	100
ZVMidas Pte. Ltd.	Investment holding	Singapore	Issued and paid-up capital of US$1.00 consisting of 1 ordinary share	–	100

Note: These subsidiaries are registered as wholly foreign-owned enterprises under PRC Laws.

16 OTHER TAX LIABILITIES

Recognised income tax positions are measured at the best estimate of the tax amounts to be paid. Changes in recognition or measurement are reflected in the year in which the change in judgment occurs. The Group recognised tax effect of uncertain income tax positions of US$2,217,000 as at December 31, 2017 (2016: US$2,796,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 DEFERRED TAX ASSETS AND LIABILITIES

(a) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the years are as follows:

	At January 1, 2016 US$'000	Recognised in profit or loss (note 11) US$'000	At December 31, 2016 US$'000	Recognised in/ (credited to) profit or loss (note 11) US$'000	Recognised in equity US$'000	At December 31, 2017 US$'000
Assets						
Unutilised research credits	10	277	287	573	–	860
Allowance for trade receivables	2,195	1,432	3,627	(2,879)	–	748
Share-based compensation	–	4,688	4,688	3,352	10,269	18,309
Other provisions	1,097	574	1,671	1,350	–	3,021
Other items	579	142	721	(75)	–	646
	3,881	7,113	10,994	2,321	10,269	23,584
Liabilities						
Property, plant and equipment	(294)	248	(46)	(1,448)	–	(1,494)
Net deferred tax assets	3,587	7,361	10,948	873	10,269	22,090

During the years ended December 31, 2017 and 2016, the Group granted restricted stock units and the corresponding share-based compensation expense is recognised in the respective subsidiaries. Under current U.S. tax law, such share-based compensation expense is not deductible for U.S. tax purposes until such restricted stock units vest. Therefore, deferred tax assets have been recognised in relation to the temporary timing difference arising from these share-based compensation expenses in relation to the Group's U.S. subsidiary. Deferred tax assets have been recognised because it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the consolidated statement of financial position as follows:

	2017 US$'000	2016 US$'000
Deferred tax assets	**22,150**	11,054
Deferred tax liabilities	**(60)**	(106)
	22,090	10,948

The utilisation of tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Unrecognised deferred tax assets

	2017 US$'000	2016 US$'000
Deductible temporary differences	**(1,635)**	(4,766)
Tax losses	**117,754**	65,403

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can use their benefits therefrom.

(c) Unrecognised tax losses

As at December 31, 2017, the Group has tax losses of US$117,754,000 (2016: US$65,403,000), that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. As at December 31, 2017, the tax losses of US$110,025,000, US$7,729,000 and US$nil (2016: US$63,541,000, US$1,862,000 and US$50,000) can be carried forward indefinitely, for 20 years and for 5 years respectively.

18 INVENTORIES

	2017 US$'000	2016 US$'000
Raw materials	**4,111**	2,258
Finished goods	**37,317**	25,261
	41,428	27,519

Raw materials and changes in finished goods recognised in cost of sales amounted to US$366,912,000 (2016: US$282,648,000) including write-down to net realisable value amounting to US$2,316,000 (2016: US$6,081,000) for the Group.

19 TRADE AND OTHER RECEIVABLES

	2017 US$'000	2016 US$'000
Trade receivables	**130,463**	107,073
Less: Allowance for trade receivables	**(19,272)**	(18,796)
Less: Allowance for impairment	**(1,756)**	(916)
	109,435	87,361
Deposits	**561**	531
Other receivables[1]	**15,823**	13,445
Receivables	**125,819**	101,337
Deferred rent credit	**1,315**	1,315
Trade and other receivables	**127,134**	102,652
Non-current	**1,451**	1,659
Current	**125,683**	100,993
	127,134	102,652

[1] Other receivables mainly comprise of amounts due from contract manufacturers for buy sell transactions, whereby the Group purchases certain components from third-party suppliers and subsequently sell to our contract manufacturers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 TRADE AND OTHER RECEIVABLES (CONTINUED)

Impairment losses

The Group usually grants credit terms ranging from 30 days to 60 days following the invoice date. The ageing of trade and other receivables by due date of the respective invoices at the reporting date is:

