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ANNUAL REPORT 2018

RAZER INC.

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

OUR VISION

THE WORLD’S LEADING LIFESTYLE BRAND FOR GAMERS

CONTENTS

CORPORATE INFORMATION

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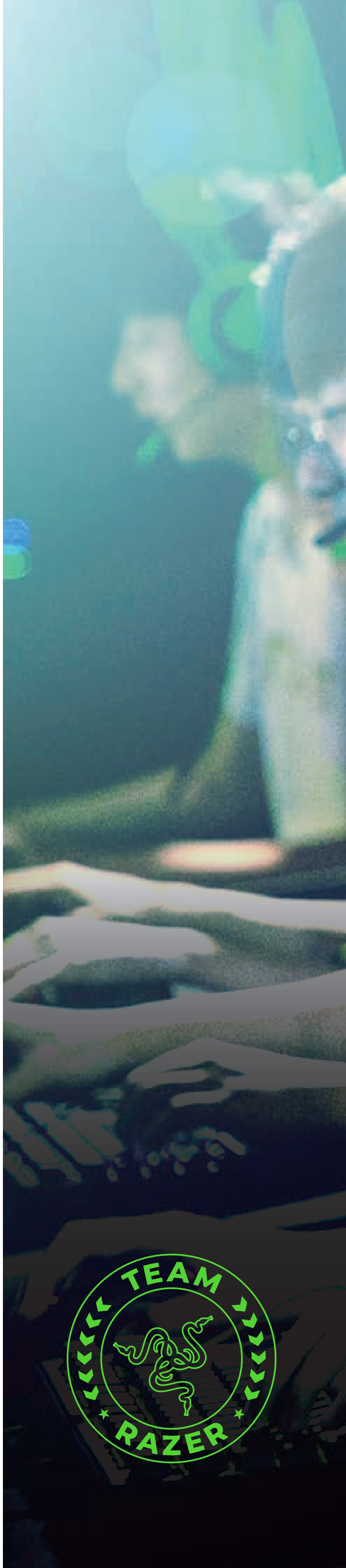

EXECUTIVE DIRECTORS

Mr. Min-Liang TAN
(Chairman & Chief Executive Officer)

Mr. CHAN Thiong Joo Edwin

Mr. KHAW Kheng Joo
(resigned on March 21, 2019)

Ms. LIU Siew Lan Patricia
(appointed on March 21, 2019)

NON-EXECUTIVE DIRECTOR

Mr. LIM Kaling

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Audit and Risk Management Committee
Mr. CHAU Kwok Fun Kevin (Chairman)
Mr. LEE Yong Sun
Mr. Gideon YU

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

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

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

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Corporate Website
www.razer.com

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THIS IS
ESPORTS
#TEAMRAZER

FINANCIAL SUMMARY AND HIGHLIGHTS


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FINANCIAL SUMMARY AND HIGHLIGHTS

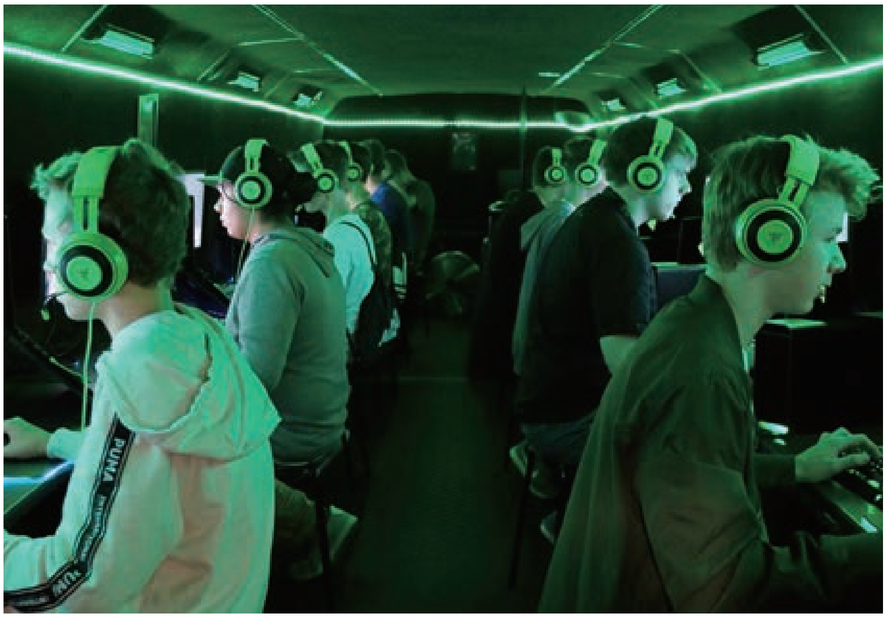
KEY HIGHLIGHTS OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

All-time high revenue of US$712.4 million

hitting a **3-year high growth** of 37.6%

4x increase in Services business revenue of US$49.6 million

Net loss significantly reduced by 41.0% year-on-year to US$97.9 million



Hardware

- 29.4% year-on-year growth in revenues to approximately US$615.5 million

Software

- 40.7% year-on-year growth to approximately 60 million total registered users as of February 28, 2019

Services

- Delivering on the ecosystem vision that was shared at IPO, our Services business revenue recorded approximately fourfold increase in revenue to US$49.6 million*. The business contributed approximately 7.0% and 14.0% of the Group's revenues and gross profit, respectively

New Growth Initiatives

- Mobile gaming: Definitively created the new category of gaming smartphones. Evolving mobile gaming to the next level with continued investment in mobile gaming software. Establishing partnerships in mobile gaming industry
- Razer Pay: One of the largest offline-to-online ("O2O") digital payment networks in Southeast Asia, generated US$1.4 billion in total payment value in 2018

* *Inclusive of Razer Gold virtual credits and Razer Pay*

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	**2018** **US$'000**
Revenue	315,247	319,706	392,099	517,937	**712,439**
Gross profit	107,973	100,201	109,451	151,025	**170,078**
Profit/(loss) before income tax	21,346	(17,146)	(63,270)	(164,585)	**(89,547)**
Profit/(loss) for the year	20,332	(20,356)	(59,616)	(165,839)	**(97,908)**
Total comprehensive income for the year	20,326	(20,461)	(59,696)	(164,877)	**(103,308)**
Profit/(loss) attributable to equity shareholders of the Company	20,332	(20,356)	(59,332)	(164,020)	**(96,966)**
Total comprehensive income attributable to equity shareholders of the Company	20,326	(20,461)	(59,412)	(163,058)	**(102,453)**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at December 31,				
	2014 US$'000	2015 US$'000	2016 US$'000	2017 US$'000	**2018** **US$'000**
Non-current assets	14,966	23,165	52,722	93,429	**140,779**
Current assets	174,516	165,245	263,758	911,834	**884,678**
Total assets	189,482	188,410	316,480	1,005,263	**1,025,457**
Current liabilities	95,908	104,881	164,776	217,966	**351,232**
Net current assets	78,608	60,364	98,982	693,868	**533,446**
Non-current liabilities	4,534	4,145	3,516	3,921	**12,283**
Net assets	89,040	79,384	148,188	783,376	**661,942**
Total equity attributable to equity shareholders of the Company	89,040	79,384	144,601	781,608	**659,810**
Non-controlling interests	–	–	3,587	1,768	**2,132**
Total equity	89,040	79,384	148,188	783,376	**661,942**

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

2018 was another phenomenal year for the gaming industry with esports moving into the mainstream. It was also a big year for Razer as the world's leading lifestyle brand for gamers. With our unique integrated ecosystem of hardware, software and services, we introduced innovative and category-defining Hardware products, expanded the offering of our Software products, as well as saw phenomenal growth with our Services business.

Global esports audience is expected to grow to 645 million viewers by 2022.

The gaming industry continued its strong momentum, capturing 2.4 billion active gamers who built up the global games market to US$134.9 billion in 2018[1]. The industry-shaking success of the Battle Royale genre led by gaming titles such as Fortnite, PUBG and most recently Apex Legends, set new heights and engaged more players like never before.

In 2018, the League of Legends World Championship drew more viewers than the Super Bowl for the first time in history, with over 200 million people tuning in to watch the esports competition[2].

Following its explosive growth in 2018, esports revenue is expected to reach US$1.8 billion by 2022[3] while global esports audience is expected to grow to 645 million viewers by 2022[4].

Esports continues to evolve into a mainstream sporting event, and as the world's leading brand in esports, Razer is proud to spearhead its development and growth. In Asia, home to half of the world's esports viewers, the 30th Southeast Asian Games 2019 ("SEA Games 2019") announced that esports will be recognised as a medal sport for the first time ever in history, with Razer supporting this landmark event as the official esports partner for the SEA Games 2019.

With our unique status as a lifestyle brand with the gamer-centric ecosystem, Razer is in prime position to be the partner of choice for many players in the gaming industry, while benefiting from the rising tide of gamers.

FULL YEAR 2018: RECORD REVENUE WITH GROWTH HITTING THREE-YEAR HIGH; FOURFOLD REVENUE INCREASE IN OUR SERVICES BUSINESS; NET LOSS SIGNIFICANTLY NARROWED

In 2018, we continued to demonstrate robust fundamentals and strong growth trajectory as the continued scaling of our business bears fruit.

Our revenues reached an all-time high of US$712.4 million, with year-on-year growth hitting a three-year high of 37.6%. Delivering on the ecosystem vision that was shared at the IPO, our Services business recorded nearly fourfold revenue increase to US$49.6 million*, contributing approximately 7.0% and 14.0% of the Group's revenues and gross profit, respectively. Net loss significantly narrowed by 41.0% year-on-year totalling US$97.9 million.

Given the massive opportunities in the US$134.9 billion gaming market, Razer, as the only company that embraces PC, console and mobile with an integrated ecosystem of hardware, software and services, is well-positioned to be at the forefront of this enormous market across various fronts.

HARDWARE – 29.4% YEAR-ON-YEAR REVENUE GROWTH

Our Hardware business saw solid broad-based growth of 29.4% in revenue in 2018.

Our unique ability to roll out innovative, category-defining and award-winning products puts us at the forefront of the industry. This is evidenced in the recent Consumer Electronics Show 2019 ("CES 2019"), the world's biggest technology event held annually in Las Vegas, where Razer garnered numerous awards. These include:

- **Razer Raptor** - our foray into the gaming monitor space as part of our continued ecosystem expansion;
- **Razer Turret For Xbox One** - the world's first wireless keyboard and mouse collaboration with Microsoft's Xbox One, bringing game-integrated lighting and other exclusive features to the console and the living room; and
- **Razer Blade 15 Advanced Model** - rated as the best gaming laptop by leading critics such as Mashable and USA Today.

* Inclusive of Razer Gold virtual credits and Razer Pay

PERIPHERALS

We sustained our leadership in gaming peripherals across the U.S., Europe and China. Buoyed by high volume growth across key categories such as console, audio, keyboard and mice, our Peripherals business continued its annual growth acceleration and delivered a record-high revenue increase in the past three years, up 26.8% year-on-year to US$429.6 million with a gross margin of 32.0%. Gross margin is expected to continually improve in 2019 and to stabilise in the thirties, as we continue extend our market share leadership across categories.

SYSTEMS

Despite delays and subsequent shortages in chipsets which, in turn, limited the growth opportunity for the entire industry, our Systems business delivered a remarkable revenue growth of 35.7% year-on-year to US$185.9 million. The second half of 2018 was particularly strong and our Systems business reported a 62.2% year-on-year increase in revenues with gross margins hitting 11.0%. Since the launch of the refreshed Razer Blade series in mid-May 2018, we had made good progress in ramping up the regional presence of our Systems business outside the U.S., gaining market share in Europe and Asia Pacific. In particular, we did our first ever global launch of our laptop in China and made much headway in expanding our presence in the market through strategic partnerships with JD.com. Overall, we have laid a solid foundation for our Systems business to pursue growth opportunities as we seek to scale up and expand in other channels outside of the U.S.

Most recently, our Razer Blade 15 with the latest RTX graphics received spectacular reception with a grand slam of a 10/10 score and the Editor's Choice award by WCCFtech, as well as claimed the number 1 spot on Amazon.com as the best-selling RTX-equipped gaming laptop since its launch.

SOFTWARE – 40.7% YEAR-ON-YEAR GROWTH TO 60 MILLION USERS

Our Software business saw significant expansion with a 40.7% year-on-year increase in total registered users to approximately 60 million as of February 28, 2019. This increase was mainly driven by Razer Chroma, our award-winning, proprietary RGB lighting software, and Razer Synapse, our Internet of Things ("IoT") platform.

RAZER CHROMA CONNECTED DEVICES PROGRAMME – WELCOMING MORE PARTNERS TO JOIN OUR PLATFORM TO CULTIVATE MONETISATION OPPORTUNITIES

Launched in June 2018 as an initiative to bring more third-party brands to join the Razer ecosystem, the Razer Chroma Connected Devices Programme has established itself as the go-to software platform for many other hardware brands and players focused on the gamer TAM ("The addressable market") with over 15 third-party partners such as MSI, AMD and ZOTAC, powering over 300 devices with over 150 Razer Chroma-enabled games and applications, with

Apex Legends, the massively popular title most recently added into the portfolio. Beyond gaming setups, Razer Chroma is also in discussions with Leapmotor, a Chinese electric vehicle manufacturer, to bring ambient lighting to Leapmotor's upcoming automobiles and create immersive lifestyle experiences for its users.

COLLABORATION WITH AMAZON ALEXA – TAKING THE FULL POTENTIAL OF GAMING GEAR TO THE NEXT LEVEL

This first-of-its-kind integration with Amazon Alexa will allow players to use voice controls on their gaming hardware. Users can speak through their Razer headsets and microphones to control compatible devices. For example, Razer Chroma features in-game lighting synced with Razer mice, keyboards, headsets and other hardware that can be verbally controlled through Alexa. In a similar way, Alexa integrated with Razer Synapse IoT platform enables Razer users to control ambient Philips Hue lighting, access tens of thousands of skills and more – hands-free via mic-enabled Razer products. A unified Razer Chroma lighting experience can be achieved across third-party hardware devices, including PC cases, motherboards and cooling fans, using the Razer Chroma Connect module.

RAZER HYPERSENSE – PIONEERING NEXT-LEVEL HAPTICS FOR GAMING IMMERSION

Following the spectacular market response to Razer HyperSense, our pioneering drive in the integration of haptics-based technology in our headsets, we went further and are expanding the platform by introducing an interconnected ecosystem that will deliver intelligent haptics everywhere around users – from mouse, right down to keyboard wrist rest and chair. Like Razer Chroma, Razer HyperSense offers a more distinct and immersive experience via game developer integrations which tie specific game events, audio cues and game mechanics to high-definition haptics capable of reproducing a wider variety of vibrations compared to conventional haptic devices for natural and lifelike feedback.

SERVICES – FOURFOLD REVENUE INCREASE WITH 14.0% CONTRIBUTION TO OUR GROSS PROFIT

We delivered on the ecosystem vision that we laid out at the IPO with continued expansion of our Services business. In 2018, the business reported a 367.4% increase in revenue to US$49.6 million with a gross margin of 48.0%. The business contributed approximately 14.0% to the Group's overall gross profit.

RAZER GOLD VIRTUAL CREDITS – LEADING VIRTUAL CREDITS OF CHOICE FOR PLATFORM PARTNERS

Razer Gold is one of the world's largest virtual credits platforms for games and digital entertainment. As of December 31, 2018, the platform had over 11 million wallets, representing a 175% year-on-year increase, and giving users access to over 2,500 leading game titles with over 600 publishers.

We delivered on the ecosystem vision that we laid out at the IPO with continued expansion of our Services business.

During the year, we reinforced our position as a partner of choice for gaming and entertainment companies seeking to further expand their presence in emerging markets. Our extensive network of over 1 million offline distribution points puts us in an unrivalled position to help those companies to monetise, especially as credit card penetration is comparatively low in the emerging economies of Southeast Asia.

The business saw significant traction as we brought a number of world-leading gaming titles and companies, including Nexon America and Webzen Inc. on board the Razer Gold virtual credits platform. We work closely with these various partners to bring to gamers a suite of exclusive and highly-customised offers, making it a truly unique way for us to engage with the gamer community and our content partners.

Earlier this year, we announced our global partnership with NetEase Games to bring our Razer Gold virtual credits to NetEase Games' titles including the bestselling hit "Rules of Survival" on both the PC and mobile versions.

NEW GROWTH INITIATIVES

MOBILE GAMING – DEFINITIVELY CREATED A NEW CATEGORY OF SMARTPHONES. EVOLVING MOBILE GAMING TO THE NEXT LEVEL WITH CONTINUED INVESTMENT IN MOBILE GAMING SOFTWARE. ESTABLISHING PARTNERSHIPS IN MOBILE GAMING INDUSTRY.

A few years ago, we saw a huge potential for mobile gaming and we released the Razer Phone, definitively creating a whole new category of gaming phones in the smartphone industry. Following the massive success of the first-generation Razer Phone in 2017, we continued pushing the boundaries and, in October 2018, we launched the very definition of industry-leading gaming performance and premium flagship features – Razer Phone 2.

Given that the category has been established, we believe the time is right for us to evolve mobile gaming to the next level. We will be channelling our resources in investing in the area of mobile gaming software with a focus on bringing discovery immersion and entertainment, so as to propel us forward in reaping massive opportunities in the mobile gaming industry.

In respect of investments in mobile gaming software, our initial efforts in this area have already started producing results.

The Razer Cortex Mobile saw strong initial response since its launch in December 2018, with positive feedback from mobile gamers, strong engagement in monthly average games launched from the Recent section and strong conversion in monthly average games launched from the Featured tab. We are encouraged by the initial achievements we have made in our mobile software strategy, and we seek to add new functionalities, grow user base and nurture user activity as we start cultivating monetisation opportunities down the road.

Further, we have established partnerships with multiple leading mobile game companies and expect to announce more partners shortly.

We are truly excited to announce our mobile gaming collaboration with Tencent to bring the mobile gaming experience to the next level. The two companies will combine our strengths to serve the world's 2.4 billion active mobile gamers[5] by pushing the boundaries of mobile gaming hardware, software and services. The collaboration between Tencent and Razer will focus on the following areas:

1. **Hardware**

   Tencent will work closely with Razer to optimize Tencent mobile games for Razer's hardware, including the Razer Phone and mobile accessories such as mobile game controllers designed by Razer.

2. **Software**

   The collaboration will also see both companies working together on optimizing Tencent's mobile games for Razer's mobile game platforms and the Razer Cortex Mobile game launcher.

   Both companies will also explore the use of Razer technologies within Tencent mobile games – such as Chroma RGB lighting as well as THX Spatial Audio from Razer's audio technology subsidiary THX Ltd ("THX").

3. **Services**

   As part of the collaboration, Tencent and Razer will also explore additional monetisation opportunities for mobile gaming including integrating Razer services and more.

We believe our investments over the last few years into the mobile gaming space have laid a very strong foundation for us to continue to be a leading force in the market. The investments in mobile hardware have peaked in 2018 as we double down and invest in our mobile gaming software and services moving forward from here.