	2017		2016	
	Gross US$'000	**Impairment losses US$'000**	Gross US$'000	Impairment losses US$'000
Neither past due nor impaired	**114,884**	**–**	88,353	–
Past due 1-30 days	**10,817**	**–**	9,650	–
Past due 31-60 days	**951**	**–**	1,828	–
Past due 61-90 days	**179**	**(2)**	525	–
More than 90 days	**2,059**	**(1,754)**	3,212	(916)
Trade and other receivables	**128,890**	**(1,756)**	103,568	(916)

The movement in the allowance for doubtful trade receivables during the year are as follows:

	2017 US$'000	2016 US$'000
At January 1	**916**	1,637
Impairment loss recognised/(reversed) on trade receivables	**983**	(590)
Uncollectible amount written off	**(143)**	(131)
At December 31	**1,756**	916

As at December 31, 2017, trade receivables of US$1,756,000 (2016: US$916,000) were individually determined to be impaired. The individually impaired receivables relates to customers that were in financial difficulties and receivables that are long outstanding. The Management assessed that only a portion of the receivables is expected to be recovered. Consequently, as at December 31, 2017, US$1,756,000 (2016: US$196,000) of allowance for doubtful debt was recorded.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's historical experience in the collection of trade receivable falls within the recorded allowances. Due to this factor, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in note 27.

20 AVAILABLE-FOR-SALE INVESTMENTS

	2017 US$'000	2016 US$'000
Equity security (quoted) – current	**1,753**	–
Equity security (unquoted) – non-current	**20,250**	–
	22,003	–

During the year ended December 31, 2017, the Group acquired 19.9% of unquoted issued share capital of MOL Global, Inc. in exchange for 8,634 ordinary shares of the Company with an estimated fair value US$19,900,000.

The Group's exposures to credit and market risks, and fair value measurement are disclosed in note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 CASH AND BANK BALANCES

	2017 US$'000	2016 US$'000
Cash at bank and in hand	**645,938**	37,686
Fixed deposits and money market funds	**63,311**	83,443
Cash and cash equivalent in the consolidated cash flows statement	**709,249**	121,129
Short-term fixed deposits	**30,184**	10,000
Cash and bank balances in the consolidated statement of financial position	**739,433**	131,129

The effective interest rate relating to fixed deposits at the reporting date for the Group ranges from 0.4% to 1.60% per annum (2016: 0.1% to 1.17%). Interest rates are repriced at monthly intervals.

As at December 31, 2017, the short-term fixed deposits of US$30,184,000 (2016: US$10,000,000) are bank deposits with original maturities over three months and redeemable on maturity. The short-term fixed deposits are denominated in US$ and the weighted average effective interest rate is 1.59% (2016: 1.17%).

22 TRADE AND OTHER PAYABLES

	2017 US$'000	2016 US$'000
Trade payables	**150,410**	123,231
Accrued operating expenses	**53,594**	25,941
Provision for warranty expenses	**7,005**	5,771
Accrued liabilities for materials	**449**	2,677
Other payables	**5,771**	3,676
	217,229	161,296
Non-current	**1,613**	537
Current	**215,616**	160,759
	217,229	161,296

The ageing analysis of trade payables, based on due date, is as follows:

	2017 US$'000	2016 US$'000
Up to 3 months	**149,372**	122,938
Over 3 months but within 6 months	**139**	38
Over 6 months but within 12 months	**532**	64
Over 12 months	**367**	191
	150,410	123,231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TRADE AND OTHER PAYABLES (CONTINUED)

The movements in the provision of warranty expenses during the year are as follows:

	2017 US$'000	2016 US$'000
At January 1	**5,771**	1,351
Provision made during the year	**14,627**	15,042
Provision utilised during the year	**(13,393)**	(10,622)
At December 31	**7,005**	5,771

Under the Group's warranty terms and obligations, the Group will rectify any product defects arising during the warranty period. Provision is therefore made for the best estimate of the expected settlement under the warranty terms in respect of sales made prior to end of the reporting period. The amount of provision takes into account the Group's historical claim experience.