RAZER PAY – ONE OF THE LARGEST O2O DIGITAL PAYMENT NETWORKS IN SOUTHEAST ASIA

Razer Pay is one of the largest O2O digital payment networks in Southeast Asia. Our online payment gateway supports over 110 payment options and is powering a list of blue-chip merchants including Lazada, Grab and Uniqlo across Southeast Asia. We currently control over one million physical acceptance points through retail outlets such as 7-Eleven and Starbucks, that offer cash over counter services (including bill payments, telecommunication reloads, etc.) as well as the distribution of third party point of sale activation ("POSA") cards.

Primarily targeted at the youth and millennials being digital natives that are early adopters and frequent users of new technology, we have also launched an all-encompassing Razer Pay e-wallet app that caters for a plethora of lifestyle use cases. In 2018, we generated over US$1.4 billion in total payment value.

In Malaysia, we launched our Razer Pay e-wallet app for youth and millennials in July 2018, signing up 600,000 users in the first eight days. Recently, we upgraded Razer Pay with major new features such as in-app coupons, instant messaging, and an enhanced e-wallet experience.

In Singapore, we recently rolled out the beta version of Razer Pay e-wallet which is expected to launch in full scale in the first half of 2019.

With Razer Pay in Malaysia and Singapore, we intend to roll out to the rest of Southeast Asia in the months to come.

THX – LEADING THE WAY IN IMMERSIVE DIGITAL ENTERTAINMENT

In addition to the exciting developments in gaming, THX partnered with iQIYI, an innovative market-leading online entertainment service in China, and launched the first THX-certified offline "Yuker" on-demand movie theatre in Zhongshan, Guangdong province. This landmark partnership emphasises the important role THX plays in an ongoing transformation of retail spaces into digital entertainment complexes.

In addition, we brought THX's Spatial Audio Technology into our Razer Nari Ultimate wireless gaming headset. THX's Spatial Audio Technology provides a natural and lifelike positional surround sound with all 7.1 surround sound enabled content alongside Razer HyperSense, our intelligent haptics technology that engages the sense of touch to deliver a deeper immersive experience for gaming, movies and music.

RAZER – THE PIONEER AND LEADING BRAND IN ESPORTS

As the esports industry continues to evolve rapidly, its revenue is expected to reach US$1.8 billion by 2022. With an increasing demand and interest, the global esports audience is expected to grow to 645 million viewers by 2022.

Over the years, our brand has become one of the most recognised in esports thanks to our loyal user base, our strong social media presence and viral marketing strategies. And during 2018, we continued making significant progress in further advancing our unrivalled position in esports.

As a leading esports brand, we provide our sponsored esports teams with the latest and greatest high-performance gaming equipment to give them that winning competitive edge. We support over 20 esports teams who compete in all major esports games across the U.S., Europe and Asia Pacific including China, winning over US$10 million in prize money between 2016 and 2018.

SEA GAMES 2019

Marking the latest milestone in Razer's long-running quest to boost the global status of esports, it is my greatest pleasure that, for the first time in history, esports will be recognised as a medal sport at the SEA Games 2019, the region's most celebrated multi-sport event. As the official esports partner, Razer will draw upon its expertise and experience in esports, as well as its ecosystem of hardware, software and services, to support the esports tournament at the SEA Games 2019. We have been actively involved in facilitating discussions between the Philippine SEA Games Organising Committee and various game publishers on the selection of games that will be featured at this historic event.

PARTNERSHIPS

To leverage our ecosystem of hardware, software and services, we gained new ground in exploring additional monetisation avenues in esports. In November 2018, we entered into a strategic partnership with ONE Championship's ONE eSports to lead Asia's esports industry together. ONE eSports, Asia's largest global esports Championship Series, will feature multiple blockbuster game titles and hold a number of esports events alongside ONE Championship's martial arts live events across Asia in 2019. As a pioneer in the esports industry, we will provide our expertise and leadership to develop, manage, and organise esports tournaments. Our zVentures portfolio company, Esports Mogul, will provide the technical know-how and innovation for the development of an online platform to organise, manage, and stage online esports events and tournaments. Our Razer Pay platform will serve as the payment platform for the ticketing of ONE eSports tournaments, as well as for the online sale of related merchandise and content. We will also explore joint marketing opportunities with ONE eSports by using Team Razer esports athletes as well as ONE Championship's athletes to drive communication and engagement to all martial arts fans and gamers across Asia.

In November 2018, we also entered the exciting world of racing with a long-term partnership with Williams Esports, part of the world-famous Williams Formula 1 team. Team Razer and Williams Esports will collaborate in multiple areas of racing esports. Razer will supply Williams Esports' roster of drivers with the complete range of Razer pro-grade gaming peripherals, including Razer's latest high-end Blade gaming laptops. Team Razer and Williams Esports will work together on future initiatives and activities, including the development of innovative technology solutions such as Razer Hypersense, to give drivers greater immersion and situational awareness both in training and competition.

In September 2018, we partnered with Saudi Arabia Federation for Electronic & Intellectual Sports for the Overwatch Saudi Regional Tournament, as part of KSA's National Day celebrations. We are incredibly proud to contribute to the growth of esports in the Middle East, which is home to a massive addressable market of 500 million people, of which over 70% are under the age of 30. The first of its kind in Saudi Arabia, the Overwatch Saudi Regional Tournament is a regional 6v6 tournament with 62 teams from 9 different countries competing online and only 8 teams qualifying to the final playoffs in Jeddah.

CULTIVATING ONE OF THE WORLD'S LARGEST ESPORTS COMMUNITIES

On the back of the Memorandum of Understanding between Razer and Singtel, in May 2018, Razer fully supported the inaugural PVP Esports Championship with our Razer-branded peripherals prominently featured throughout the event. It was a sold-out hit with more than 3,000 people attending and over three million viewers worldwide watching the event via online streaming channels.

In 2018, we continued to champion the Razer brand as one of the biggest among the esports communities engaging with our extensive and loyal fan base around the world through iconic events and community outreach activities. For instance, we participated in ChinaJoy, the largest gaming event not only in China but across Asia, with a massive visitor turnout of approximately 350,000 and an online impression of over 182 million.

OUTLOOK

2019 looks set to be yet another exciting year for Razer. We are thrilled to see the record-smashing success of new AAA gaming titles such as the recent release Apex Legends, which will further boost the growth of the industry and the many unique collaborations the Razer platform can bring to gamers worldwide.

Esports will continue to gain traction as a mainstay of the entertainment industry. According to industry research[6], Southeast Asia is expected to surge in growth in 2019, and with its fastest-growing esports audience, it is becoming the region to watch.

The inclusion of esports as a medal event in SEA Games 2019, as well as the addition of new leagues and tournaments, will further boost esports development, with Southeast Asia becoming one of the biggest and most dedicated esports audiences in the world. And with our leading brand position, content agnostic model combined with a gamer-centric ecosystem of hardware, software and services, Razer is in a prime position to benefit from this rising tide.

The start of 2019 has seen us reaffirm our ongoing commitment to expand across Southeast Asia. We celebrated the groundbreaking of our upcoming Southeast Asia headquarters in Singapore with a ceremony graced by Singapore's Minister for Finance Mr. Heng Swee Keat. The new Southeast Asia headquarters, which will also be one of two Razer's global headquarters, is expected to be ready to move in by mid-2020 and will house more than 1,000 employees. We also celebrated the official opening of our new country headquarters in Malaysia, in an event graced by Malaysia's Minister for Finance Mr. Lim Guan Eng, as well as Malaysia's Minister for Youth and Sports Mr. Syed Saddiq bin Syed Abdul Rahman. This new headquarters strengthens Malaysia as our regional centre of fintech innovation, esports excellence and talent development.

GROUP – HIGH GROWTH. EXPANDING SERVICES. IMPROVEMENTS IN OUR OPERATIONS

Turning to our outlook for full year 2019, having achieved three-year record high revenue growth for full year 2018, we expect to continue this strong growth trajectory at scale. We will continue to expand our high margin Services business. We expect improvements in gross margins at the Group level and the strengthening of operating leverage, as we seek to drive further improvements in our operations.

CORE SEGMENT – PROFITABLE. STRONG GROWTH. PREDICTABLE

In our Hardware business, we expect the Peripherals business to maintain its strong revenue growth with gross margin to continually improve in 2019 and to stabilise in the thirties. We have already seen signs of improvements since the beginning of the year. At the same time, our Systems business is expected to maintain strong growth as we continue scaling up the business regionally, while improving the gross margins from 2018.

For our Software business, we see early signs of success in our initiatives to further increase adoption by gamers worldwide. We intend to further accelerate the growth of our user base, as well as user activity in 2019 to make room for additional monetisation opportunities.

For the Services business, we expect our Razer Gold virtual credits business to continue to add new content, new channels and continue to scale in 2019.

GROWTH SEGMENT – NEW OPPORTUNITIES. INVESTMENT MODE.

We definitively established gaming phones as a new category for smartphones. We believe our investments over the last few years into the mobile gaming space have laid a very strong foundation for us to continue to be the leading force in the market. As we evolve mobile gaming from hardware to partnerships and software platform, we believe our investments in mobile hardware have already peaked in 2018 as we continue to focus on mobile software and services.

We expect Razer Pay to expand significantly to multiple geographies with total payment value scaling further. Razer Pay has had a strong start in 2019 with the release of an upgraded Razer Pay e-wallet in Malaysia, the limited beta launch of the Razer Pay e-wallet in Singapore and a full public launch slated for the first half of 2019, as well as the roll-out of new exciting payment partnerships.

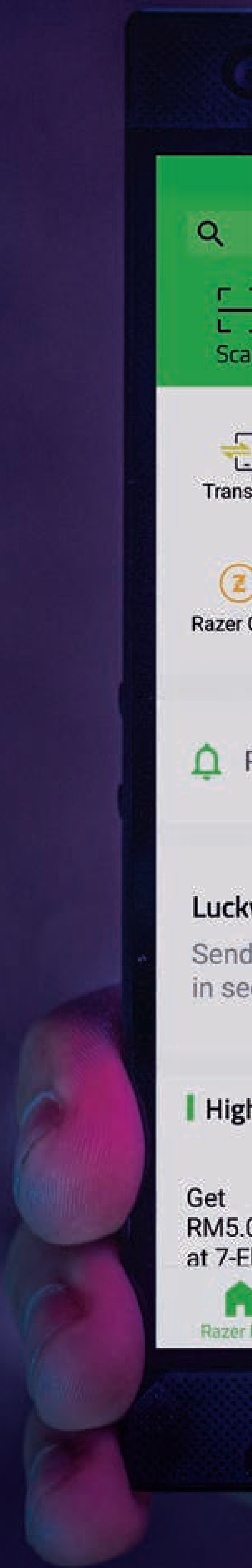
I would like to sincerely thank you all – our users and the Razer community, our esports athletes, partners, shareholders, as well as the Razer team – for your continuing support, your confidence and above all for your trust in the Razer brand. 2018 was a big year for Razer and the gaming industry. We are tremendously excited that Razer's gamer-centric integrated ecosystem of hardware, software and services has and will continue to play a unique role in the phenomenal gamer TAM growth.

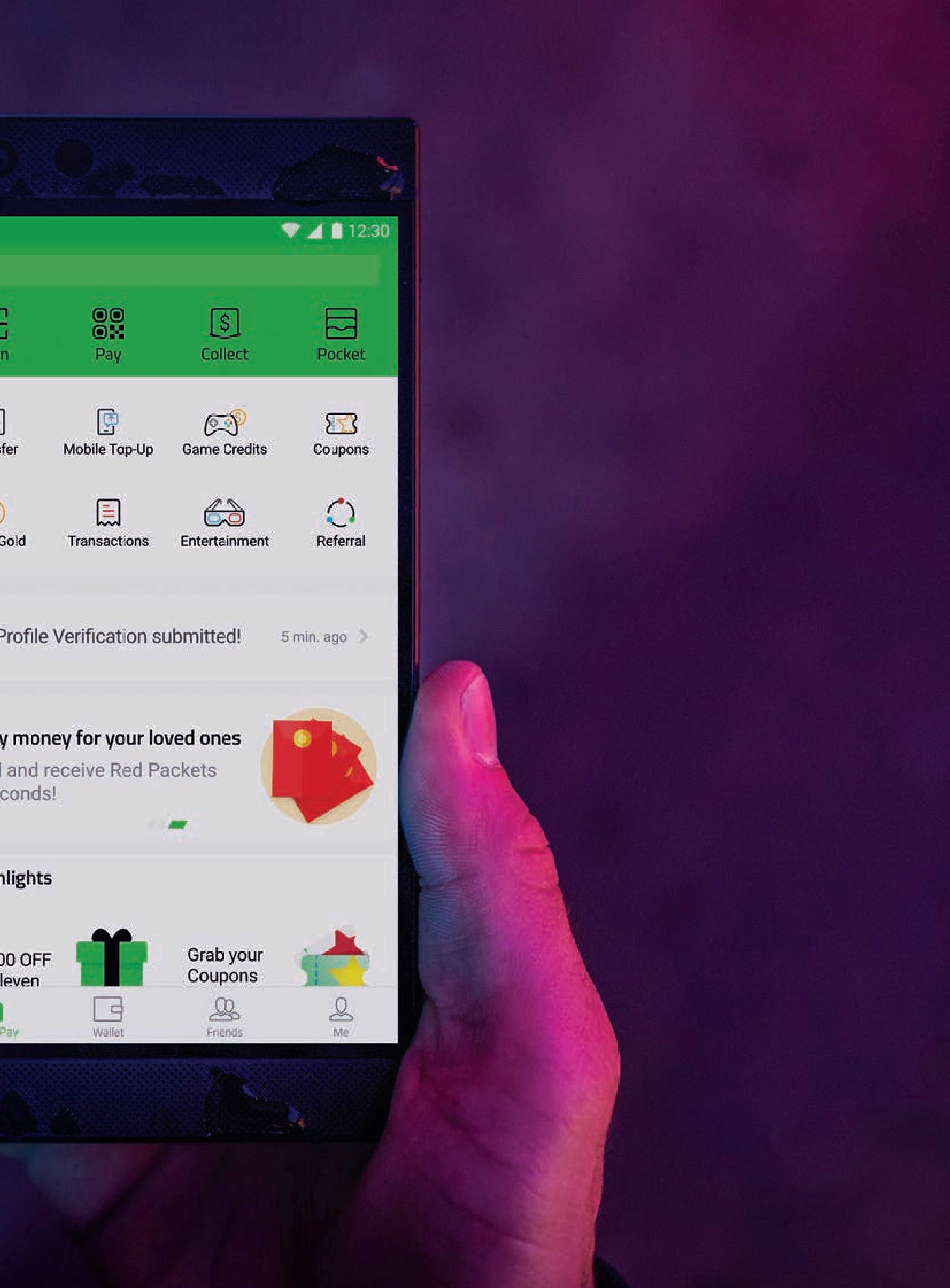
For Gamers. By Gamers.

Min-Liang Tan
Co-Founder, Chairman and CEO

[1,3,4,5&6] *Newzoo*
[2] *https://www.dexerto.com/esports/lol-world-championship-draws-more-viewers-than-the-super-bowl-209502*

MANAGEMENT DISCUSSION AND ANALYSIS





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Pay
Collect
Pocket
Mobile Top-Up
Game Credits
Coupons
Gold
Transactions
Entertainment
Referral
Profile Verification submitted!
5 min. ago
money for your loved ones
and receive Red Packets
Grab your Coupons
Wallet
Friends
Me

MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended December 31,	
	2018 US$'000	2017 US$'000
Revenue	**712,439**	517,937
Cost of sales	**(542,361)**	(366,912)
Gross profit	**170,078**	151,025
Selling and marketing expenses	**(117,995)**	(90,041)
Research and development expenses	**(76,298)**	(80,809)
General and administrative expenses	**(75,383)**	(143,589)
Loss from operations	**(99,598)**	(163,414)
Other non-operating expenses	**(1,857)**	(3,147)
Finance income	**12,218**	1,985
Finance costs	**(310)**	(9)
Loss before income tax	**(89,547)**	(164,585)
Income tax expense	**(8,361)**	(1,254)
Loss for the year	**(97,908)**	(165,839)
Loss attributable to:		
Equity shareholders of the Company	**(96,966)**	(164,020)
Non-controlling interests	**(942)**	(1,819)
Loss for the year	**(97,908)**	(165,839)

REVENUE

Our revenue increased by 37.6% from US$517.9 million in 2017 to US$712.4 million in 2018, primarily due to an increase in revenue from Peripherals and Systems in 2018 and to a lesser extent revenue from Software and Services and Others which include product categories such as mobile.

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,			
	2018		2017	
	US$'000	**%**	US$'000	%
Segment Revenue				
Peripherals	**429,606**	**60.3**	338,717	65.4
Systems	**185,919**	**26.1**	137,001	26.5
Software and Services	**49,564**	**7.0**	10,604	2.0
Others	**47,350**	**6.6**	31,615	6.1
	712,439	**100.0**	517,937	100.0

We are a global company with an established footprint in the gaming and digital entertainment industry and have a diversified revenue base. For further discussion on our business strategies, please refer to the Chairman's Statement.

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

Revenue from the Peripherals segment increased by 26.8% from US$338.7 million in 2017 to US$429.6 million in 2018, primarily due to an increase in revenue generated by the sales of our audio devices, keyboard devices as a result of the new optical switch and sales of console devices.

Systems. The other major component of our hardware revenue comes from Systems, which primarily comprises the sale 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 35.7% from US$137.0 million in 2017 to US$185.9 million in 2018, primarily due to sales from the refreshed model of the *Razer Blade* and the subsequent expansion of the *Razer Blade* line.

Software and Services. Revenue from the Software and Services segment increased from US$10.6 million in 2017 to US$49.6 million in 2018. The increase was primarily driven by revenue generated from MOL Global subsequent to the acquisition. In May 2018, we acquired MOL Global and began consolidating its results since then.

Others. Revenue from the Others segment increased by 50.0% from US$31.6 million in 2017 to US$47.4 million in 2018, primarily due to revenue relating to the continued sales from the first generation of the Razer Phone in November 2017 and the refreshed model in 2018.

For further discussion on revenue recognition policy, please refer to note 5 to the Financial Statements.

COST OF SALES AND GROSS PROFIT

Cost of sales increased by 47.8% from US$366.9 million in 2017 to US$542.4 million in 2018. Gross profit increased from US$151.0 million in 2017 to US$170.1 million in 2018, an increase of 12.6% and gross margin decreased from 29.2% for 2017 to 23.9% for 2018.

Peripherals. Segment cost for Peripherals increased by 33.8% from US$218.4 million in 2017 to US$292.2 million in 2018, which was generally in line with the increase in our Peripherals revenue. Gross margin for our Peripherals segment decreased from 35.5% for 2017 to 32.0% for 2018 primarily due to shift in product mix towards lower margin product categories.

Systems. Segment cost for Systems increased by 34.8% from US$125.0 million in 2017 to US$168.5 million in 2018, which was generally in line with the increase in our Systems revenue. Gross margin for our Systems segment increased from 8.8% for 2017 to 9.4% for 2018, primarily due to the continued economies of scale and a general increase in margins across most existing System product lines.

Software and Services. Segment cost for Software and Services increased from US$0.2 million in 2017 to US$25.8 million in 2018, which was in line with our increase in sales. Gross margin for our Software and Services segment decreased from 98.6% for 2017 to 48.0% for 2018, primarily due to a revenue-sharing arrangement in 2017 with MOL Global, on sales of Razer Gold, which has a higher margin, prior to the acquisition in 2018.

Others. Segment cost for Others increased by 139.9% from US$23.3 million in 2017 to US$55.9 million in 2018, which was generally in line with the increase in our Others revenue as a result of the launch of our first generation of Razer Phone in November 2017 as compared to a full year sales of our Razer Phone in 2018. Gross margin for our Others segment decreased from 26.2% for 2017 to (18.1)% for 2018, primarily due to an increase in provision for slow moving stocks.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses increased by 31.1% from US$90.0 million in 2017 to US$118.0 million in 2018. The increase was primarily due to (i) a US$20.2 million increase in marketing expenses primarily due to increased online advertising and other marketing events to promote new products and services launches, and (ii) a US$4.8 million increase in depreciation and amortisation costs primarily due to an increase in capitalised software assets in line with our business expansion and an increase in intangible assets arising from the acquisition of MOL Global.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses decreased by 5.6% from US$80.8 million in 2017 to US$76.3 million in 2018. The decrease was primarily due to a decrease in share-based compensation expense of US$9.1 million in 2018. This was slightly offset by US$1.7 million increase in external research and development costs primarily due to the development and updates for our new mobile and System products that were launched in 2018.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by 47.5% from US$143.6 million in 2017 to US$75.4 million in 2018. The decrease was primarily due to a decrease in share-based compensation expense of US$74.4 million in 2018.

OTHER NON-OPERATING EXPENSES

Other non-operating expense decreased from US$3.1 million in 2017 to US$1.9 million in 2018. The decrease was primarily due to absence of loss from fair value remeasurement of the holdback shares associated with the acquisition of THX from SST and offset by foreign exchange losses as a result of the weakening of the Euro against U.S. dollar.

NET FINANCE INCOME

Our finance income increased from US$2.0 million in 2017 to US$11.9 million in 2018 due to an increase in interest income from significantly higher cash balances maintained throughout the year 2018.

LOSS BEFORE INCOME TAX

As a result of the foregoing, our loss before income tax decreased from a loss of US$164.6 million in 2017 to a loss of US$89.5 million in 2018, a decrease of 45.6%.

INCOME TAX EXPENSE

Our income tax expense increased from US$1.3 million in 2017 to US$8.4 million in 2018 largely due to the reduction in our deferred tax assets. The reduction in deferred tax assets was primarily related to share-based compensation.

LOSS FOR THE YEAR

As a result of the foregoing, our loss for the year was US$97.9 million in 2018, a decrease of 41.0% from a loss of US$165.8 million in 2017.

NON-GAAP MEASURES

To supplement our consolidated financial information 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 measure presented by other companies. The use of these non-GAAP measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

ADJUSTED LOSS

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

	Year ended December 31,	
	2018 US$'000	2017 US$'000
Loss for the year	**(97,908)**	(165,839)
Add:		
Share-based compensation expense	**29,644**	121,194
Merger and acquisition expense	**2,640**	–
Listing expenses	**–**	12,820
Adjusted loss for the year	**(65,624)**	(31,825)

ADJUSTED EBITDA

We define adjusted EBITDA as loss from operations added back with depreciation and amortisation, share-based compensation expense, merger and acquisitions expense and expenses related to the initial public offering in 2017. The following table reconciles our adjusted EBITDA for the year presented to the most directly comparable financial measure calculated based on financial information presented in accordance with IFRS, which is loss from operations for the years indicated.

	Year ended December 31,	
	2018 US$'000	2017 US$'000
Loss from operations	**(99,598)**	(163,414)
Add:		
Depreciation and amortisation	**20,427**	15,640
Share-based compensation expense	**29,644**	121,194
Merger and acquisition expense	**2,640**	–
Listing expenses	**–**	12,820
Adjusted EBITDA	**(46,887)**	(13,760)

Notwithstanding the above, in particular, the impact of the listing expenses, the share-based compensation expense and the merger and acquisition expense, 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 of cash at bank and in hand, fixed deposits and money market funds, and short-term fixed deposits) as at December 31, 2018 and 2017 were as follows:

	2018 US$'000	2017 US$'000
Cash at bank and in hand	**136,533**	645,938
Fixed deposits and money market funds	**478,704**	63,311
Cash and cash equivalents in the consolidated cash flows statement	**615,237**	709,249
Short-term fixed deposits	–	30,184
Cash and bank balances in the consolidated statement of financial position	**615,237**	739,433

As at December 31, 2018, our cash and bank balances were US$615.2 million. The decrease was mainly due to (i) the step acquisition of MOL Global with cash consideration of approximately US$76.2 million, (ii) payments for taxes related to net share settlement of restricted stock units of approximately US$21.8 million, and (iii) shares buy-back of approximately US$16.0 million in 2018.

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 tax-related liability in connection with any repatriation of earnings from foreign subsidiaries.

OTHER FINANCIAL INFORMATION

CAPITAL EXPENDITURES

	Year ended December 31,	
	2018 US$'000	2017 US$'000
Capital Expenditures		
Acquisition of property, plant and equipment	**13,763**	11,015
Acquisition of intangible assets	**1,418**	894
Total	**15,181**	11,909

Our capital expenditures comprised the acquisition of property, plant and equipment such as tooling assets, retail fixtures, computers, software and equipment and the purchase of intangible assets such as certain technology assets to cater to our business growth needs.

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 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 and/or high investment grade instruments that generate reasonable returns.

FOREIGN EXCHANGE RISK

We are exposed to transaction foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and payables are denominated and the respective functional currencies of our subsidiaries. Our primary functional currency is U.S. dollars. The currencies in which our transactions are denominated are primarily in U.S. dollars, Euros, Singapore dollars and Malaysia Ringgit.

BANK LOANS AND OTHER BORROWINGS

For the years ended December 31, 2018 and 2017, we did not have any material bank loans, debt securities, borrowings, indebtedness, guarantees, hire purchase commitments or mortgages.

CONTINGENT LIABILITIES

As of December 31, 2018 and 2017, we did not have any material contingent liabilities.

DIVIDENDS

No dividends have been paid or declared by us during the years ended December 31, 2018 and 2017.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Saved as disclosed below, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the year ended December 31, 2018.

MATERIAL INVESTMENTS

During the year ended December 31, 2017, we acquired 19.9% of the unquoted issued share capital of MOL Global in exchange for 72,551,502 ordinary shares (after adjusting for the capitalisation issue) of the Company with an estimated fair value of US$19,900,000.

On February 8, 2018, ZVMidas Pte. Ltd. ("ZVMidas") entered into a Share Purchase Agreement ("Share Purchase Agreement") with MOL.com Sdn. Bhd. pursuant to which ZVMidas agreed to purchase 10,125,670 ordinary 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 cash consideration paid under the Share Purchase Agreement was US$15,000,000. The completion of the acquisition took place on the same date as the date of the Share Purchase Agreement.

On April 23, 2018, RazerVentures Holdings Pte. Ltd ("RazerVentures") and ZVMidas Cayman Inc. ("ZVMC") entered into the Merger Agreement with MOL Global, pursuant to which ZVMC merged with MOL Global ("the Merger") resulting in RazerVentures, being the sole shareholder of ZVMC, holding 100% of the equity interest in MOL Global. As the Group already held approximately 34.9% of the total issued share capital of MOL Global via ZVMidas immediately prior to the Merger, the effect of the Merger is analogous to an acquisition by the Group of the entire equity interest in MOL Global excluding such beneficial ownership already acquired by the Group under previous acquisitions, representing approximately 65.1% of the total issued share capital of MOL Global. The purchase consideration for the Merger was approximately US$61,193,000. The Merger was completed on May 10, 2018. Upon completion of the Merger, the Group holds 100% of the total issued share capital in MOL Global and has accounted for this investment as a business acquisition and has consolidated MOL Global's results accordingly. Acquiring MOL Global will enable the Group to grow its virtual credits platform through access to MOL Global's network of customers and partners as well as to enable the Group to develop its Razer Pay business.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. MIN-LIANG TAN

Aged 41, was designated as an executive Director and was appointed as the Chairman of the Board in June 2017. He is also a member of the Remuneration Committee of the Company. Mr. Tan is a co-founder of the Company 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 Ltd., THX Holdings Limited, ZVMidas Pte. Ltd., Razer Midas Pte. Ltd., Razer Pay Holdings Pte. Ltd., RazerPay Pte. Ltd., Respawn Pte. Ltd., Zuti.io Pte. Ltd., Razer Mobile Pte. Ltd., Razer Ningmei Pte. Ltd., MOL Global, Inc., Razer Pay Wallet (M) Sdn. Bhd., Razer Pay (M) Sdn. Bhd, Razer Pay Reloads (M) Sdn. Bhd., MOL AccessPortal Sdn. Bhd., MyCNX Holdings Sdn. Bhd. MOLCube Sdn. Bhd. MOLPay Sdn. Bhd., MOL Loyalty Sdn. Bhd., MOL Wallet Sdn. Bhd., MOL Online Sdn. Bhd., MOL SocialPayments Sdn. Bhd., Sept 3 Technology Sdn. Bhd., PT MOL AccessPortal, MOL AccessPortal Pty Ltd, Uniwiz Trade Sales, Inc., MOL AccessPortal Co. Ltd., MOLPay Corp, Rixty, Inc., MOLPay International Ltd., MOL Group (Thailand) Co., Ltd., MOL AccessPortal Co., Ltd. (Thailand), MMOG Asia (Thailand) Co., Ltd., Zest Interactive Co., Ltd., MOL Solutions Co., Ltd., e-Innovations Systems & Networks Thai Co., Ltd., 3Sept Corporation Co., Ltd., MOL Payment Co., Ltd. and the chief executive officer of Razer USA Ltd., OUYA Publishing Inc. and THX Ltd.

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. CHAN THIONG JOO EDWIN

Aged 41, was appointed as an executive Director in June 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 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 Ltd., ZVF1 Pte. Ltd., ZVMidas Pte. Ltd. and MOL Turkey Bilgi Sistemleri Yayincilik Gida ve Tekstil Sanayi Ticaret Anonim Sirketi.

Mr. Chan has over 16 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.

MR. KHAW KHENG JOO (RESIGNED ON MARCH 21, 2019)

Aged 70, was appointed as an executive Director in June 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 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.

MS. LIU SIEW LAN PATRICIA (APPOINTED ON MARCH 21, 2019)

Aged 54, was appointed as an executive Director on March 21, 2019. Ms. Liu has served as the Chief of Staff of Razer since February 2018, and is responsible for leading the Company's strategic planning, overseeing organization-wide projects and strategic initiatives. Ms. Liu also plans and directs all administrative, HR, IT, eCommerce, and customer advocacy activities in Razer.

Ms. Liu was the Chief Customer Officer of Razer from August 2016 to January 2018 and a consultant in Razer (Asia-Pacific) Pte. Ltd., a wholly-owned subsidiary of the Company, from 2012 to 2013.

Ms. Liu also serves as a director in certain subsidiaries of the Company, namely MOL Global Inc., MOL AccessPortal Sdn. Bhd., MOLCube Sdn. Bhd., MOLPay Sdn. Bhd., Razer Pay Holdings Pte. Ltd., e-Innovations Systems & Networks Thai Co., Ltd., 3Sept Corporations Co., Ltd., Razer Pay (M) Sdn. Bhd., Razer Pay Reloads (M) Sdn. Bhd. and Razer Pay Wallet (M) Sdn. Bhd.

Prior to joining Razer, Ms. Liu was the Managing Director (Asia Pacific) of Omega Engineering, part of Spectris plc, a precision instrumentation and controls company listed on the London Stock Exchange (Stock Code: SXS). In her tenure of 15 years at Hewlett Packard, she served in various positions including Vice President and General Manager of Sales Operations, Chief of Staff in the Asia Pacific Global Operations and Information Technology group as well as other leadership positions in Marketing, Product Management, Total Customer Experience, Quality Management, and Corporate Communications.

Ms. Liu holds a bachelor of business administration from the National University of Singapore and an executive diploma in board directorship from Singapore Management University.

NON-EXECUTIVE DIRECTOR

MR. LIM KALING

Aged 55, was designated as a non-executive Director in June 2017. He is also a member of the Nomination Committee of the Company. Mr. Lim has been a founding investor since May 2005 and has served as a member of the Board since November 2012.

Mr. Lim worked at Slot Speaker Technologies, Inc. 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 31 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 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.. 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. CHAU KWOK FUN KEVIN

Aged 58, was appointed as an independent non-executive Director with effect from October 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 derivatives 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 is the owner and principal of KRC Projects Limited, a private investment company, and a partner and director of Custom Gateway International Limited, 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 74, was appointed as an independent non-executive Director with effect from October 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.

MR. GIDEON YU

Aged 47, has served as an independent Director since September 2014 and designated as an independent non-executive Director in October 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)). 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.

SENIOR MANAGEMENT

MR. MIN-LIANG TAN has served as the Chief Executive Officer since September 2006. Please refer to the section headed "Executive Directors" for the biography of Mr. Tan.

MR. CHAN THIONG JOO EDWIN has served as the Chief Financial Officer since June 2013. Please refer to the section headed "Executive Directors" for the biography of Mr. Chan.

MR. KHAW KHENG JOO has served as the Chief Operating Officer since June 2012. Please refer to the section headed "Executive Directors" for the biography of Mr. Khaw.

MS. LIU SIEW LAN PATRICIA has served as the Chief of Staff since February 2018. Please refer to the section headed "Executive Directors" for the biography of Ms. Liu.

MR. CHOO WEI PIN

Aged 47, is Chief Legal Officer of Razer and is responsible for Razer's global legal activities including intellectual property, corporate secretarial matters and regulatory compliance. Mr. Choo also oversees zVentures – Razer's corporate ventures arm. He has been Company Secretary of the Company since July 2015.

Mr. Choo joined Razer in January 2015 as Vice President, Legal and Corporate Development.

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

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 18 years of experience as a legal practitioner. Prior to joining Razer, 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.

MR. LI MENG LEE

Aged 41, is the Chief Strategy Officer since March 2018, and is responsible for the development and execution of Razer's ongoing corporate strategy, driving Razer's strategic initiatives, including mergers and acquisitions, investments, partnerships and further penetration into broader entertainment segments, to advance buildout of Razer's ecosystem of hardware, software and services.

Mr. Lee brings over 15 years of corporate finance experience in mergers and acquisitions, as well as capital markets advisory and an invaluable network of contacts. Prior to joining Razer, Mr. Lee was a Managing Director at Evercore Singapore, the leading global independent investment banking advisory firm. He was part of the initial team as the Singapore office commenced operations in 2013, which was awarded The Asset Magazine's "Best M&A House in Singapore" distinction for three consecutive years. Mr. Lee has been Razer's trusted advisor over the years through his involvement in Razer's fundraising efforts and as a key banker for Razer's initial public offering in 2017. He previously held senior positions as Head of Singapore Debt Capital Markets at ANZ, Principal at CIMA Capital Partners, and Vice President at J.P. Morgan where he served for eight years.

Mr. Lee holds a bachelor of science degree in industrial engineering & operations research from Columbia University, New York.

CHANGES IN INFORMATION OF DIRECTORS

There have been changes in the information of some of the Directors since the date of the Company's last interim report. Details of the changes as reported to the Company and as required to be disclosed under Rule 13.51B(1) of the Listing Rules are set out below:

MR. MIN-LIANG TAN

Appointed as director of MOLPay Corp (網錢支付股份有限公司) on August 13, 2018. Appointed as director of Razer Ningmei Pte. Ltd. on September 7, 2018. Appointed as director of Razer Pay Wallet (M) Sdn. Bhd. on November 22, 2018. Appointed as director of MOL Payment Co., Ltd. on November 26, 2018. Appointed as director of Razer Pay (M) Sdn. Bhd. on March 14, 2019. Appointed as director of Razer Pay Reloads (M) Sdn. Bhd. on March 14, 2019.

MR. CHAN THIONG JOO EDWIN

Appointed as director of MOL Turkey Bilgi Sistemleri Yayincilik Gida ve Tekstil Sanayi Ticaret Anonim Sirketi on November 14, 2018.

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 2018 annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2018 (the "Financial Statements").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are 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, 2018, 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 17 and "Management Discussion and Analysis" on pages 20 to 25 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 52 to 55 of this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information for the last five financial years, as extracted from the audited financial statements, is set out in the section headed "Financial Summary and Highlights" on pages 8 to 9 of this annual report.

BANK BORROWINGS AND OTHER BORROWINGS

The Group had no bank borrowings and other borrowings as at December 31, 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year of 2018 are set out in note 13 to the Financial Statements.

CHARGE ON ASSETS

As at December 31, 2018, no property, plant and equipment was pledged to banks as loan security.

SHARE CAPITAL

On May 30, 2018, the authorised share capital of the Company was increased from US$100,000,000 divided into 10,000,000,000 ordinary shares with a par value of US$0.01 each (the "Share") to US$150,000,000 divided into 15,000,000,000 Shares.

On July 17, 2018, the Company issued 8,739,120 Shares with an aggregate nominal value of US$87,391.20 to Nextbit Systems Inc. ("Nextbit") as part payment of the Deferred Settlement Shares pursuant to the asset purchase agreement dated December 30, 2016 entered between the Company, Razer USA Ltd. and Nextbit. As of December 31, 2018, the authorised share capital of the Company was US$150,000,000 divided into 15,000,000,000 Shares, among which 8,966,137,033 Shares (including a total of 17,500,000 Shares repurchased by the Company as at December 31, 2018 but not yet cancelled) were issued and fully paid.

Details of movements in the Company's share capital during the year ended December 31, 2018 are set out in note 26 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

During the year ended December 31, 2018, the Company repurchased 82,663,000 Shares on the Stock Exchange at an aggregate consideration of HK$125,608,597.20 excluding brokerage fees and other expenses. The repurchase was approved by the Board for the enhancement of shareholders' value for the long term. Details of the shares repurchased are as follows:

Month	Number of Shares purchased	Purchase price per Share Highest HK$	Purchase price per Share Lowest HK$	Aggregate consideration HK$
July	9,888,000	1.91	1.70	17,814,752.20
August	10,000,000	1.75	1.68	17,205,000.00
September	23,488,000	1.88	1.66	41,399,786.40
October	13,187,000	1.63	1.19	18,368,428.60
November	8,600,000	1.26	1.18	10,414,130.00
December	17,500,000	1.23	1.11	20,406,500.00

All 82,663,000 Shares repurchased were subsequently cancelled. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2018.

RESULTS AND DIVIDENDS

The results of the Group for the year ended December 31, 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 80 to 81 of this annual report.

The Board does not recommend the payment of any dividend for the year ended December 31, 2018.