The Group's exposures to currency and liquidity risks related to trade and other payables are disclosed in note 27.

23 SHARE-BASED COMPENSATION EXPENSE

The Group has the following share-based payment arrangements:

Restricted Stock Units

On August 23, 2016, the Company's shareholders approved the 2016 Equity Incentive Plan, which is a share-based incentive plan designed to reward, retain and motivate the Group's employees. The Restricted Stock Units ("RSU") were granted to certain employees, consultants and the Company's directors in 2016. Each RSU will entitle the holder to one ordinary share of the Company.

RSUs granted to employees and consultants shall vest upon the satisfaction of both a service condition and a liquidity condition. The service condition for these awards is satisfied over four tranches and becomes exercisable at the rate of 25% over four tranches. The liquidity condition is satisfied upon the occurrence of a qualifying event, defined as a change of control transaction or six months following the completion of the Company's IPO. Under the settlement procedures applicable to these awards, the Group is permitted to deliver the underlying shares within 30 days before or after the date on which the liquidity condition is satisfied. For accounting purposes, the liquidity condition is considered a non-market performance vesting condition which is taken into consideration in estimating the number of RSUs that are expected to vest (note 3(j)(iv)).

Share-based compensation expense relating to awards granted to employees is recognised on a graded acceleration vesting amortisation method over the applicable service period. Share-based compensation expense relating to awards granted to consultants are recognised on a straight-line basis over the four tranches.

RSUs granted to the Company's directors are not subject to a liquidity condition in order to vest and the service condition for this award is satisfied over four tranches and becomes exercisable at the rate of 25% over four tranches. Compensation expense related to these grants is based on the grant date fair value of the RSUs and is recognised on a graded acceleration vesting amortisation method over the four tranches.

For grants awarded prior to the IPO, the grant date fair value is based on the price of recent investments in the Company by third-party investors. For grants awarded after the IPO, the grant date fair value is based on the closing price of the Company's shares as of the grant date. The number of RSUs granted during 2017 was 213,226,125 after adjusted for capitalisation issue (note 24(c)). The number of RSUs granted during 2016 was 61,861 (519,817,983 after capitalisation issue). The weighted average grant date fair value of RSUs granted during 2017 was US$0.38 per share after adjusted for capitalisation issue. The weighted average grant date fair value of RSUs granted during 2016 was US$1,737.34 per share (US$0.21 per share after capitalisation issue).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	The Company					
	Share capital US$'000	**Share premium** US$'000	**Reserve for treasury shares** US$'000	**Share-based payment reserve** US$'000	**Retained earnings** US$'000	**Total** US$'000
At January 1, 2016	8	56,451	(5,499)	5,794	3,296	60,050
Changes in equity for 2016:						
Loss for the year	–	–	–	–	(2,025)	(2,025)
Issuance of ordinary shares, as part of business combination	–	8,823	–	–	–	8,823
Issuance of ordinary shares	–	1,100	–	–	–	1,100
Issuance of Series C convertible preference shares	–	121,158	–	–	–	121,158
Repurchase of ordinary shares and convertible preference shares	–	–	(45,000)	–	–	(45,000)
Retirement of treasury shares	–	(321)	321	–	–	–
Share-based compensation expense	–	–	–	38,548	–	38,548
At December 31, 2016 and January 1, 2017	8	187,211	(50,178)	44,342	1,271	182,654
Changes in equity for 2017:						
Loss for the year	–	–	–	–	(12,454)	(12,454)
Issuance of ordinary shares before IPO, as part of business combination	–	9,749	–	–	–	9,749
Issuance of ordinary shares before IPO, as part of investment in equity securities	–	19,900	–	–	–	19,900
Issuance of Series D convertible preference shares	–	43,339	–	–	–	43,339
Retirement of treasury shares	–	(50,178)	50,178	–	–	–
Share-based compensation expense	–	–	–	128,837	–	128,837
Effect of capitalisation issue	70,802	(70,802)	–	–	–	–
Issuance of treasury shares under IPO	7,081	–	(7,081)	–	–	–
Issuance of shares after IPO, as part of pre-IPO business combination	103	4,997	–	–	–	5,100
Issuance of ordinary shares under IPO, net of share issuance expenses	12,231	580,909	–	–	–	593,140
At December 31, 2017	90,225	725,125	(7,081)	173,179	(11,183)	970,265