RESERVES

As at December 31, 2018, 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, 2018 are set out in the consolidated statement of changes in equity and note 26 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, 2018, approximately 61.1% of the Group's total purchases were attributable to the Group's five largest suppliers and approximately 21.8% of the Group's total purchases were attributable to the largest supplier. During the year ended December 31, 2018, approximately 33.4% of the Group's total revenues were attributable to the Group's five largest customers and approximately 9.6% 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, 2018 and up to the date of this annual report were as follows:

EXECUTIVE DIRECTORS

Mr. Min-Liang Tan *(Chairman)*
Mr. Chan Thiong Joo Edwin
Mr. Khaw Kheng Joo *(resigned on March 21, 2019)*
Ms. Liu Siew Lan Patricia *(appointed on March 21, 2019)*

NON-EXECUTIVE DIRECTOR

Mr. Lim Kaling

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Kwok Fun Kevin
Mr. Lee Yong Sun
Mr. Gideon Yu

In accordance with article 16.18 of the Articles of Association, Mr. Chan Thiong Joo Edwin, Mr. Chau Kwok Fun Kevin and Mr. Lee Yong Sun 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, Ms. Liu Siew Lan Patricia who was appointed by the Board on March 21, 2019 will retire at the forthcoming AGM and being eligible, offer herself 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, 2018 are set out on pages 28 to 31 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, 2018 or as at December 31, 2018.

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, 2018.

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, 2018, 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:

(A) LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity	Nature of Interests	Number of Shares held	Approximate percentage of shareholding(1)
Min-Liang Tan ("Mr. Tan")	Beneficial owner	Personal interest	112,196,856(2)	1.25%
	Founder of a discretionary trust	Other interest	2,921,445,801(3)	32.65%
Chan Thiong Joo Edwin	Beneficial owner	Personal interest	56,837,892(4)	0.64%
Khaw Kheng Joo ("Mr. Khaw")	Beneficial owner	Personal interest	79,854,908(5)	0.89%
Lim Kaling ("Mr. Lim")	Beneficial owner	Personal interest	520,986(6)	0.00%
	Interest of controlled corporations	Corporate interest	2,126,942,901(7)	23.77%
Gideon Yu	Beneficial owner	Personal interest	3,907,395(8)	0.04%
Chau Kwok Fun Kevin	Founder of a discretionary trust	Other interest	600,000	0.00%

Notes:

(1) *The percentage has been computed based on the total number of Shares of the Company in issue as at December 31, 2018 excluding a total of 17,500,000 Shares repurchased by the Company as at December 31, 2018 but not yet cancelled (i.e. 8,948,637,033 Shares).*

(2) *Mr. Tan had a beneficial interest in a total of 112,196,856 Shares which included beneficial interest in 3,422,117 Shares underlying 3,422,117 restricted share units ("RSUs") which have been granted and have not yet vested as at December 31, 2018.*

(3) *2,921,445,801 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of Chen Family Trust, which beneficially owns Chen Family (Global) Holdings Limited which in turn wholly owns Chen Family (Hivemind) Holdings Limited. 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 Chen Family Trust. Mr. Tan is also a director of Chen Family (Hivemind) Holdings Limited.*

(4) *Chan Thiong Joo Edwin had a beneficial interest in a total of 56,837,892 Shares which included beneficial interest in 25,608,142 Shares underlying 25,608,142 RSUs which have been granted and have not yet vested as at December 31, 2018.*

(5) *Mr. Khaw had a beneficial interest in a total of 79,854,908 Shares which included beneficial interest in 42,010,798 Shares underlying 42,010,798 RSUs which have been granted and have not yet vested as at December 31, 2018. Mr. Khaw resigned as an executive Director on March 21, 2019.*

(6) *Mr. Lim had a beneficial interest in a total of 520,986 Shares which included beneficial interests in 201,671 Shares underlying 201,671 RSUs which have been granted and have not yet vested as at December 31, 2018.*

(7) *2,126,942,901 Shares were held by Mr. Lim through his controlled corporations – Voyager Equity Limited, Lim Teck Lee Land Pte Ltd, Primerose Ventures Inc., Archview Capital Ltd and Sandalwood Associates Limited. Voyager Equity Limited is indirectly wholly-owned by Mr. Lim through Excelsior Equity 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.*

(8) *Gideon Yu had a beneficial interest in a total of 3,907,395 Shares which included beneficial interests in 1,048,271 Shares underlying 1,048,271 RSUs which have been granted and have not yet vested as at December 31, 2018.*

(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(1)
Lim Kaling	THX Ltd.	Common stock	Interest of controlled corporations	Corporate interest	20(2)	20.00%

Notes:

(1) *The percentage has been computed based on the total number of common stock of THX Ltd. in issue as at December 31, 2018 (i.e. 100 common stock).*

(2) *20 common stock were 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, 2018, 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 total number of Shares of the Company in issue were as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate percentage of shareholding[1]
Julius Baer Group Ltd	Interest of controlled corporations and security interest	2,921,806,801[2]	32.65%
Julius Baer Trust Company (Channel Islands) Limited	Trustee	2,921,445,801[3]	32.65%
Chen Family (Global) Holdings Limited	Interest of controlled corporations	2,921,445,801[3]	32.65%
Chen Family (Hivemind) Holdings Limited	Beneficial owner	2,921,445,801[3]	32.65%
Excelsior Equity Limited	Interest of controlled corporations	1,342,446,474[4]	15.00%
Voyager Equity Limited	Beneficial owner	1,342,446,474[4]	15.00%

Notes:

(1) The percentage has been computed based on the total number of Shares of the Company in issue as at December 31, 2018 excluding a total of 17,500,000 Shares repurchased by the Company as at December 31, 2018 but not yet cancelled (i.e. 8,948,637,033 Shares).

(2) 2,921,806,801 Shares include 2,921,445,801 Shares held by Julius Baer Trust Company (Channel Islands) Limited as trustee (as described in note (3) below) and 361,000 Shares held for private clients of Julius Baer Group Ltd as custodian.

(3) 2,921,445,801 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of Chen Family Trust, which beneficially owns Chen Family (Global) Holdings Limited which in turn wholly owns Chen Family (Hivemind) Holdings Limited. 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.

(4) 1,342,446,474 Shares were held by Excelsior Equity Limited through its wholly-owned subsidiary, Voyager Equity Limited.

Save as disclosed above, as at December 31, 2018, 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.

COMPLIANCE ADVISOR'S INTEREST

As at March 21, 2019, 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 are based on their qualification, position and seniority. The Group had 1,451 employees as of December 31, 2018. The Group also uses independent contractors to provide the Group more flexibility over overall workforce numbers.

In order to assist the Group in attracting, retaining and motivating its employees, Directors and consultants who will contribute to the success of the Group, 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, 2018 and 2017, 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 28 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, as further amended by way of a resolution of the Board and a resolution of the shareholders of the Company on October 25, 2017 and by way of a resolution of the Board on March 8, 2019. 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 they do 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 to the Company by grantees under the 2016 Equity Incentive Plan and for the retention of talent within the Group; and (ii) to attract new hires and to strengthen the talent pool 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 the 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 November 13, 2017 (the "Scheme Limit").

To facilitate the administration of the 2016 Equity Incentive Plan, an aggregate of 708,104,004 Shares were issued to the Computershare Hong Kong Trustees Limited, as trustee, on November 13, 2017, representing approximately 8.0% of the Shares in issue as at November 13, 2017. As at 31 December 2018, the number of shares underlying the RSUs which remain available under the Scheme Limit to be granted was 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 January 1, 2018	RSUs granted during the period from January 1, 2018 to December 31, 2018	RSUs vested during the period from January 1, 2018 to December 31, 2018	RSUs cancelled during the period from January 1, 2018 to December 31, 2018	Number of Shares underlying RSUs outstanding at December 31, 2018
Directors of the Company					
Min-Liang Tan	7,092,132	–	(3,670,015)	–	3,422,117
Chan Thiong Joo Edwin	51,199,479	–	(25,591,337)	–	25,608,142
Khaw Kheng Joo[1]	84,004,791	–	(41,993,993)	–	42,010,798
Lim Kaling	520,986	–	(319,315)	–	201,671
Gideon Yu	3,907,395	–	(2,859,124)	–	1,048,271
Subtotal of 5 Directors	146,724,783	–	(74,433,784)	–	72,290,999
Other employees, and consultants[2]	453,619,149	29,503,217	(235,389,438)	(20,338,166)	227,394,762
TOTAL OF ALL GRANTEES	600,343,932	29,503,217	(309,823,222)	(20,338,166)	299,685,761

Notes:

(1) Khaw Kheng Joo resigned as an executive Director on March 21, 2019.

(2) Comprise 687 other employees, 3 ex-directors and 6 consultants as of January 1, 2018 and 538 other employees as of December 31, 2018.

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 were to be issued (the details of which are set out in the Prospectus), no equity-linked agreements subsisted at December 31, 2018.

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.

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.

CONNECTED TRANSACTIONS

On December 21, 2018, Razer (Asia-Pacific) Pte. Ltd., a wholly-owned subsidiary of the Company (the "Tenant") and Snakepit-BP LLP (the "Landlord") entered into an agreement for lease ("Agreement for Lease") in respect of the lease ("Lease", together with the Agreement for Lease, the "Lease Documents") of an area (the "Premises") comprising a minimum of 50% for the first 5 years of the 15 years commencing on the date on which the Landlord delivers vacant possession of the Premises to the Tenant (the "Term") and 70% for the remainder of the Term of the net lettable area of the building (the "Building") to be erected on the land known as Private Lot A3007300 at PID 8201802021 at one-north located in Singapore comprising Government Survey Lot No. 05438L of Mukim 03 having an estimated land area of 6,427 square metres (the "Property") in accordance with the building specifications in the Agreement for Lease. The Directors consider that, taking into account the space needed for the expansion and growth of the Group's dual headquarters in Singapore, the size and location of the Premises suits the Group's business needs and that the rental rates of the Premises are at competitive rates lower than the prevailing market price for comparable premises in one-north.

Mr. Min-Liang Tan, the Chief Executive Officer, Executive Director and substantial shareholder of the Company, holds (i) approximately 25.75% of the partnership interests in the Landlord (which is a limited liability partnership) through his wholly-owned subsidiary, Snakepit Holdings Pte. Ltd., and (ii) 50% of the management and voting rights of a company (in which Mr. Tan also indirectly holds approximately 4.84% interest through Snakepit Holdings Pte. Ltd.) which holds approximately 48.5% of the partnership interest in the Landlord. As Mr. Tan can exercise or control the exercise of 30% or more of the voting power of the Landlord, the Landlord is a connected person of the Company under the Listing Rules.

In accordance with IFRS 16 "Leases" (which came into effect from January 1, 2019), the Company would recognise a right-of-use asset on its balance sheet in connection with the lease of the Premises under the Lease Documents. Accordingly, the entering into of the Lease Documents by the Tenant would be regarded as an acquisition of a capital asset and a one-off connected transaction of the Company for the purposes of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules in respect of the lease of the Premises under the Lease Documents will be more than 0.1% but less than 5%, the transactions under the Lease Documents constitute connected transactions that are subject to the announcement requirement, but are exempt from the circular and shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

Save as disclosed above, the Company had 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 in the year ended December 31, 2018.

RELATED PARTY TRANSACTIONS

A summary of all material related parties' transactions entered into by the Group during the year ended December 31, 2018 is contained in note 28 to the Financial Statements. None of the related party transactions as described in note 28 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

On November 13, 2017, the Shares were listed on the Main Board of the Stock Exchange. Net proceeds from the initial public offering were approximately US$596 million. None of the net proceeds had been utilised as of December 31, 2017. As of December 31, 2018, the Group had:

- used approximately US$76 million to finance acquisitions that will continue the expansion of the Group's ecosystem; and
- deployed approximately US$43 million for general working capital purposes, including share buyback activities.

The remaining balance of the net proceeds of US$477 million was placed with banks. The Group will apply the remaining net proceeds in the manner set out in the Prospectus.

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 year ended December 31, 2018, 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 46 to 57 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 for the year ended December 31, 2018.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended December 31, 2018, 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 60 to 71 of this annual report.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2018, 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 its ability to attract, retain and motivate qualified personnel. As part of its retention strategy, the Group offers employees competitive salaries, performance-based cash bonuses, and 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 the staff and throughout the workplaces. 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 the 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. The Group is available to its 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 centres 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 such as chipsets and sensors, and works with its manufacturers to aggregate these components into finished products.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Financial Statements have 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 48.

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 21, 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to ensuring the Company adheres 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 for the financial year ended December 31, 2018 (the "reporting 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 reporting period.

Code provision A.6.4 provides that 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 November 13, 2017 and the written guidelines for the procedure of notification under part B of the Model Code (the "Employee Dealing Policy") since May 16, 2018. No incident of non-compliance of the Employee Dealing Policy by the employees was noted by the Company.

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 and stakeholders.

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.

During the reporting period, the Board held four board meetings. The Chairman also held an annual meeting in August 2018 with the non-executive and independent non-executive Directors without the presence of the other executive Directors.

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)*
Mr. Chan Thiong Joo Edwin
Mr. Khaw Kheng Joo *(resigned on March 21, 2019)*
Ms. Liu Siew Lan Patricia *(appointed on March 21, 2019)*

Non-executive Director

Mr. Lim Kaling

Independent Non-executive Directors

Mr. Chau Kwok Fun Kevin
Mr. Lee Yong Sun
Mr. Gideon Yu

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 28 to 30 of this annual report.

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

There has been no change to the composition of the Board or Board Committees during the reporting period.

Following the reporting period, Mr. Khaw Kheng Joo resigned from the Board on March 21, 2019 and Ms. Liu Siew Lan Patricia was appointed as an executive Director on March 21, 2019.

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 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 in June 2017.

The Board believes that Mr. Tan should continue to assume the responsibilities of the Chief Executive Officer and Chairman of the Board as this arrangement enhances effective decision-making and execution processes of the Company. The Company has put in place a sound 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 reporting 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. Chau Kwok Fun Kevin, Mr. Lee Yong Sun and Mr. Gideon Yu. 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 no less exacting 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 reporting period, the Audit and Risk Management Committee held three meetings and the work performed by the Audit and Risk Management Committee included:

(a) reviewing the interim and annual financial statements before these were submitted to the Board for approval;
(b) reviewing the key audit issues with the external auditor;
(c) reviewing the key internal audit matters with the internal auditors;
(d) reviewing the Group's internal controls and risk management systems;
(e) approving the remuneration payable to the external auditor for the reporting period and recommended to the Board on the re-appointment of the external auditor, and satisfying itself on the external auditor's independence and objectivity;
(f) reviewing the continuing connected transactions;
(g) discussing the audit plan and strategy with the external auditor for the year ended December 31, 2018 and internal audit plan of the Group with the internal auditor.

REMUNERATION COMMITTEE

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

The terms of reference of the Remuneration Committee are no less exacting 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.

During the reporting period, the Remuneration Committee held a meeting and the following matters were reviewed and approved at the meeting:

(a) An overview of the Group's Compensation Framework;
(b) Variable bonus for the year ended December 31, 2017;
(c) 2018 Performance Goals and Compensation Structure for all employees for the year ended December 31, 2018;
(d) Proposed Compensation for Key Management for the year ended December 31, 2018.

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")	2018	2017
1,000,001 - 1,500,000	1	–
4,000,001 - 4,500,000	1	–
6,000,001 - 6,500,000	–	1
9,000,001 - 9,500,000	1	–
11,000,001 - 11,500,000	–	1
15,000,001 - 15,500,000	1	–
17,500,001 - 18,000,000	1	–
24,500,001 - 25,000,000	1	–
28,000,001 - 28,500,000	1	–
33,000,001 - 33,500,000	–	1
47,000,001 - 47,500,000	–	1
53,500,001 - 54,000,000	–	1
527,000,001 - 527,500,000	–	1

NOMINATION COMMITTEE

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

The terms of reference of the Nomination Committee are no less exacting 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.

The Nomination Committee's policy for evaluating and nominating any candidate for directorship includes considering various criteria, including the collective skills of non-executive Directors represented on the Board to determine whether the Board, as a whole, has the skills required to achieve the Group's strategic and operational objectives. In carrying out this evaluation, the Nomination Committee takes into account the need for the Board composition to reflect balance in matters such as skills representation, tenure, experience, age spread and diversity. The Nomination Committee also identifies suitable candidates for appointment to the Board. External consultants may be retained from time to time to access a wide base of potential non-executive Directors. Those considered will be assessed against a range of criteria including background, experience, professional skills and personal qualities including integrity as well as reputation. The Nomination Committee will also consider whether a candidate's skills and experience will complement the existing Board, and whether the candidate has sufficient time available to commit to his or her responsibilities as a Director.

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 had not been formally adopted during the year ended December 31, 2018, 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.

The Company has adopted a board diversity policy with effect from January 1, 2019 in compliance with Rule 13.92 of the Listing Rules. 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 of the Company may consider relevant to the Company's strategy, governance and business and that contribute to the Board's effectiveness.

During the reporting period, the Nomination Committee held a meeting and the following matters were reviewed and approved:

(a) after review of the written annual confirmation from each of the independent non-executive Directors in respect of his independence pursuant to the requirements of the Listing Rules, the Nomination Committee recommended to the Board that each of the independent non-executive Directors is considered to be independent under the Listing Rules;

(b) for the purpose of re-election of the retiring Directors at the 2018 annual general meeting of the Company, the Nomination Committee had evaluated and confirmed the contribution of each of the retiring Directors who offered themselves for re-election and recommended to the Board to propose the re-election of each of the retiring Directors who offered themselves for re-election at the 2018 annual general meeting of the Company; and

(c) after review of the structure, size and composition of the Board, it was agreed that the Board has an independent element and balanced composition of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business.

CORPORATE GOVERNANCE FUNCTIONS

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

During the reporting 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, compliance with 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, Board Committee and annual general meetings of the Company held during the reporting period is set out in the table below:

	Number of Meetings Attended/Number of Meetings held for the reporting period				
Name of Directors	Board meeting	Audit and Risk Management Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Annual General Meeting
Executive Directors					
Mr. Min-Liang Tan	4/4	–	1/1	–	1/1
Mr. Chan Thiong Joo Edwin	4/4	–	–	–	1/1
Mr. Khaw Kheng Joo	4/4	–	–	–	1/1
Non-executive Director					
Mr. Lim Kaling	4/4	–	–	1/1	1/1
Independent Non-executive Directors					
Mr. Chau Kwok Fun Kevin	4/4	3/3	1/1	1/1	1/1
Mr. Lee Yong Sun	4/4	3/3	–	1/1	1/1
Mr. Gideon Yu	4/4	1/3	0/1	–	0/1

During the reporting period, an annual general meeting of shareholders was held on May 30, 2018 at 4:00 p.m. in Hong Kong.

All proposed shareholders' resolutions put to the above annual general meeting were resolved by poll vote and were duly passed. The vote tally of each such resolution was set out in the Company's announcement released on the day of the annual general meeting.