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CAPITAL AND RESERVES (CONTINUED)

(b) Share capital

	2017 No. of shares	2017 Amount US$'000	2016 No. of shares	2016 Amount US$'000
Authorised:				
At January 1	**4,000,000**	**40**	4,000,000	40
Increase of authorised ordinary shares	**9,996,000,000**	**99,960**	–	–
Ordinary shares	**10,000,000,000**	**100,000**	4,000,000	40
Ordinary shares, issued and fully paid				
At January 1	**627,207**	**6**	656,572	6
Issued in business combinations before IPO and capitalisation issue	**5,611**	**–**	5,078	–
Issued for equity securities before IPO and capitalisation issue	**8,634**	**–**	–	–
Issued in exchange for services before IPO and capitalisation issue	**–**	**–**	633	–
Retirement of treasury shares	**(31,713)**	**–**	(35,076)	–
Conversion of convertible preference shares to ordinary shares after IPO	**232,944**	**2**	–	–
Effect of capitalisation issue	**7,080,222,566**	**70,802**	–	–
Issuance of ordinary shares to RSU Trustee after IPO	**708,104,004**	**7,081**	–	–
Issued in pre-IPO business combinations after IPO	**10,251,660**	**103**	–	–
Issuance of ordinary shares under IPO	**1,223,140,000**	**12,231**	–	–
At December 31	**9,022,560,913**	**90,225**	627,207	6
Convertible preference shares				
At January 1	**233,716**	**2**	161,771	2
Issuance of shares before IPO and capitalisation issue	**18,804**	**–**	71,945	–
Retirement of treasury shares	**(19,576)**	**–**	–	–
Conversion of convertible preference shares to ordinary shares after IPO	**(232,944)**	**(2)**	–	–
At December 31	**–**	**–**	233,716	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CAPITAL AND RESERVES (CONTINUED)

(c) Ordinary shares

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares (excluding treasury shares) rank equally with regards to the Company's residual assets.

During the year ended December 31, 2016, the Group conducted a share buy-back exercise of which 9,202 ordinary shares were repurchased for a total consideration of US$14,389,000 (2017: US$ Nil).

During the year ended December 31, 2016, the Group issued 5,078 ordinary shares as a result of the business acquisition from SST, with 1,220 ordinary shares to be issued after the holdback period which ended on October 5, 2017. Pursuant to the supplemental agreement dated October 5, 2017, holdback shares of 10,251,660 shares after taking into account the capitalisation issue, were issued upon the IPO (note 25(a)).

During the year ended December 31, 2017, the Group issued 5,611 ordinary shares as part of the consideration of the acquisition of the Nextbit business (note 25(b)).

During the year ended December 31, 2017, the Group issued 8,634 ordinary shares in exchange for 19.9% equity interest in MOL Global, Inc. (note 20).

On October 25, 2017, the Company's shareholders resolved, among other things that, subject to the completion of IPO and fulfilment of certain other conditions, all the issued and unissued preferred shares will be re-classified and re-designated as ordinary shares of US$0.01 par value each, following which each issued and unissued ordinary share of US$0.01 par value each of the Company will be subdivided into 8,403 shares of US$0.01 par value each such that the authorised share capital of the Company shall be US$100,000,000 divided into 10,000,000,000 shares of par value US$0.01 each and the issued share capital (including those preferred shares to be re-classified and re-designated as ordinary shares on the listing date) shall be US$70,810,000 divided into 7,081,065,249 shares of US$0.01 par value each ("capitalisation issue").

Upon completion of IPO, the Company's authorised and issued 232,944 preferred shares with par value of US$0.01 each have been cancelled and 232,944 ordinary shares with par value of US$0.01 each have been authorised. All of the Company's outstanding and issued 232,944 preferred shares were converted into ordinary shares on a one-to-one basis immediately.