The attendance of the members of the Board and/or each Board committee at the annual general meeting is set out in the table above. The external auditors of the Company, Messrs KPMG, attended the annual general meeting.

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

Note: During the reporting period, all Directors received training and training materials, including from the Company's external auditors in relation to corporate governance. 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 to conduct an enterprise-wide risk review assessment to facilitate the identification of 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 senior management in an iterative manner. Six (6) enterprise key risk areas along with the mitigating strategies were identified following this assessment. As part of management's continuing assessment of the Group's internal control systems, the management will, from time to time, appoint independent internal control consultants 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 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, 2018. 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 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 is continually assessed from time to time, to ensure it reflects best practices and meets expectations of all stakeholders.

The 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;
- restrict access to inside information to a limited number of employees on a "need to know" basis including members of the Disclosure Management Office;
- 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 detail the main features of the Group's risk management and internal control system, along with how the Group identifies, evaluates and manages significant risks.

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, 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 global financial and physical supply chain developments, its product lifecycle management and maintains oversight over its third-party manufacturers' and service providers' capabilities and performance to enable the Group to bring its 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 global gamer community. The Group believes that our brand, logo and colours are 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, as well as 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 operations of the Group's business but also the provision of high quality user experience. Any functional defect, interruption, breakdown or other issue in connection is likely to materially adversely impact the Group's businesses due to poor user 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 levels and recovery. The Group also continually assesses its IT infrastructure's capacity to accommodate growing needs and/or sudden surges in demand, and maintains the necessary systems protection as well as 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 liability.

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. During the year, the Group reviewed and strengthened the practices surrounding handling of personal data in meeting the requirements of the General Data Protection Regulations ("GDPR") which became effective May 2018.

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.

In order to mitigate these risks, we have a dedicated IP team that we continue to grow which 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 infringement. 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

With the Internet and technology industries still evolving, regulatory authorities in numerous jurisdictions have been, in an attempt to keep up with such evolution, developing more comprehensive and stringent industry regulations. As the Group is expanding its businesses overseas, it is required to comply with 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 recruited teams of professionals 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 third party 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 retain talent. The Group's 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 talented and experienced personnel to join the Group and has also established 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, 2018.

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 the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 73 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, 2018 is set out below:

Service Category	Fees Paid/Payable (US$)
Audit Services	1,141,000
Non-audit Services	160,000
Total	1,301,000

The fees attributable to the non-audit services above include professional fees related to interim review and tax services.

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 Chief Legal Officer. 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, 2018 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 resolutions 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 and other effective forms of engagement.

The Company has not made any changes to its Memorandum and Articles of Association since November 13, 2017, the date of listing on the Stock Exchange, except to reflect the increase in its authorised share capital to US$150,000,000 divided into 15,000,000,000 ordinary shares with a par value of US$0.01 each as approved by the shareholders at the annual general meeting of the Company held on May 30, 2018. 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


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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Razer is committed to being environmentally and socially responsible, serving the gamer community for generations to come.

ABOUT THIS REPORT

REPORTING PERIOD AND SCOPE

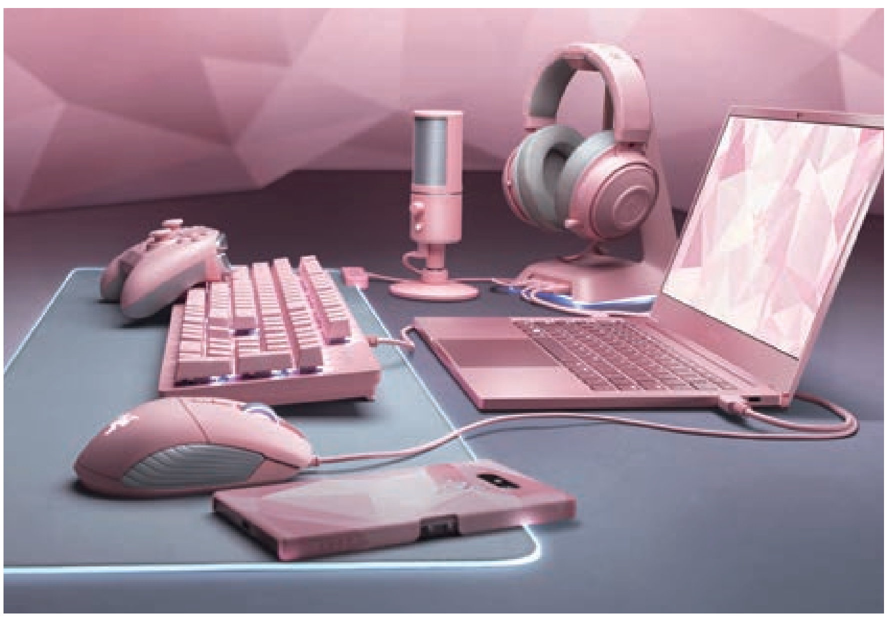
This report covers the sustainability performance of the Group for the period from January 1, 2018, to December 31, 2018. The scope of this report includes activities and data from all our offices, and that of the top five contract manufacturers in our supply chain, unless explicitly stated otherwise.

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 creating long-term value for the Group's stakeholders. 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 69 to 71.



ESG GOVERNANCE

The Board and Management are committed to continually enhance stakeholders' value 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 impact caused by day-to-day operations and businesses. The Board maintains oversight of and approves the identification and assessment of ESG issues that are material to operations and interests of key stakeholder groups.

Management has established internal control systems and risk management processes to govern sustainability-related practices to provide reasonable assurances 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 environmental impact by committing to continuous improvement. We aspire to improve the awareness and involvement of all stakeholders across our operating jurisdictions and along the value chain in our drive to reduce our carbon footprint and negative impact on the environment.

We encourage all employees to conserve energy and incorporate eco-friendly practices into daily habits at the workplace. We will continue to roll out more initiatives and awareness training in the future to reduce our resource 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 Greenhouse Gases ("GHG"). We have taken conscious efforts to measure and monitor the consumption of electricity at our corporate offices across operating locations, as well as that of our contract manufacturers.

Ensuring normal business operations at our offices necessitates electricity consumption. We also recognise the need to focus on electricity consumed at our contract manufacturers' production facilities. In this ESG report, we are disclosing the electricity consumption of our top five contract manufacturers based on the percentage of our annual spending.

Our and our contract manufacturers' electricity consumption and carbon dioxide emissions during the reporting period are set out below. Global Warming Potential 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 Tonnes)
Corporate Offices		
Singapore – Razer	936,861	697
U.S. – Razer	309,536	230
U.S. – THX	39,000	29
Europe – Razer	21,309	15
China – Razer	68,847	51
China – THX	1,600	1
Taiwan – Razer	159,998	119
Hong Kong – Razer	38,466	29
Malaysia – MOL Global	213,424	151
Singapore – MOL Global	4,044	3
Indonesia – MOL Global	15,071	11
Philippines – MOL Global	54,336	38
Thailand – MOL Global	51,605	37
Turkey – MOL Global	34,295	24
Contract Manufacturers		
Peripherals		
CM1	2,700,000	1,909
CM2	2,147,468	1,519
CM3	462,408	327
CM4	103,115	73
Systems		
CM5	1,442,000	1,020

* *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 relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during the reporting period that have a significant impact on the Group.

Waste Management: The Group is committed to dispose of hazardous waste responsibly and in compliance with relevant local and international environmental, safety, and health regulations, as well as in line with industry standards. We have put in place waste disposal procedures governing both hazardous and non-hazardous waste at our repair centres and warehouses.

Hazardous Waste Management: Hazardous waste generated in our business operations consists of lithium batteries from defective or returned laptops and mobile phones. Government-authorised disposal companies handle the disposal of such hazardous waste. Total disposal of hazardous waste is consolidated in the table below. The Group is not aware of any non-compliance with environmental, health, and safety standards in the disposal of our hazardous waste during the reporting period.

Repair Centre	Disposal Volume (kg)
Australia	46
Hong Kong	37
Taiwan	17
Japan	20
Germany	174
China	35
Dubai	10
Singapore	112
U.S.	318

Non-Hazardous Waste Management: Non-hazardous waste consists of returned, obsolete, and defective peripherals products such as mice, headphones, wires, keyboards, and packaging materials such as cardboard boxes, paper, and plastics. These are all collected at our warehouses located in Hong Kong, Germany, and the United States, where sorting takes place and records are kept. Government-authorised waste disposal companies then dispose of the waste.

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 the disposal of non-hazardous waste.

	Quantity (Metric Tonnes)		
Types of Non-Hazardous Waste	Hong Kong	U.S.	Europe
Peripheral Product (Mice, Headphones, Keyboards, Wires, etc.)	23.664	8.616	21.606
Packaging Materials (Cardboard boxes, plastics, paper, foam, etc.)	5.916	12.179	4.949

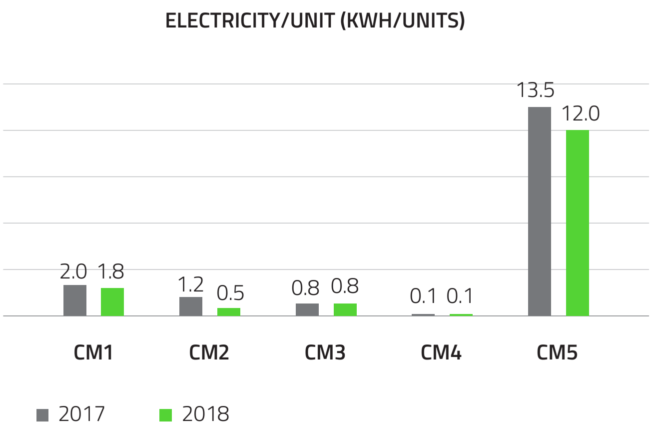
A2. Use of Resources

Energy Consumption: We have taken various initiatives to encourage energy conservation at all our offices. We also strongly encourage employees to adopt paperless communication.

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

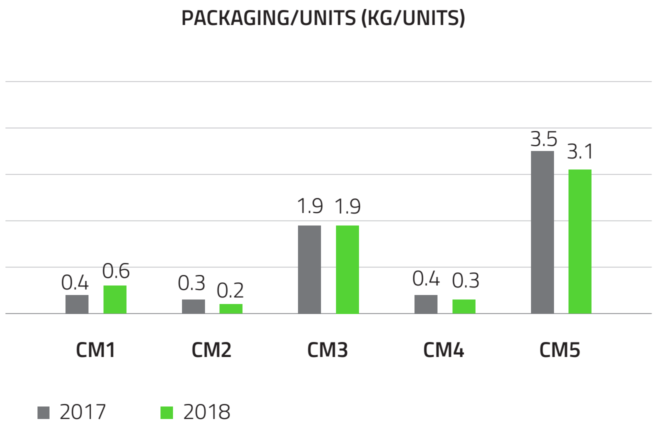
Region	Water Consumption (Metric Tonnes)	Electricity Consumption (kWh)	Water Intensity (per square meter)	Electricity Intensity (per square meter)
Singapore – Razer	199.10	936,861	0.03	161.50
U.S. – Razer	*	309,536	*	80.02
U.S. – THX	*	39,000	*	163.70
Europe – Razer	*	21,309	*	28.45
China – Razer	*	68,847	*	33.50
China – THX	*	1,600	*	30.80
Taiwan – Razer	492.74	159,998	0.40	144.80
Hong Kong – Razer	38.50	38,466	0.20	202.50
Malaysia – MOL Global	909.00	213,424	0.26	61.65
Singapore – MOL Global	5.80	4,044	0.04	29.30
Indonesia – MOL Global	*	15,071	*	150.71
Philippines – MOL Global	1,070.00	54,336	2.49	126.54
Thailand – MOL Global	*	51,605	*	110.85
Turkey – MOL Global	113.00	34,295	0.10	31.18

* *Water consumption is managed by the landlord*



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"), Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") 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.

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



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 continue driving the Razer brand to greater heights. We are committed to maintaining a work environment that not only values integrity, diversity, collaboration, and communication, but also respects labour and human rights of all employees.

Employment Relationship: All our employees' employment relationships with the Group are on a voluntary basis. Employees are free to resign at any time, subject to the appropriate 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 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 that have a significant impact on the Group.

B2. Health & Safety

We recognise the importance of safety in the workplace and have put in place the necessary safety precautions in all our offices. At the same time, we 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 and to remain vigilant at work and have a duty to immediately report any unsafe conditions to their appropriate supervisor/manager. During the reporting period, there was 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, including yoga, cycling, jogging, and tennis. These activities are on an ongoing basis and driven entirely by staff.

Employee Engagement: At Razer, we embrace the concept of open communication. Our employees can stay up to date on company announcements through team discussions and communicate with colleagues internationally via multiple social platforms. Every month, a company-wide town hall meeting is held, where senior management delivers updates on our 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 any questions from employees are welcome.

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

B3. Training and Development

The Group recognises the importance of training and development and believes in helping our people to achieve 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. In November 2018, we launched Razer Academy, an e-Learning training platform for all employees. As of February 2019, we have seen 885 course enrolments with a 93% course completion rate.

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.

OPERATING PRACTICES

B5. Supply Chain Management

At Razer, we are committed to managing our supply chain in an environmentally-friendly and socially responsible manner. To ensure ethical and socially responsible practices along with our value chain, we have zero tolerance for unethical treatment and illegal labour practices including forced labour, child labour, and inhumane working conditions. We enforce our policies by subjecting each contract manufacturer to an audit prior to onboarding.

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

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

In addition, we also mandate that our contract manufacturers ensure raw materials and components for our products are compliant with international safety, health, and quality requirements, including Restriction of Hazardous Substances ("RoHS2") and Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH").

To maintain oversight, we conduct factory audits and site visits. In addition, we hold biannual business reviews with our top five contract manufacturers. Razer Operations maintains the results of these audits and business reviews. We also 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 mutual trust and respect.

To ensure our products are accessible to 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 meet our own demanding needs as gamers, we have implemented stringent quality control and compliance checks over our processes. Our checks cover aspects ranging 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 and in compliance with relevant safety standards 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 of our contract manufacturers from time to time to ensure their processes adhere to our specifications and demands.

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 the US and Europe are fully compliant with the Restriction of Hazardous Substances ("RoHS2"), Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") 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.

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 over any product concerns with ease. A dedicated team focused on Sustaining Engineering proactively works on all reported cases, carrying out the necessary 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 or health reasons.

Intellectual Property Rights: The Razer brand and intellectual property ("IP") is crucial to our business. To protect the Razer brand and IP assets, we rely on a combination of patents, trademarks, designs, copyrights and/or other IP rights to protect our proprietary rights and interests. We also sign and enter into confidentiality or non-disclosure agreements with our strategic partners and stakeholders to safeguard our trade secrets and sensitive business information.

We have a dedicated IP team responsible for the administration and management of all legal matters pertaining to our IP rights. The Group has a comprehensive strategy to promote, identify and reward innovation, and to register, protect and maintain registrable IP rights and assets in all the countries and territories in which we operate. We also employ a worldwide trademark watch service to monitor and oppose any third-party registrations of confusingly similar trademarks.

We are vigilant in protecting our IP rights and interests and will act to enforce our IP rights against third party infringements through a variety of civil and/or administrative proceedings. We regularly work together with enforcement agencies, customs authorities and/or other brand protection agencies to monitor and act against dealers or sellers of counterfeit products whether on our own, or together with local authorities.

Service Responsibilities: Our mission as a Company – for Gamers, by Gamers – is to continually meet and exceed customers' expectations and anticipate their future needs. To ensure our gamers and fanbase are supported, connected, and engaged from pre-sales to post-sales support, we provide 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.

Our enthusiastic Customer Support team is readily available for our gamers and fanbase to reach out to us. Alongside this team, we also leverage chat technology to proactively seek and address customers' concerns through their comments and expressions posted on online forums and other social media platforms. We also have pre-sale customer support through live chat on razer.com, to enable real-time interaction between customers and us before 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 or health reasons.

Personal Data Privacy: We take customers' data privacy very seriously, and take all necessary steps to safeguard our customers' personal information in compliance with all relevant laws and regulations. All personal data collected is accessible only by authorised personnel and is handled confidentially. Our Data Classification Policy, available to all employees via our intranet, provides guidance on the baseline security controls that need to be undertaken 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.

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 is continually assessed from time to time, to ensure it reflects best practices and meets the expectations of all stakeholders.

Whistleblowing: We operate a Whistleblower and Complaint policy to encourage and assist whistleblowers to report all known and suspected violations of 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 whistle-blower 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 Audit and Risk Management Committee ("ARMC") via armc.ww@razer.com. Both the General Counsel and Head of HR are appointed executives responsible for reviewing reported cases, determine the appropriate mode of investigation and corrective actions, and will in turn report appropriate cases to the Audit and Risk Management Committee.

Anti-Corruption and Business Integrity: Razer prohibits employees from giving or offering payment or anything of monetary value to any third parties in exchange for any business advantages. We expect our employees to be vigilant around any potential conflicts of interest arising from their relationships in both their personal and professional networks. 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 fulfils 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 relating to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

COMMUNITY

B8. Community Investment

We aim to build a sustainable community by supporting local initiatives that create effective and lasting benefits, through initiatives that may include corporate philanthropy, establishing community partnerships, and mobilising our employees to participate in volunteer work. As members and leaders of the gamer, esports and Southeast Asian communities, we made several commitments to grow, develop and give back to those around us.

Esports Partnerships: Throughout the year, we provided sponsorships and product support for some esports tournaments and events, including Hyperplay 2018, the inaugural Singtel PvP eSports Championship in Singapore, and the Overwatch League event featuring Seoul Dynasty and the new Chinese expansion team, Hangzhou Spark.

Rise Against Hunger – March 2018: The Razer Irvine office partnered with Rise Against Hunger, an international non-profit organisation dedicated to the cause of hunger relief, to organise a meal packaging event. Over 40 Razer team members participated, creating 10,152 meals that were sent to vulnerable communities in the Philippines.

Make-A-Wish Foundation – March 2018: Razer partnered with the Make-A-Wish Foundation to provide a game-changing experience for Raymond, a 14-year old Razer fan in New Jersey with a critical illness. Raymond requested a Razer system to play games and complete his homework. Through the Make-A-Wish Foundation, Razer provided Raymond with a Razer Blade Pro, our award-winning flagship laptop. Raymond's passion for Razer and strength in the face of adversity reminds us of our continuing mission *For Gamers, By Gamers*.

Malaysian Esports Investment – November 2018: Following the Malaysian government's announcement that it would allocate MYR 10 million in its 2019 Budget to the development of esports, we indicated a commitment towards a matching investment of an additional MYR 10 million in Malaysian esports. Malaysian Minister for Youth and Sports Syed Saddiq thanked our CEO for Razer's "huge step in creating a bigger and more sustainable ecosystem for esports in ASEAN".

SEA Games Announcement – November 2018: We are leading the charge to promote esports as an officially recognised sporting event at the international level. Throughout 2018, Razer delegations met regularly with the Philippine SEA Games Organising Committee and Philippine Olympic Committee, leading up to the announcement in November that Razer would be the official esports partner for the SEA Games 2019, which will be the first international sporting event with esports as an official medal sport. We expect to draw on our expertise and experience in esports, and our ecosystem of hardware, software and services, to support the SEA Games 2019 and its first foray into esports.