Upon completion of the IPO, the Company issued 1,223,140,000 new shares at par value of US$0.01 each for cash consideration of HK$3.88 each, and raised gross proceeds of approximately HK$4,745,783,000 (equivalent to US$608,263,000). The respective share capital amount was US$12,231,000 and share premium arising from the issuance was approximately US$580,909,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to US$15,123,000 were treated as a deduction against the share premium arising from the issuance.

(d) Convertible preference shares

During the year ended December 31, 2016, the Group conducted a share buy-back exercise of which 10,490 Series A shares and 9,086 Series B shares were repurchased for a total consideration of US$16,403,000 and US$14,208,000 respectively.

In 2016, the Company entered into share purchase agreements with the Series C preference shareholders and pursuant to which, the Company issued 71,945 Series C convertible preference shares.

In April 2017, the Company entered into share purchase agreements with the Series D preference shareholders and pursuant to which, the Company issued 18,804 Series D convertible preference shares.

Upon completion of the IPO, all the convertible preference shares with par value of US$0.01 each were cancelled and converted into ordinary shares on a one-to-one basis immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CAPITAL AND RESERVES (CONTINUED)

(e) Treasury shares

The Company's treasury shares comprise the cost of the Company's shares held by the Group. At December 31, 2016, the Group held 51,289 of the Company's shares. The Group retired all its treasury shares in 2017 prior to the IPO. Upon completion of the IPO, 708,104,004 shares were credited as fully paid at par value to a designated RSU trustee, to provide for existing and future RSU grants pursuant to the term of the 2016 Equity Incentive Plan (note 23).

(f) Capital management

The Group defines "capital" as including all components of equity. The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future developments of the business. There were no changes in the Group's approach to capital management during the year. The Group is not subject to any externally imposed capital requirements.

(g) Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

(h) Merger reserve

The merger reserve represents the excess of the purchase consideration over the book value of net assets of a subsidiary acquired in 2006. The acquisition was accounted as an acquisition under common control.

(i) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of RSUs granted to the directors, employees and consultants of the Company and its subsidiaries that has been recognised in accordance with the accounting policy adopted for share-based payments in note 3(j)(iv).

25 BUSINESS COMBINATION

(a) Acquisition of THX Ltd.

On October 5, 2016, the Group acquired business from SST, which was engaged in the business of certification of quality in cinema sound systems, home theatre audio and other sound related systems. The consideration for the acquisition comprised (i) US$4,540,000 in cash; (ii) 6,298 of the Company's ordinary shares; and (iii) 20% interests of THX Ltd. (formerly Razer Tone Inc.) which is a holding company newly set up to hold the business acquired from SST.

As a result of this transaction, the Group effectively obtained 80% interest in the business acquired from SST and recognised a non-controlling interest of 20% since October 5, 2016.

Of the total consideration of cash of US$4,540,000 and 6,298 of the Company's ordinary shares, US$3,660,000 has been paid and 5,078 shares have been allotted and issued to the seller. The remaining consideration of i) US$880,000 which has been transferred to and held by an escrow agent (the "escrow fund") and ii) 1,220 of the Company's ordinary shares (the "holdback shares") were to settle on October 5, 2017 subject to any potential post-closing adjustments that would reduce the purchase consideration. The fund transferred to the escrow agent has been recorded as cash paid and cash used for investing activity and the holdback shares has been included in other payables and are carried at fair value. The fair value of the holdback shares at December 31, 2016 was US$2,120,000 and was estimated based on the price of recent investments in the Company by third-party investors.

Pursuant to the supplemental agreement dated October 5, 2017, holdback shares of 10,251,660 shares after taking into account the capitalisation issue, were issued upon the IPO on November 13, 2017. The fair value of the holdback shares on November 13, 2017 was US$5,099,000 and was estimated based on the offer price arising from the IPO.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 BUSINESS COMBINATION (CONTINUED)

(a) Acquisition of THX Ltd. (continued)

Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred:

	US$'000
Cash	4,540
Equity (6,298 of the Company's ordinary shares)	10,943
Total consideration transferred	15,483
Cash considerations	4,540
Cash and cash equivalents acquired	(415)
Net cash flows used in acquisition	4,125
Restricted cash acquired	(525)
Net cash	3,600

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	US$'000
Property, plant and equipment	466
Intangible assets	8,603
Restricted cash	525
Other receivables	250
Trade and other receivables[1]	467
Cash and cash equivalents	415
Trade and other payables	(992)
Total net identifiable assets acquired	9,734

[1] The trade and other receivables comprise trade receivables of US$219,000, of which US$50,000 was deemed to be uncollectible at the acquisition date and excluded from the amounts shown above.

Goodwill was recognised as a result of the acquisition as follows:

	US$'000
Total consideration transferred	15,483
Less: fair value of net identifiable assets	(9,734)
Non-controlling interest	3,871
Goodwill	9,620

The goodwill is attributable mainly to the skills and talent of SST's work force and the synergies expected to be achieved from integrating SST's technologies and trademark into the Group's existing products and expanding its existing licensing and certification programs into new technologies and categories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 BUSINESS COMBINATION (CONTINUED)

(a) Acquisition of THX Ltd. (continued)

In the period from October 5, 2016 (date of acquisition) to December 31, 2016, SST contributed revenue of US$1,208,000 and a net loss of US$1,419,000. If the acquisition had occurred on January 1, 2016, management estimates that the contribution to the consolidated revenue and net loss would have been US$5,565,000 and US$5,966,000, respectively. In determining these amounts, management had assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2016.

(b) Acquisition of business from Nextbit

On January 26, 2017, the Group completed its acquisition of business from Nextbit, of which certain assets of Nextbit were acquired in exchange for 8,633 ordinary shares of the Company at an issue price of US$1,737.43 per share, of which (i) 5,611 ordinary shares were issued and allotted on the January 26, 2017 and (ii) 3,022 ordinary shares are to be issued subject to certain conditions including two of the key personnel of Nextbit staying employed by the Group through the earliest of the 2-year anniversary of the acquisition date or the 6-month anniversary of the date on which the Group offers for wide public release a mobile telephone (the "service conditions").

The Group has determined the purchase consideration to be 5,611 ordinary shares with a fair value of approximately US$9,749,000 as of January 26, 2017. The remainder of the consideration of 3,022 ordinary shares is considered an arrangement to remunerate the key personnel of Nextbit for future services and therefore is to be recognised as share-based compensation expense upon fulfilment of the service conditions according to the accounting policy set out in note 3(j)(iv).

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired at the date of acquisition:

	US$'000
Patents	8,831
Total net identifiable assets acquired	8,831

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	US$'000
Total consideration transferred	9,749
Less: fair value of net identifiable assets	(8,831)
Goodwill	918

The goodwill is attributable mainly to the skills and talent of Nextbit's work force and the synergies expected to be achieved from integrating the Nextbit business into the Group's existing business. The goodwill recognised is not expected to be deductible for income tax purposes.

In the period from January 26, 2017 (date of acquisition) to December 31, 2017, the acquisition of certain assets of Nextbit contributed revenue of US$25,426,000 and a net loss of US$23,970,000. If the acquisition had occurred on January 1, 2017, management estimates that the contribution to the consolidated revenue and net loss would have been US$25,426,000 and US$24,044,000, respectively. In determining these amounts, management had assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2017 $'000	2016 $'000
Short-term employee benefits	**2,056**	1,727
Equity compensation benefits	**84,963**	16,047
	87,019	17,774

(b) Key director transactions

In connection with the business acquisition from SST by the Group during 2016 (note 25), 5,078 ordinary shares of the Company and 20 ordinary shares of THX Ltd. were issued as consideration to the seller which is an entity wholly-owned by a director of the Company. As a result of this transaction, the director of the Company, through its wholly-owned entity, holds 20% equity interest in THX Ltd. and increased the director's equity interest in the Company from 28.7% to 29.3%.

27 FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

(b) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer to settle its financial and contractual obligations to the Company, as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

At the end of the reporting period, the Group's top five major customers accounted for approximately 58% (2016: 50%) of total trade receivables.

All of the current trade and other receivables are expected to be recovered or recognised as expenses within one year.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than US$, the Company's functional currency. The currencies giving rise to this risk is primarily the HKD, SGD and the Euro.