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 61 - 62
KPI A1.1	The types of emissions and respective emissions data.	Pages 61 - 62
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 62
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 62
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 62
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Pages 61 - 62
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Page 62
A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Page 63
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 63
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Page 63
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Page 63
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.	Page 63
A3. Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Page 61
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 61

Aspect	Disclosure	Page Number
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 64
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 64
KPI B2.1 (Optional)	Number and rate of work-related fatalities.	There were 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 64
B3. Training and Development		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Page 65
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 65
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.

Aspect	Disclosure	Page Number
B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Page 65
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 65
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 65 - 66
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 66
KPI B6.4 (Optional)	Description of quality assurance process and recall procedures.	Page 66
KPI B6.5 (Optional)	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Page 66
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 67
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 67
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 67
KPI B8.1 (Optional)	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Pages 67 - 68
KPI B8.2 (Optional)	Resources contributed (e.g. money or time) to the focus area.	Pages 67 - 68

FINANCIAL STATEMENTS

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 146, which comprise the consolidated statement of financial position as at December 31, 2018, 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, 2018 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAZER INC. (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

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) and 14 to the consolidated financial statements and the accounting policies in notes 3(d) and 3(h)(ii).

The Key Audit Matter

The carrying values of the Group's intangible assets and goodwill as at December 31, 2018 amounted to US$41,285,000 and US$70,353,000 respectively. Management allocates intangible assets and goodwill to separately identifiable cash generating units ("CGUs") and assesses if there are any indicators of impairment of these CGUs.

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

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;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAZER INC. (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

ACQUISITION ACCOUNTING

Refer to note 4(e) and 27 to the consolidated financial statements and the accounting policies in note 3(a)(ii) and 3(o).

The Key Audit Matter

During the year ended December 31, 2017, the Group acquired 19.9% equity interest in MOL Global Inc. ("MOL Global"). On February 8, 2018 and May 10, 2018, the Group has completed its acquisition of 15.0% and 65.1% equity interest in MOL Global respectively for total cash considerations of US$80,100,000. Upon the completion of the aforementioned acquisitions, the Group holds 100% equity interest in MOL Global.

MOL Global and its subsidiaries (together "MOL Group") are principally engaged in the business of internet media, computer games, e-distribution and e-payment. The Group engaged external valuation experts to perform valuation of the fair values of the identifiable assets and liabilities acquired.

Assessing the fair values of the identifiable assets and liabilities acquired requires the exercise of significant judgements, in particular in respect of the identification of and valuation of previously unrecognised intangible assets.

We identified acquisition accounting for MOL Global as a key audit matter because of the significant judgements required in the valuations of identifiable assets and liabilities acquired, in particular in the identification of and valuation of previously unrecognised intangible assets.

How the matter was addressed in our audit

Our audit procedures to assess the acquisition accounting included the following:

- inspecting the share purchase agreement with the vendor and the merger agreement with MOL Global to understand the agreed terms and assessing the Group's acquisition accounting policies with reference to the requirements of the prevailing accounting standards;
- obtaining and inspecting the valuation assessments prepared by the external valuation experts engaged by the Group and on which management's assessment of the fair values of the assets and liabilities acquired was based;
- assessing the external valuation experts' qualifications, experience and expertise in the assets and liabilities being valued and considering their objectivity and independence;
- with the assistance of our internal valuation specialists, discussing with the external valuers and assessing the valuation methodologies adopted by the external valuers with reference to industry standards and the requirement of the prevailing accounting standards, and challenging the assumptions and critical judgements which impacted their valuation by comparing these assumptions and critical judgements with market data and the Group's business plan supporting the acquisitions; and
- assessing the disclosures in the consolidated financial statements in respect of the acquisitions with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAZER INC. (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

REVENUE RECOGNITION FROM THE SALE OF GOODS

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

The Key Audit Matter

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

Revenue from the sale of goods is recognised when the customer obtains control of the promised good in the contract and 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).

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 customers 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;

- obtaining direct confirmations, on a sample basis, from customers of the sales amounts;

- assessing, on a sample basis, whether specific revenue transactions recorded around the end of the financial reporting period have been recognised in the appropriate financial period by inspecting the trade terms agreed with the individual customers and the delivery status of the relevant products;

- 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAZER INC. (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAZER INC. (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAZER INC. (CONTINUED)
(incorporated in the Cayman Islands with limited liability)

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

- 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.

KPMG
Certified Public Accountants

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

March 21, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2018
(Expressed in United States dollars)

	Note	2018 US$'000	2017 US$'000
Revenue	5	**712,439**	517,937
Cost of sales		**(542,361)**	(366,912)
Gross profit		**170,078**	151,025
Selling and marketing expenses		**(117,995)**	(90,041)
Research and development expenses		**(76,298)**	(80,809)
General and administrative expenses		**(75,383)**	(143,589)
Loss from operations		**(99,598)**	(163,414)
Other non-operating expenses		**(1,857)**	(3,147)
Finance income	7	**12,218**	1,985
Finance costs	7	**(310)**	(9)
Loss before income tax	8	**(89,547)**	(164,585)
Income tax expense	11(a)	**(8,361)**	(1,254)
Loss for the year		**(97,908)**	(165,839)
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		**(5,647)**	209
Net change in fair value of available-for-sale investments[1]		**–**	753
		(5,647)	962
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**245**	–
Remeasurement of net defined benefit liability		**2**	–
		247	–
Other comprehensive income for the year		**(5,400)**	962
Total comprehensive income for the year		**(103,308)**	(164,877)
Loss attributable to:			
Equity shareholders of the Company		**(96,966)**	(164,020)
Non-controlling interests		**(942)**	(1,819)
Loss for the year		**(97,908)**	(165,839)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

for the year ended December 31, 2018
(Expressed in United States dollars)

	Note	**2018 US$'000**	2017 US$'000
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(102,453)**	(163,058)
Non-controlling interests		**(855)**	(1,819)
Total comprehensive income for the year		**(103,308)**	(164,877)
Loss per share	12		
Basic		**US$ (0.01)**	US$ (0.03)
Diluted		**US$ (0.01)**	US$ (0.03)

1 *This amount arose under the accounting policies applicable prior to January 1, 2018. As part of the opening balance adjustments as at January 1, 2018 the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods (note 3(r)(i)).*

The notes on pages 88 to 146 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at December 31, 2018

(Expressed in United States dollars)

	Note	**December 31, 2018 US$'000**	December 31, 2017 US$'000
Non-current assets			
Property, plant and equipment	13	**18,120**	15,937
Intangible assets and goodwill	14	**111,638**	32,006
Equity investments	20	**1,210**	20,250
Deferred tax assets	17	**6,346**	22,150
Restricted cash	21	**1,771**	1,635
Prepayments		**230**	–
Other receivables	19	**1,464**	1,451
		140,779	93,429
Current assets			
Inventories	18	**68,511**	41,428
Trade and other receivables	19	**181,111**	125,683
Prepayments		**6,941**	2,914
Current tax receivables		**4,457**	413
Equity investments	20	**1,544**	1,753
Restricted cash	21	**6,877**	210
Cash and bank balances	22	**615,237**	739,433
		884,678	911,834
Total assets		**1,025,457**	1,005,263
Current liabilities			
Trade and other payables	23	**342,390**	215,616
Customer funds	24	**5,421**	1,628
Finance lease payables		**17**	48
Current tax payables		**1,644**	674
Other tax liabilities	16	**1,760**	–
		351,232	217,966
Net current assets		**533,446**	693,868
Total assets less current liabilities		**674,225**	787,297
Non-current liabilities			
Deferred tax liabilities	17	**4,944**	60
Customer funds	24	**77**	4
Net defined benefit retirement obligation		**334**	–
Other payables	23	**5,678**	1,613
Other tax liabilities	16	**1,240**	2,217
Finance lease payables		**10**	27
		12,283	3,921
NET ASSETS		**661,942**	783,376

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at December 31, 2018
(Expressed in United States dollars)

	Note	**December 31, 2018 US$'000**	December 31, 2017 US$'000
Capital and reserves			
Share capital	26(b)	**89,661**	90,225
Share premium		**714,082**	725,125
Reserves		**(143,933)**	(33,742)
Total equity attributable to equity shareholders of the Company		**659,810**	781,608
Non-controlling interests		**2,132**	1,768
TOTAL EQUITY		**661,942**	783,376

Approved and authorised for issue by the board of directors on March 21, 2019.

	)	
Min-Liang Tan	)	
	)	Directors
Chan Thiong Joo Edwin	)	
	)	

The notes on pages 88 to 146 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2018
(Expressed in United States dollars)

		Attributable to equity shareholders of the Company										
	Note	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve (recycling) US$'000	Reserve for treasury shares US$'000	Share-based payments 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	27(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		–	43,339	–	–	–	–	–	–	43,339	–	43,339
Retirement of treasury shares	26(d)	–	(50,178)	–	–	–	50,178	–	–	–	–	–
Share-based compensation expense	25	–	–	–	–	–	–	128,837	–	128,837	–	128,837
Effect of capitalisation issue	26(c)	70,802	(70,802)	–	–	–	–	–	–	–	–	–
Issuance of ordinary shares to restricted stock units ("RSUs") trustee	26(d)	7,081	–	–	–	–	(7,081)	–	–	–	–	–
Issuance of ordinary shares after IPO, as part of business combinations	26(c)	103	4,997	–	–	–	–	–	–	5,100	–	5,100
Issuance of ordinary shares under IPO, net of share issuance expenses	26(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended December 31, 2018
(Expressed in United States dollars)

		Attributable to equity shareholders of the Company												
	Note	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve (recycling) US$'000	Fair value reserve (non-recycling) US$'000	Reserve for treasury shares US$'000	Share-based payments reserve US$'000	Put option written on non-controlling interests US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at January 1, 2018		90,225	725,125	(4,000)	20	753	–	(7,081)	173,179	–	(196,613)	781,608	1,768	783,376
Impact of initial application of IFRS 9	3(r)(i)	–	–	–	–	(753)	753	–	–	–	–	–	–	–
Adjusted balance at January 1, 2018		90,225	725,125	(4,000)	20	–	753	(7,081)	173,179	–	(196,613)	781,608	1,768	783,376
Changes in equity for 2018:														
Loss for the year		–	–	–	–	–	–	–	–	–	(96,966)	(96,966)	(942)	(97,908)
Other comprehensive income		–	–	–	(5,734)	–	245	–	–	–	2	(5,487)	87	(5,400)
Total comprehensive income		–	–	–	(5,734)	–	245	–	–	–	(96,964)	(102,453)	(855)	(103,308)
Issuance of vested shares, net of tax	26(d)	–	–	–	–	–	–	(17,640)	(85,792)	–	81,643	(21,789)	–	(21,789)
Share-based compensation expense	25	–	–	–	–	–	–	–	18,232	–	–	18,232	–	18,232
Issuance of ordinary shares of a subsidiary to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	1,274	1,274
Issuance of ordinary shares, as part of business combinations	26(c)	87	1,719	–	–	–	–	–	–	–	–	1,806	–	1,806
Remeasurement of put option written on non-controlling interests	29(e)	–	–	–	–	–	–	–	–	(1,567)	–	(1,567)	–	(1,567)
Acquisition of non-controlling interests of a subsidiary without a change in control		–	–	–	–	–	–	–	–	–	(5)	(5)	(55)	(60)
Purchase of own shares	26(c)	(651)	(12,762)	–	–	–	–	–	–	–	(2,609)	(16,022)	–	(16,022)
Balance at December 31, 2018		89,661	714,082	(4,000)	(5,714)	–	998	(24,721)	105,619	(1,567)	(214,548)	659,810	2,132	661,942

The notes on pages 88 to 146 form part of these financial statements.

CONSOLIDATED CASH FLOWS STATEMENT

for the year ended December 31, 2018
(Expressed in United States dollars)

	Note	**2018 US$'000**	2017 US$'000
Cash flows from operating activities			
Loss for the year		**(97,908)**	(165,839)
Adjustments for:			
Depreciation of property, plant and equipment	13	**12,706**	8,973
Amortisation of intangible assets	14	**7,721**	6,667
Loss on disposal of property, plant and equipment		**662**	470
Loss on disposal of intangible assets		**7**	56
(Reversal of)/impairment loss on trade receivables	29(b)	**(1,341)**	983
Write-down of inventories	18	**3,944**	2,316
Finance income	7	**(12,218)**	(1,985)
Finance costs	7	**310**	9
Share-based compensation expense		**29,644**	121,194
Loss on derivatives		**–**	273
Changes in fair value relating to holdback shares		**–**	2,980
Income tax expense	11(a)	**8,361**	1,254
Changes in working capital:			
Increase in inventories		**(22,720)**	(16,225)
Increase in trade and other receivables		**(19,909)**	(25,465)
(Increase)/decrease in prepayments		**(4,257)**	987
Decrease/(increase) in restricted cash		**931**	(56)
Increase in trade and other payables		**59,230**	46,583
Increase in customer funds		**82**	1,193
Increase in net defined benefit retirement obligation		**25**	–
Cash used in operations		**(34,730)**	(15,632)
Income taxes paid		**(3,718)**	(4,457)
Net cash used in operating activities		**(38,448)**	(20,089)
Cash flows from investing activities			
Interest received		**10,889**	1,985
Acquisition of property, plant and equipment		**(13,763)**	(11,015)
Acquisition of intangible assets		**(1,418)**	(894)
Decrease/(increase) in short-term fixed deposits		**30,764**	(20,184)
Investment in equity securities		**(1,408)**	(1,350)
Proceeds from disposal of equity securities		**1,023**	–
Step acquisition of subsidiaries, net of cash assumed	27	**(28,013)**	–
Acquisition of an associate	27	**(15,000)**	–
Net cash used in investing activities		**(16,926)**	(31,458)

CONSOLIDATED CASH FLOWS STATEMENT (CONTINUED)

for the year ended December 31, 2018
(Expressed in United States dollars)

	Note	**2018 US$'000**	2017 US$'000
Cash flows from financing activities			
Interest paid		**(310)**	(9)
Issuance of ordinary shares of a subsidiary to non-controlling interests		**1,274**	–
Payment of taxes related to net share settlement of RSUs		**(21,789)**	–
Repurchase of ordinary shares		**(16,022)**	–
Repayment of finance lease liability		**(124)**	(104)
Acquisition of non-controlling interests of a subsidiary		**(60)**	–
Issuance of ordinary shares and convertible preference shares before IPO		**–**	43,339
Payment of issuance costs of ordinary shares under IPO		**–**	(11,999)
Proceeds from issuance of ordinary shares under IPO		**–**	608,263
Net cash (used in)/generated from financing activities		**(37,031)**	639,490
Net (decrease)/increase in cash and cash equivalents		**(92,405)**	587,943
Cash and cash equivalents at January 1	22	**709,249**	121,129
Effect of exchange rate fluctuations on cash and cash equivalents		**(1,607)**	177
Cash and cash equivalents at December 31	22	**615,237**	709,249

During the years ended December 31, 2018 and 2017, the Group issued 8,739,120 and 47,149,233 ordinary shares (after adjusting for the capitalisation issue (note 26(c)) respectively as part of the consideration for the acquisition of the business of Nextbit Systems Inc. ("Nextbit") (note 27(b)).

During the year ended December 31, 2017, the Group issued 72,551,502 ordinary shares (after adjusting for the capitalisation issue (note 26(c)) in exchange for 19.9% of equity interest in MOL Global, Inc. ("MOL Global") (note 20).

During the year ended December 31, 2017, the Group issued holdback shares of 10,251,660 ordinary shares (after taking into account the capitalisation issue (note 26(c)) to settle the consideration for the business acquisition from Slot Speaker Technologies, Inc. (formerly known as THX Ltd.).

The notes on pages 88 to 146 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, 2018 comprise the Company and its subsidiaries.

On April 23, 2018, RazerVentures Holdings Pte. Ltd. ("RazerVentures") and ZVMidas Cayman Inc. ("ZVMC"), both of which are indirectly wholly-owned subsidiaries of the Company, entered into the merger agreement ("Merger Agreement") with MOL Global pursuant to which ZVMC will merge with MOL Global (the "Merger"). The Merger results in RazerVentures, being the sole shareholder of ZVMC, holding 100% of the equity interest in MOL Global. The Merger was completed on May 10, 2018. Upon completion of the Merger, the Group holds 100% of the total issued share capital of MOL Global and has accounted for this investment as a business acquisition and has consolidated MOL Global's results accordingly.

2 BASIS OF PREPARATION

(a) Statement of compliance

These 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 ("IASs") 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.

The 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 measurement basis used in the preparation of the financial statements is the historical cost basis except that the equity investments are stated at their fair value as explained in the accounting policies set out in note 3(f).

(c) Functional and presentation currency

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

2 BASIS OF PREPARATION (CONTINUED)

(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.

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 remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

(ii) Business combinations (continued)

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.

(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 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies (continued)

(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 accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

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 or loss from the retirement or 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 on a net basis 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:

Building	20 years
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 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 (note 3(h)).

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 to 5 years
Patents	7 to 17 years
Distribution contracts	4 to 7 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

(i) Non-derivative financial assets

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to its acquisition. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets – Policy applicable from January 1, 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") or FVPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrecoverably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial 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 are transferred and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group has the following non-derivative financial assets: cash and cash equivalents, trade and other receivables and equity investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Trade and other receivables

Receivables are recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables 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, receivables are stated at amortised cost using the effective interest method, less allowance for credit losses (note 3(h)).

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 known amounts of cash and have original maturities of three months or less at the time of purchase. Cash and cash equivalents are assessed for expected credit loss ("ECL") in accordance with the policy set out in note 3(h).

Equity investments

Investments in equity securities are recognised/derecognised on the date of the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable costs, expect for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purpose and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. When such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other non-operating expenses.

Financial assets – Policy applicable before January 1, 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables; and
- available-for-sale

Loans and receivables

Loans and receivables are subsequently measured at amortised cost using effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets

The Group's investments in equity securities were classified as available-for-sale financial assets and were initially measured at cost. Subsequent to initial recognition, certain of the available-for-sale financial assets were remeasured at fair value and changes therein, other than impairment losses, were recognised in other comprehensive income and accumulated in the fair value reserve (recycling). When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

(ii) 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, or cancelled or expired.

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.

Non-derivative financial liabilities comprise trade and other payables.

(iii) Offsetting

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

(g) Share capital

Ordinary shares

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment

(i) Impairment of financial assets

(A) Policy applicable from January 1, 2018

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment (continued)

(i) Impairment of financial assets (continued)

(B) Policy applicable prior to January 1, 2018

Prior to January 1, 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified at FVPL (e.g. trade and other receivables and available-for-sale investments). Under the "incurred loss" model, 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 may enter bankruptcy.

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.

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 (recycling) 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)

(ii) Impairment of 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 annually whether or not there is any indication of impairment. 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 the 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 goodwill is not reversed. 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 from contracts with customers

The Group has initially applied IFRS 15 from January 1, 2018. Information about the Group's accounting policies relating to contracts with customers is provided in note 5. The effect of initially applying IFRS 15 is described in note 3(r).