The Group also hold cash in bank denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in HKD, SGD and the Euro.

The Group's exposures to foreign currency are as follows:

	2017			2016		
	HKD US$'000	**SGD US$'000**	**Euro US$'000**	HKD US$'000	SGD US$'000	Euro US$'000
Trade and other receivables	**28**	**891**	**19,247**	–	591	15,571
Cash and bank balances	**595,969**	**1,976**	**2,199**	3	1,820	7,227
Trade and other payables	**(97)**	**(5,410)**	**(2,922)**	–	(3,734)	(2,377)
	595,900	**(2,543)**	**18,524**	3	(1,323)	20,421

Sensitivity analysis

A 10% strengthening of US$ against the following currencies at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant.

	2017 US$'000	2016 US$'000
HKD	**(59,590)**	–
SGD	**254**	132
Euro	**(1,852)**	(2,042)

A 10% weakening of US$ against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) Interest rate risk

The Group's exposure to market risk for changes in interest rates primarily relates to the Group's fixed deposits as disclosed in note 21. As at the reporting date, the Group is not significantly exposed to interest rate risk.

(e) Fair values

The carrying amounts of the Group's financial assets and liabilities, such as trade and other receivables, cash at bank and in hand, fixed deposits, money market funds and trade and other payables approximate their fair values due to the short term to maturity.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values (continued)

Fair value hierarchy (continued)

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical assets (Level 1) US$'000	Significant other inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
2017				
Financial assets				
Money market funds	**–**	**63,311**	**–**	**63,311**
Available-for-sale investments (quoted)	**1,753**	**–**	**–**	**1,753**
Available-for-sale investments (unquoted)	**–**	**–**	**20,250**	**20,250**
	1,753	**63,311**	**20,250**	**85,314**
2016				
Financial assets				
Money market funds	–	44,116	–	44,116
Fair values of forward exchange contracts	–	16	–	16
	–	44,132	–	44,132
Financial liabilities				
Fair values of forward exchange contracts	–	8	–	8
Payable relating to holdback shares (note 25(a))	–	–	2,120	2,120
	–	8	2,120	2,128

The money market funds and the forward contracts are measured on a recurring basis at fair value, based on indicative price information obtained from a third-party financial institution that is the counterparty to the transaction.

The fair value for the quoted available-for-sale investment is determined using quoted prices obtained for those investments as at reporting date. For unquoted available-for-sale investments, fair value is determined using valuation techniques. Such valuation techniques include recent arm's length market transactions.

During the year ended December 31, 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: US$Nil).

The following table presents the change in level 3 instruments:

	2017 US$'000	2016 US$'000
At January 1	**(2,120)**	–
Addition	**20,250**	(2,120)
Change in fair value	**(2,980)**	–
Issuance of holdback shares	**5,100**	–
At December 31	**20,250**	(2,120)

The Group does not have any other financial instruments that are measured using fair values as at December 31, 2016 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk

The Group monitors the overall liquidity risk by maintaining sufficient cash and cash equivalent levels and actively manages cash flow fluctuations to finance and support business operations. Operational cash flows are expected to be short term in nature. All of the current trade and other payables are expected to be settled and recognised as income within one year or are repayable on demand. The effects of the Group's cash flows occurring beyond one year are expected to be immaterial.

28 LEASE COMMITMENTS

(a) Finance leases

The Group has commitments for future minimum lease payments under finance leases as follows:

	2017 US$'000	2016 US$'000
Within one year	**52**	115
After one year but within two years	**30**	49
After two years but within five years	**–**	31
Total minimum lease payments	**82**	195
Less: amount representing interest	**(7)**	(16)
Total	**75**	179

The Group's finance leases comprise obligations pertain to a motor vehicle and office equipment. These obligations are payable in monthly instalments through 2020.