(j) Employee benefits

(i) Short-term employee benefits

Salaries, annual leave, paid annual leave, contribution to defined contribution pension plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by the employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations

Certain of the Company's subsidiaries have defined benefit plans. Defined benefit plans are post-employment benefit plans other than defined contribution plans. It defines the benefits that the employee will receive at the time of retirement in which the Group makes contribution to meet the costs of benefits defined in the plan.

Payments to defined benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(iii) Equity-settled share-based compensation expense

The grant date fair value of share-based payment awards granted to employees is measured at grant date and is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees have to meet vesting conditions before becoming unconditionally entitled to the awards. During the vesting period, 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. Grant date is the date at which the Company and an employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued)

(iii) Equity-settled share-based compensation expense (continued)

If it is determined that the grant date has not been achieved, but an employee has begun rendering services, the Company estimates the grant-date fair value of the share-based payment at the reporting date for the purpose of recognising the services from service commencement date until grant date. Once grant date has been established, the Company revises its earlier estimates so that the amount recognised for services received is based on the grant-date fair value of the share-based payment.

(k) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. When the time value of money is material, provisions are stated at the present value of expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefit is remote.

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 one 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Changes in accounting policies

The IASB has issued a number of new IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, Financial instruments
- IFRS 15, Revenue from contracts with customers
- IFRIC 22, Foreign Currency Transactions and Advance Consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

(i) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and financial liabilities*

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at FVPL. These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

At January 1, 2018, the Group designated all of its equity investments of US$22,003,000 as FVOCI (non-recycling), as the investments are held for strategic purposes, and fair value reserve (recycling) of US$753,000 was reclassified to the fair value reserve (non-recycling).

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS 9, see the respective accounting policies in note 3(f).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities have not been impacted by the initial application of IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Changes in accounting policies (continued)

(i) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* (continued)

b. Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost.

For further details on the Group's accounting policy for accounting for credit losses, see note 3(h).

The adoption of the ECL model under IFRS 9 does not have a material impact on the Group.

c. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at January 1, 2018 (the date of initial application of IFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Changes in accounting policies (continued)

(ii) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

a. Timing of revenue recognition

Previously, revenue from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a material impact on the Group.

(iii) IFRIC 22, *Foreign currency transactions and advance consideration*

This Interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date of initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have a material impact on the financial position and the financial results of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New accounting standards and interpretations not yet adopted

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended December 31, 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16, *Leases*	January 1, 2019
IFRIC 23, *Uncertainty over income tax treatments*	January 1, 2019
Annual improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IAS 19, *Plan amendments, curtailment or settlement*	January 1, 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. The Group has identified some aspects of IFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impact are discussed below. The remaining new and amended standards are not expected to have significant impact on the Group's consolidated financial statements.

IFRS 16, *Leases*

The Group is required to adopt IFRS 16 *Leases* from January 1, 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impact of adopting the standard on January 1, 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognised a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transaction Involving the Legal Form of a Lease*.

i. Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of offices and equipment. The nature of expenses related to those leases will now change because the Group will recognise a deprecation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Group's finance leases.

At December 31, 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to US$14,869,000 (note 30).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

IFRS 16, *Leases* (continued)

ii. Transition

The Group plans to apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of the retained earnings at January 1, 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions based on currently available information that affect the 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 management's 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.

Notes 14 and 29(b) contain information about the assumptions and their risk factors relating to goodwill impairment and ECL for trade receivables. Other key sources of estimation uncertainty are as follows:

Estimates & assumptions

(a) CGU definition

The determination of CGUs requires judgement 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) 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.

(c) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates & assumptions (continued)

(d) 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.

(e) 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

(a) Disaggregation of revenue from contracts with customers

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018 US$'000	2017 US$'000
Sales of goods	**657,363**	510,540
Services income	**50,254**	1,546
Royalty income	**4,822**	5,851
Total	**712,439**	517,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE (CONTINUED)

(b) Performance obligations and revenue recognition policies

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

(i) Sales of goods

Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from January 1, 2018)	Revenue recognition under IAS 18 (applicable before January 1, 2018)
Customers obtain control of the hardware products when the goods are delivered and have been accepted in accordance to the agreed incoterms. Invoice are generated at that point in time and are usually payable within 30 to 60 days. Some contracts permit the customer to return an item. Returned goods can be exchanged with either new goods or cash refunds, depending on the agreed terms and conditions. All hardware products come with a standard warranty of 1 to 2 years, under which customers are able to return and replace any defective products.	Revenue is recognised when the goods are delivered and have been accepted by customers based on the agreed incoterms. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on historical returns trend for specific products type by regions etc. In these circumstances, a refund liability and a right to recover returned goods asset is recognised. The right to recover returned goods asset is measured at the former carrying amount of inventory less any expected costs to recover the goods. The refund liability is included in trade and other receivables and the right to recover returned goods is included in inventories. The Group reviews its expected returns at each reporting date and updates the amounts of the asset and liability accordingly.	Revenue is recognised when the goods are delivered to the customers and have been accepted by the customers based on the agreed incoterms. This was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Estimates of expected future product returns are recognised at the time of sale based on the analyses of historical returns trend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE (CONTINUED)

(b) Performance obligations and revenue recognition policies (continued)

(ii) Services income

Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from January 1, 2018)	Revenue recognition under IAS 18 (applicable before January 1, 2018)
The Group provides both Razer Gold virtual credit and Razer Pay services. Customers obtain control of the promised services when the performance obligations have been satisfied. Revenue is recognised at the point in time when the performance obligations have been satisfied. For Razer Gold virtual credit services, most of the amount has been prepaid and recognised as customer funds. For Razer Pay services, invoices will be issued to the merchants and are usually payable within 2 to 90 days. Most of the contracts do not permit customers to return or obtain refund for services.	Revenue for payments received in advance of the fulfilment of the performance of services is deferred. Revenue is recognised when the performance obligations have been satisfied.	Revenue for payments received in advance of the fulfilment of the performance of services was deferred. Revenue was recognised when it was probable that the economic benefits associated with the transaction would flow to the Group and the revenue could be measured reliably.

(iii) Royalty income

Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from January 1, 2018)	Revenue recognition under IAS 18 (applicable before January 1, 2018)
The Group earns revenue from licensing arrangements based on sales of licensed products. Invoices are issued based on royalties reported by the licensees from their sales of licensed product and are payable within 30 days.	Revenue is recognised when subsequent sales of the licensed products occurs, as reported to the Group by the licensees.	Revenue was recognised when subsequent sales of the licensed products occurred, as reported to the Group by the licensees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

The CODM of the Group periodically reviews and makes operating decisions, and 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, virtual credits and payment related services; and
- *Others* primarily consists of products and services which are in development including the Razer Phone and audio licensing services.

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
2018					
Revenue	**429,606**	**185,919**	**49,564**	**47,350**	**712,439**
Depreciation and amortisation	**(6,106)**	**(4,320)**	**(6,016)**	**(3,985)**	**(20,427)**
Gross profit/(loss)	**137,425**	**17,440**	**23,799**	**(8,586)**	**170,078**
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

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

	2018 **US$'000**	2017 US$'000
Customer A	**–***	60,743

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 SEGMENT INFORMATION (CONTINUED)

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 in which the customer resides.

Revenue by regions was as follows:

	2018 US$'000	2017 US$'000
Americas[1]	**294,044**	240,825
Europe, the Middle East and Africa ("EMEA")	**203,601**	151,466
Asia Pacific excluding China[2]	**119,533**	65,471
China	**95,261**	60,175
Total revenue	**712,439**	517,937

Non-current assets[3] by regions were as follows:

	2018 US$'000	2017 US$'000
Americas[1]	**18,508**	20,326
EMEA	**236**	119
Asia Pacific excluding China[2]	**102,317**	19,472
China	**8,697**	8,026
Total non-current assets[3]	**129,758**	47,943

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

1 Revenue from Americas region includes revenue from the United States of America ("U.S.") of US$269,499,000 for the year ended December 31, 2018 (2017: US$223,499,000). Non-current assets at Americas region includes non-current assets at U.S. of US$18,508,000 as at December 31, 2018 (2017: US$20,326,000).

2 Revenue from Asia Pacific region includes revenue from Singapore of US$15,235,000 for the year ended December 31, 2018 (2017: US$11,149,000). Non-current assets at Asia Pacific region includes non-current assets at Singapore and Malaysia of US$16,486,000 (2017: US$17,092,000) and US$81,913,000 (2017: US$Nil) as at December 31, 2018, respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 FINANCE INCOME AND FINANCE COSTS

	2018 US$'000	2017 US$'000
Finance income		
Interest income on fixed deposits and money market funds	**12,218**	1,985
Finance costs		
Bank charges	**104**	9
Interest on finance lease	**15**	–
Others	**191**	–
	310	9

8 LOSS BEFORE INCOME TAX

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

	2018 US$'000	2017 US$'000
Auditors' remuneration		
– Audit services	**1,194**	706
– Other services	**242**	1,360
Operating lease expense	**5,671**	4,219
Exchange loss/(gain)	**1,119**	(318)
Staff costs		
– Salaries and other benefits	**77,174**	63,848
– Contributions to defined contribution plans[1]	**5,400**	3,730
– Share-based compensation expense	**29,101**	119,321

[1] 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 SGD6,000 per employee.

Contributions to the defined contribution 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 DIRECTOR'S 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$'000**	**Share-based compensation[2] US$'000**	**2018 Total US$'000**
Directors					
Gideon Yu	**30**	**–**	**–**	**161**	**191**
Lim Kaling	**23**	**–**	**–**	**71**	**94**
Tan Min-Liang[6]	**45**	**524**	**84**	**1,276**	**1,929**
Chan Thiong Joo Edwin[4 and 6]	**19**	**225**	**34**	**1,990**	**2,268**
Khaw Kheng Joo[4 and 6]	**19**	**287**	**46**	**3,245**	**3,597**
Lee Yong Sun[5]	**30**	**–**	**–**	**47**	**77**
Chau Kwok Fun Kevin[5]	**41**	**–**	**–**	**65**	**106**
	207	**1,036**	**164**	**6,855**	**8,262**

	Directors' fees US$'000	Salaries, allowance and benefits in kind[1] US$'000	Discretionary bonuses US$'000	Share-based compensation[2] US$'000	2017 Total US$'000
Directors					
Koh Boon Hwee[3]	30	–	–	1,154	1,184
Gideon Yu	41	–	–	315	356
Lim Kaling	41	–	–	99	140
He Zhitao[3]	13	–	–	48	61
Tan Min-Liang[6]	74	505	41	66,893	67,513
Chan Thiong Joo Edwin[4 and 6]	9	200	16	4,029	4,254
Khaw Kheng Joo[4 and 6]	9	279	22	6,607	6,917
Lee Yong Sun[5]	15	–	–	4	19
Chau Kwok Fun Kevin[5]	21	–	–	6	27
	253	984	79	79,155	80,471

1 Allowances and benefits in kind include leave pay, insurance premium and retirement scheme contributions.

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

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

4 Chan Thiong Joo Edwin and Khaw Kheng Joo were appointed as directors of the Company on June 21, 2017.

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

6 The amount paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company of its subsidiary undertakings.

Save as disclosed above, no emoluments were paid to other directors during the years ended December 31, 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2017: three) were directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2018 US$'000	2017 US$'000
Salaries, allowances and benefits in kind	**727**	540
Share-based compensation[1]	**4,208**	7,594
	4,935	8,134

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

The emoluments of two (2017: two) individuals with the highest emoluments other than the three (2017: three) directors as disclosed in note 9 are within the following bands:

	2018	2017
in Hong Kong dollars ("HKD")		
14,000,001 – 14,500,000	**1**	–
16,000,001 – 16,500,000	**–**	1
24,500,001 – 25,000,000	**1**	–
47,000,001 – 47,500,000	**–**	1

11 INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss represents:

	2018 US$'000	2017 US$'000
Current tax expense		
Current year	**2,083**	2,127
Deferred tax expense		
Origination and reversal of temporary differences	**6,278**	(5,307)
Other deferred charges	**–**	4,434
	6,278	(873)
Total income tax expense	**8,361**	1,254

During the year ended December 31, 2018, a tax expense of US$10,269,000 (2017: tax benefit of US$10,269,000) related to share-based compensation was recognised in equity.

In December 2017, numerous changes to the tax law were enacted in the U.S., including a decrease in the corporate tax rate from 34% to 21%. 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.

Taxation for subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018 US$'000	2017 US$'000
Loss before income tax	**(89,547)**	(164,585)
Income tax using Singapore tax rate of 17%	**(15,223)**	(27,979)
Effect of different tax rate in foreign jurisdictions	**(281)**	(937)
Non-deductible expenses	**4,985**	6,479
Current year losses for which no deferred tax asset was recognised	**16,475**	9,883
Tax incentives	**2,321**	8,970
Effect of re-measurement of temporary differences of the Group's U.S. subsidiaries	**–**	4,434
Others	**84**	404
Total income tax expense	**8,361**	1,254

(c) 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 SGD2,699,000 (equivalent to US$1,980,000) 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.

In addition, certain subsidiaries have been granted Multimedia Super Corridor Malaysia ("MSC Malaysia") status by the Multimedia Development Corporation Malaysia. One of the incentives granted under the MSC Status includes "Pioneer Status", which entitles them to a five-year exemption from Malaysian income tax on income derived from MSC Malaysia-related activities, which is renewable for a second five-year term provided certain conditions are met. The subsidiaries will thereafter be subject to Malaysian income tax subsequent to the expiration of exemption period grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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$96,966,000 (2017: US$164,020,000) divided by the weighted average number of ordinary shares of 8,598,592,264 shares (2017: 5,346,307,237 shares) in issue during the year.

Weighted average number of ordinary shares:

	2018	2017
Issued ordinary shares at January 1	**9,022,560,913**	627,207
Effect of treasury shares	**(708,104,004)**	(51,289)
Effect of shares repurchased and cancelled	**(11,047,063)**	–
Effect of shares issued related to business combinations	**3,998,447**	1,381,393
Effect of shares issued related to RSUs, net of shares withheld for withholding tax payment purpose	**291,183,971**	–
Effect of shares issued related to investments in equity securities	**–**	5,396
Effect of conversion of convertible preference shares to ordinary shares	**–**	31,272
Effect of capitalisation issue	**–**	5,190,164,107
Effect of shares issued upon IPO	**–**	154,149,151
Weighted average number of ordinary shares at December 31	**8,598,592,264**	5,346,307,237

(b) Diluted loss per share

During the years ended December 31, 2018 and 2017, 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

	Building US$'000	**Office equipment** US$'000	**Computer software and equipment** US$'000	**Leasehold improvements** US$'000	**Furniture and fittings** US$'000	**Motor vehicles** US$'000	**Retail fixtures** US$'000	**Tooling assets** US$'000	**Construction in progress** US$'000	**Total** US$'000
Cost:										
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
At January 1, 2018	–	3,364	10,990	3,697	1,534	508	3,551	30,706	440	54,790
Additions	–	794	1,069	768	38	127	–	4,173	6,794	13,763
Additions through business combination *(note 27(a))*	896	108	515	260	106	2	–	–	–	1,887
Disposals	(21)	(90)	(628)	(34)	(64)	(31)	(130)	(457)	(542)	(1,997)
Transfer	–	41	57	43	–	–	–	6,343	(6,484)	–
Effect of movement in exchange rate	(32)	(7)	(57)	(40)	(12)	(89)	–	–	–	(237)
At December 31, 2018	**843**	**4,210**	**11,946**	**4,694**	**1,602**	**517**	**3,421**	**40,765**	**208**	**68,206**
Accumulated depreciation:										
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
At January 1, 2018	–	2,280	7,607	3,051	977	449	2,232	22,257	–	38,853
Depreciation for the year	36	517	2,012	725	236	70	1,179	7,931	–	12,706
Disposals	(4)	(73)	(556)	(20)	(63)	(32)	(130)	(457)	–	(1,335)
Effect of movement in exchange rate	10	2	(35)	(22)	(5)	(87)	(1)	–	–	(138)
At December 31, 2018	**42**	**2,726**	**9,028**	**3,734**	**1,145**	**400**	**3,280**	**29,731**	**–**	**50,086**
Net book value:										
At December 31, 2018	**801**	**1,484**	**2,918**	**960**	**457**	**117**	**141**	**11,034**	**208**	**18,120**
At December 31, 2017	–	1,084	3,383	646	557	59	1,319	8,449	440	15,937

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	Distribution contracts US$'000	Customer relationships US$'000	Goodwill US$'000	Total US$'000
Cost:								
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
At January 1, 2018	15,341	6,574	14,441	2,736	–	407	11,343	50,842
Additions	831	3,253	13	–	–	–	–	4,097
Additions through business combination	–	2,801	4,328	–	18,138	–	63,263	88,530
Disposals	(100)	–	–	–	–	–	–	(100)
Effect of movement in exchange rate	–	(149)	(243)	–	(988)	–	(3,448)	(4,828)
At December 31, 2018	**16,072**	**12,479**	**18,539**	**2,736**	**17,150**	**407**	**71,158**	**138,541**
Accumulated amortisation and impairment losses:								
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
At January 1, 2018	14,038	2,594	1,374	–	–	25	805	18,836
Amortisation for the year	1,248	3,174	1,550	–	1,729	20	–	7,721
Disposals	(93)	–	–	–	–	–	–	(93)
Effect of movement in exchange rate	–	64	33	–	342	–	–	439
At December 31, 2018	**15,193**	**5,832**	**2,957**	**–**	**2,071**	**45**	**805**	**26,903**
Net book value:								
At December 31, 2018	**879**	**6,647**	**15,582**	**2,736**	**15,079**	**362**	**70,353**	**111,638**
At December 31, 2017	1,303	3,980	13,067	2,736	–	382	10,538	32,006

In connection with the Group's acquisition of MOL Global, the Group recognised goodwill of US$63,263,000 (note 27(a)). Deferred tax liabilities of US$4,141,000 have been provided in relation to these fair value adjustments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(a) Amortisation charge

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

(b) Impairment tests for CGUs containing goodwill and intangible assets with indefinite useful lives

For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives have been allocated to the Group's CGUs (operating divisions) as follows:

	2018		2017	
	Goodwill US$'000	**Trademarks US$'000**	Goodwill US$'000	Trademarks US$'000
CGU A within the "Others" segment	**9,620**	**2,736**	9,620	2,736
CGU B within the "Others" segment	**918**	**–**	918	–
CGU C within the "Software and Services" segment	**22,444**	**–**	–	–
CGU D within the "Software and Services" segment	**37,371**	**–**	–	–
	70,353	**2,736**	10,538	2,736

(i) CGU A

CGU A is part of the business operations within the "Others" segment. The recoverable amount of the CGU A 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. Cash flows beyond the aforementioned financial forecasts period were extrapolated using the estimated growth rates 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.