(b) Operating leases

The Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2017 US$'000	2016 US$'000
Within one year	**3,875**	3,635
After one year but within five years	**10,130**	9,789
After five years	**1,571**	2,087
Total minimum lease payments	**15,576**	15,511

The Group leases office premises, retail stores and warehouse facilities under operating leases. The leases typically run from three to ten years, with an option to renew the lease after that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

at December 31, 2017

	December 31, 2017 US$'000	December 31, 2016 US$'000
Non-current asset		
Investments in a subsidiary	**257,682**	95,981
Current assets		
Other receivables	**32,069**	2,595
Prepayments	**120**	111
Cash and bank balances	**691,014**	84,517
	723,203	87,223
TOTAL ASSETS	**980,885**	183,204
Current liability		
Trade and other payables	**10,620**	550
Net current assets	**712,583**	86,673
NET ASSETS	**970,265**	182,654
Capital and reserves		
Share capital	**90,225**	8
Share premium	**725,125**	187,211
Reserves	**154,915**	(4,565)
TOTAL EQUITY	**970,265**	182,654

Approved and authorised for issue by the board of directors on March 22, 2018.

Min-Liang Tan)
Chan Thiong Joo Edwin) Directors

30 SUBSEQUENT EVENTS

Additional acquisition of equity interest in MOL Global, Inc.

On February 8, 2018, the Group entered into a share purchase agreement to purchase additional 10,125,670 shares in MOL Global, Inc. representing approximately 15.0% of the total issued share capital of MOL Global, Inc. as at the date of the share purchase agreement. The total consideration paid under the share purchase agreement amounted to US$15,000,000. Upon completion of this investment, the Group holds approximately 34.9% equity interest in MOL Global, Inc. and will account for this investment as an associate based on equity accounting.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meaning:

"2016 Equity Incentive Plan"	the 2016 Equity Incentive Plan approved by the Board on July 25, 2016 and the Company's shareholders on August 23, 2016 (and subsequently amended by the Board and the Company's shareholders on October 25, 2017) for the grant of, among others, RSUs to eligible participants
"AGM"	The annual general meeting of the Company to be held for the purpose of, among others, approving the audited financial statements for the year ended December 31, 2017, which will be held on May 30, 2018
"Articles of Association"	the articles of association of the Company adopted on October 25, 2017 and which became effective on the Listing Date, as amended from time to time
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company" or "Razer"	Razer Inc., an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1337)
"Director(s)"	director(s) of the Company
"EBITDA"	Earnings before interest, tax, depreciation and amortisation
"EMEA"	Europe, the Middle East and Africa
"ESG Guide"	the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules
"GAAP"	Generally Accepted Accounting Principles
"initial public offering"	The initial public offering of the shares of Company, further details of which are set out in the Prospectus
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	the International Financial Reporting Standard
"Listing Date"	November 13, 2017, the date on which the shares of the Company were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MOL Global"	MOL Global, Inc.
"Nextbit"	Nextbit Systems Inc.
"Prospectus"	the prospectus of the Company dated November 1, 2017
"RSUs"	restricted stock units, being contingent rights to receive shares of the Company which are granted pursuant to the 2016 Equity Incentive Plan
"Shares"	ordinary shares of US$0.01 each in the issued share capital of the Company

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SST"	Slot Speaker Technologies, Inc. (formerly known as THX Ltd.)
"THX"	THX Ltd. (formerly known as Razer Tone, Inc.), a company incorporated in Delaware, the United States on August 19, 2016 and our 80%-owned subsidiary
"U.S."	the United States of America
"US$"	United States Dollars, the lawful currency of the United States
"%"	per cent

This glossary contains definitions of certain terms used in this annual report in connection with the Company's business. These terms and their definitions may not correspond to industry standard definitions or usage and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industry as the Company.

"esports"	professional competitive gaming
"gamers"	individuals who play games across any platform without any time or frequency qualifications
"games"	games played primarily on PC, mobile devices and consoles
"gaming system"	PCs, both desktops and laptops, that have been purchased primarily with playing games in mind and are branded and advertised as such
"IoT"	Internet-of-Things, system of interrelated computing devices which collect and exchange data over a network
"PC"	Personal computer
"peripherals"	Hardware devices, such as mice, keyboards, headsets, audio devices and controllers, used to play games in conjunction with a PC or a console

RAZER™

FOR GAMERS. BY GAMERS.™