	2018	2017
Pre-tax discount rate	**30%**	20%
Terminal value growth rate	**3%**	0%
Budgeted revenue growth rate (average of financial forecasts period)	**36%**	47%

Pre-tax discount rate represents the current market assessment of the risks specific to CGU A, regarding the time value of money and individual risks of 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.

The recoverable amounts of the CGU A (including goodwill) based on the estimated value-in-use calculations were higher than their carrying amounts at December 31, 2018 and 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, 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(b) Impairment tests for CGUs containing goodwill and intangible assets with indefinite useful lives (continued)

(ii) CGU B

CGU B is part of the business operations with the "Others" segment. The recoverable amount of the CGU B 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 the estimated growth rates 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.

	2018	2017
Pre-tax discount rate	**13%**	9%
Terminal value growth rate	**0%**	0%
Budgeted revenue growth rate (average of financial forecasts period)	**72%**	70%

Pre-tax discount rate represents the current market assessment of the risks specific to CGU B, regarding the time value of money and individual risks of 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 was also the rate used for purchase price allocation purpose, computed and provided by external valuators.

The recoverable amounts of the CGU B (including goodwill) based on the estimated value-in-use calculations were higher than their carrying amounts at December 31, 2018 and 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, 2018 and 2017.

(iii) CGU C

CGU C is part of the business operations within the "Software and Services" segment. The recoverable amount of the CGU C was based on its value-in-use calculations. These calculations use cash flows projections based on financial forecasts approved by management covering a ten-year period. Cash flows beyond the aforementioned financial forecasts period are extrapolated using the estimated growth rates stated below. Cash flows for the stabilised years are equal to or lower than the cash flows of the fourth 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.

	2018
Pre-tax discount rate	**13%**
Terminal value growth rate	**0%**
Budgeted revenue growth rate (average of financial forecasts period)	**20%**

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(b) Impairment tests for CGUs containing goodwill and intangible assets with indefinite useful lives (continued)

(iii) CGU C (continued)

Pre-tax discount rate represents the current market assessment of the risks specific to CGU C, regarding the time value of money and individual risks of 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.

The recoverable amounts of the CGU C (including goodwill) based on the estimated value-in-use calculations were higher than their carrying amounts at December 31, 2018. 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, 2018.

(iv) CGU D

CGU D is part of the business operations within the "Software and Services" segment. The recoverable amount of the CGU D was based on its value-in-use calculations. These calculations use cash flows projections based on financial forecasts approved by management covering a ten-year period. Cash flows beyond the aforementioned financial forecasts period are extrapolated using the estimated growth rates stated below. Cash flows for the stabilised years are equal to or lower than the cash flows of the fourth 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.

	2018
Pre-tax discount rate	**13%**
Terminal value growth rate	**0%**
Budgeted revenue growth rate (average of financial forecasts period)	**20%**

Pre-tax discount rate represents the current market assessment of the risks specific to CGU D, regarding the time value of money and individual risks of 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.

The recoverable amounts of the CGU D (including goodwill) based on the estimated value-in-use calculations were higher than their carrying amounts at December 31, 2018. 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, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 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 companies.

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 SGD88,049,876.36 consisting of 58,141,548 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 (Europe) GmbH	Trading of computer peripherals and accessories	Hamburg, Germany	Paid up capital of EUR25,000.00	–	100
MOL AccessPortal Sdn. Bhd.	Internet media, e-commerce utilising internet-connected physical outlets as e-distribution and e-payment centers and provision of e-solution services	Malaysia	Issued and paid-up capital of MYR9,816,220.00 consisting of 98,162,200 ordinary shares	–	100
MyCNX Holdings (M) Sdn. Bhd.	Supply of computer games, software and hardware related to information technology	Malaysia	Issued and paid-up capital of MYR2,000,000.00 consisting of 2,000,000 ordinary shares	–	100
Rixty, Inc.	Providing alternative payment system to domestic and international users to spend cash and coins for online games, virtual goods and digital content	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$3,599,770.29 consisting of 12,651,213 shares of common stock	–	100
MOL Payment Co., Ltd.	Processing data and financial transactions payment	Thailand	Issued and paid-up capital of THB200,000,000.00 consisting of 2,000,000 ordinary shares of THB100.00 each	–	86.73
Uniwiz Trade Sales, Inc.	Distribution solution provider for prepaid services in the Philippines	Philippines	Issued and paid-up capital of PHP100,000.00 consisting of 100,000 common shares of PHP1.00 each	–	100
Rixty Brasil Intermediação e Agenciamento de Negócios Ltda	Providing alternative payment system to domestic and international user to spend cash and coins for online games, virtual goods and digital content	Brazil	Issued and paid-up capital of BRL229,907.00 consisting of 229,907 ordinary shares of BRL1.00 each	–	100
Klon Ödeme Kuruluşu Anonim Şirketi ("PaybyMe")	Providing mobile payment services, m-payments solutions, online gaming and social networks	Republic of Turkey	Issued and paid-up capital of TL2,000,000.00 consisting of 20,000 shares of TL100.00 each	–	51

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 judgement occurs. As at December 31, 2018, the Group recognised tax effect of uncertain income tax positions of US$3,000,000 (2017: US$2,217,000).

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, 2017	Recognised in/ (credited to) profit or loss (note 11)	Recognised in equity	At December 31, 2017	Recognised in/ (credited to) profit or loss (note 11)	Recognised in equity	Acquired in business combination	**At December 31, 2018**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	**US$'000**
Assets								
Unutilised research credits	287	573	–	860	602	–	–	**1,462**
Loss allowance for trade receivables	3,627	(2,879)	–	748	75	–	–	**823**
Share-based compensation	4,688	3,352	10,269	18,309	(5,404)	(10,269)	–	**2,636**
Other provisions	1,671	1,350	–	3,021	(938)	–	–	**2,083**
Other items	721	(75)	–	646	200	–	–	**846**
	10,994	2,321	10,269	23,584	(5,465)	(10,269)	–	**7,850**
Liabilities								
Property, plant and equipment	(46)	(1,448)	–	(1,494)	(735)	–	–	**(2,229)**
Intangible assets	–	–	–	–	(78)	–	(4,141)	**(4,219)**
Net deferred tax assets	10,948	873	10,269	22,090	(6,278)	(10,269)	(4,141)	**1,402**

During the years ended December 31, 2018 and 2017, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

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:

	2018 US$'000	2017 US$'000
Deferred tax assets	**6,346**	22,150
Deferred tax liabilities	**(4,944)**	(60)
	1,402	22,090

The utilisation of tax losses is 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.

(b) Unrecognised deferred tax assets

	2018 US$'000	2017 US$'000
Deductible temporary differences	**10,946**	(1,635)
Tax losses	**232,773**	117,754

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, 2018, the Group has tax losses of US$232,773,000 (2017: US$117,754,000), 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, 2018, cumulative tax loss of US$225,044,000 (2017: US$110,025,000) can be carried forward indefinitely; and cumulative tax loss of US$7,729,000 (2017: US$7,729,000) can be carried forward for 20 years.

18 INVENTORIES

	2018 US$'000	2017 US$'000
Raw materials	**8,210**	4,111
Finished goods	**60,301**	37,317
	68,511	41,428

Raw materials and changes in finished goods recognised in cost of sales amounted to US$542,361,000 (2017: US$366,912,000) including write-down to net realisable value amounting to US$3,944,000 (2017: US$2,316,000) for the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 TRADE AND OTHER RECEIVABLES

	2018 US$'000	2017 US$'000
Trade receivables	**175,124**	130,463
Less: Allowance for trade receivables	**(30,361)**	(19,272)
Less: Loss allowance	**(357)**	(1,756)
	144,406	109,435
Deposits	**1,111**	561
Other receivables[1]	**35,988**	15,823
Deferred rent credit	**1,070**	1,315
Trade and other receivables	**182,575**	127,134
Non-current	**1,464**	1,451
Current	**181,111**	125,683
	182,575	127,134

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.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables by due date and net of loss allowance is as follows:

	2018 US$'000	2017 US$'000
Neither past due nor impaired	**116,942**	98,612
Past due 1-30 days	**17,856**	9,715
Past due 31-60 days	**4,297**	710
Past due 61-90 days	**5,091**	128
More than 90 days	**220**	270
	144,406	109,435

The Group usually grants credit terms ranging from 2 days to 60 days (2017: 30 days to 60 days) following the invoice date. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 EQUITY INVESTMENTS

	2018 **US$'000**	2017 US$'000
Equity securities designated at FVOCI (non-recycling)		
Equity security (quoted) – current	**1,544**	–
Equity security (unquoted) – non-current	**1,210**	–
Available-for-sale financial assets		
Equity security (quoted) – current	**–**	1,753
Equity security (unquoted) – non-current	**–**	20,250
	2,754	22,003

Available-for-sale financial assets were reclassified to equity securities designated at FVOCI (non-recycling) upon the initial application of IFRS 9 at January 1, 2018 (see note 3(r)(i)). At December 31, 2018, the Group designated its existing investments as FVOCI (non-recycling), as the investments are held for strategic purposes.

During the year ended December 31, 2017, the Group acquired 19.9% of unquoted issued share capital of MOL Global in exchange for 72,551,502 ordinary shares (after adjusting for the capitalisation issue (note 26(c)) of the Company with an estimated fair value US$19,900,000. During the year ended December 31, 2018, the Group acquired the remaining equity interest in MOL Global (note 27(a)).

The Group's exposures to credit and market risks, and fair value measurement are disclosed in note 29.

21 RESTRICTED CASH

As at December 31, 2018, the restricted cash balance is US$8,648,000 (2017: US$1,845,000), of which US$1,061,000 (2017: Nil) relates to the unutilised virtual credits, Razer Gold, and mobile wallet (collectively "e-money liabilities") balance. The restricted cash is required to be kept at least at 1.02 times of the total e-money liabilities as per the Guideline on Electronic Money issued by Bank Negara of Malaysia. Currently, the money is held in trust by a trustee and maintained at 1.02 times of the total e-money liabilities.

In addition, restricted cash also consists of security deposits received from customers, amounts held at bank as collateral primarily for our letter of credits and amounts held at bank as required by local regulations for payment related services.

22 CASH AND BANK BALANCES

	2018 **US$'000**	2017 US$'000
Cash at bank and in hand	**136,533**	645,938
Fixed deposits and money market funds	**478,704**	63,311
Cash and cash equivalents in the consolidated cash flows statement	**615,237**	709,249
Short-term fixed deposits	**–**	30,184
Cash and bank balances in the consolidated statement of financial position	**615,237**	739,433

The weighted average effective interest rate of fixed deposits at the reporting date was 3.0% per annum (2017: 1.6%). Interest rates are repriced at monthly intervals.

As at December 31, 2017, the short-term fixed deposits of US$30,184,000 are bank deposits with original maturities over three months and redeemable on maturity. The short-term fixed deposits were denominated in US$ and the weighted average effective interest rate was 1.59%. There is no short-term fixed deposit as at December 31, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 TRADE AND OTHER PAYABLES

	2018 US$'000	2017 US$'000
Trade payables	**269,575**	150,410
Accrued operating expenses	**42,759**	53,594
Provision for warranty expenses	**8,676**	7,005
Accrued liabilities for materials	**9,207**	449
Deposits received	**4,271**	–
Other payables[1]	**13,580**	5,771
	348,068	217,229
Non-current	**5,678**	1,613
Current	**342,390**	215,616
	348,068	217,229

[1] Other payables mainly comprise of sales and withholding taxes, earnout and holdback shares in relation to the acquisition of the business of Nextbit and the obligations arising from put options written on non-controlling interests of certain subsidiaries.

As of the end of the reporting period, the ageing analysis of trade payables, based on the due date, is as follows:

	2018 US$'000	2017 US$'000
Up to 3 months	**267,010**	149,372
Over 3 months but within 6 months	**2,261**	139
Over 6 months but within 12 months	**277**	532
Over 12 months	**27**	367
	269,575	150,410

The movements in the provision in respect of estimated gross obligation of the redemption amount of put options written on non-controlling interests of a subsidiary are as follows:

	2018 US$'000
At January 1	**–**
Additions through business combination	**8,057**
Revision to estimated exercise price	**1,567**
Exchange differences	**(1,230)**
At December 31	**8,394**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2018 US$'000	2017 US$'000
At January 1	**7,005**	5,771
Provision made during the year	**17,164**	14,627
Provision utilised during the year	**(15,493)**	(13,393)
At December 31	**8,676**	7,005

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 29.

24 CUSTOMER FUNDS

Customer funds mainly represent Razer Gold customers' unutilised virtual credits stored online and prepaid cards, customers' stored balances that would later be used to make payments and customers' cash in transit.

25 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 ("RSUs") 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 prior to the Company's IPO on November 13, 2017 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. The liquidity condition was satisfied on March 15, 2018. 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)(iii)). RSUs granted to employees and consultants after the Company's IPO are not subject to a liquidity condition in order to vest and the service condition for these award is satisfied over four tranches and becomes exercisable at the rate of 25% over four tranches.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE-BASED COMPENSATION EXPENSE (CONTINUED)

Restricted Stock Units (continued)

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 2018 was 29,503,217 (2017: 213,226,125 after adjusted for capitalisation issue (note 26(c)). The weighted average grant date fair value of RSUs granted during 2018 was US$0.41 per share (2017: US$0.38 per share after adjusted for capitalisation issue).

In October 2017, the Board and the Shareholders approved the grant to a director of (a) 105,104,724 RSUs (the "Initial Grant") and (b) an aggregate of 265,890,627 RSUs in three tranches over the financial years of 2017 to 2019 (the "Subsequent Grant"). While the Initial Grant vested immediately following the execution of a definitive RSU agreement, the Subsequent Grant is subject to further consideration, review and approval by the Company's Remuneration Committee, compliance with applicable laws and regulations and the entering into of a definitive RSU agreement between the Company and that director.

The Board considers that the Remuneration Committee's discretion on these grants is substantive and the grant date has not been established until the Remuneration Committee has exercised the discretion to fix the vesting conditions and then approve the grants, and a definitive RSU agreement has been executed.

Under the Subsequent Grant, the three tranches of 88,630,209 RSUs each with a vesting period of four years from 2017, 2018 and 2019 respectively have not been considered granted because the Remuneration Committee has not finalised its decision on the key terms and conditions of the RSUs. Although the grant date has not been established for the first and second tranches of the RSUs under the Subsequent Grant, the respective service periods are considered having commenced as of December 31, 2017 and 2018, respectively. As such, the Group estimated and recognised share-based compensation expense in respect of the first and second tranches of the RSUs based on the fair value of Company's ordinary shares at each balance sheet date in 2017 and 2018. The amount of share-based compensation expense for the first and second tranches is being re-estimated at each balance sheet date until a grant date is established.

For the year ended 31 December, 2018 and 2017, US$904,000 and US$66,222,000 of share-based compensation expense respectively were recognised in the statements of profit or loss and other comprehensive income in respect of these RSUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 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:

	Share capital US$'000	**Share premium** US$'000	**Reserve for treasury shares** US$'000	**Share-based payment reserve** US$'000	**Retained profits/ (accumulated losses)** US$'000	**Total** US$'000
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 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 and January 1, 2018	90,225	725,125	(7,081)	173,179	(11,183)	970,265
Changes in equity for 2018:						
Profit for the year	–	–	–	–	7,763	7,763
Purchase of own shares	(651)	(12,762)	–	–	(2,609)	(16,022)
Issuance of vested shares, net of tax	–	–	(17,640)	(85,792)	81,643	(21,789)
Share-based compensation expense	–	–	–	18,232	–	18,232
Issuance of shares after IPO, as part of business combination	87	1,719	–	–	–	1,806
At December 31, 2018	**89,661**	**714,082**	**(24,721)**	**105,619**	**75,614**	**960,255**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 CAPITAL AND RESERVES (CONTINUED)

(b) Share capital

	2018 No. of shares	**Amount US$'000**	2017 No. of shares	Amount US$'000
Authorised:				
At January 1	**10,000,000,000**	**100,000**	4,000,000	40
Increase of authorised ordinary shares	**5,000,000,000**	**50,000**	9,996,000,000	99,960
Ordinary shares	**15,000,000,000**	**150,000**	10,000,000,000	100,000
Ordinary shares, issued and fully paid				
At January 1	**9,022,560,913**	**90,225**	627,207	6
Shares repurchased and cancelled	**(65,163,000)**	**(651)**	–	–
Issued in business combinations before IPO and capitalisation issue	**–**	**–**	5,611	–
Issued for equity securities before IPO and capitalisation issue	**–**	**–**	8,634	–
Retirement of treasury shares	**–**	**–**	(31,713)	–
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	**8,739,120**	**87**	10,251,660	103
Issuance of ordinary shares under IPO	**–**	**–**	1,223,140,000	12,231
At December 31	**8,966,137,033**	**89,661**	9,022,560,913	90,225
Convertible preference shares				
At January 1	**–**	**–**	233,716	2
Issuance of shares before IPO and capitalisation issue	**–**	**–**	18,804	–
Retirement of treasury shares	**–**	**–**	(19,576)	–
Conversion of convertible preference shares to ordinary shares after IPO	**–**	**–**	(232,944)	(2)
At December 31	**–**	**–**	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 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, 2018, the Group repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid US$'000
July 2018	9,888,000	1.91	1.70	2,270
August 2018	10,000,000	1.75	1.68	2,192
September 2018	23,488,000	1.88	1.66	5,275
October 2018	13,187,000	1.63	1.19	2,350
November 2018	8,600,000	1.26	1.18	1,326
December 2018	17,500,000	1.23	1.11	2,609
				16,022

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 of the company 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 the IPO, the Company's authorised and issued preferred shares with par value of US$0.01 each have been cancelled and 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 of par value of US$0.01 each for cash consideration of HKD3.88 each, and raised gross proceeds of approximately HKD4,745,783,000 (equivalent to US$608,263,000). The respective share capital amount was US$12,231,000 and the share premium arising from the issuance was approximately US$580,909,000, net of the share issuance costs. The share issuance costs 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.

During the year ended December 31, 2018 and 2017, the Group issued 8,739,120 and 47,149,233 ordinary shares (after adjusting for the capitalisation issue) respectively as part of the consideration of the acquisition of the Nextbit business (note 27(b)).

During the year ended December 31, 2017, the Group issued 72,551,502 ordinary shares (after adjusting for the capitalisation issue) in exchange for 19.9% equity interest in MOL Global, Inc. (note 20).

During the year ended December 31, 2017, the Group issued holdback shares of 10,251,660 ordinary shares (after adjusting for the capitalisation issue) to settle the consideration for the business acquisition from Slot Speaker Technologies, Inc. (formerly known as THX Ltd.).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 CAPITAL AND RESERVES (CONTINUED)

(d) Treasury shares

The Company's treasury shares comprise the Company's shares held by the Group. 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 25).

In 2018, 414,927,946 ordinary shares were issued for vested RSUs, of which 49,697,192 shares were withheld for withholding tax purpose.

(e) 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.

(f) 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.

(g) 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.

(h) 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 shared-based payments in note 3(j)(iii).

27 BUSINESS COMBINATION

(a) Acquisition of MOL Global

During the year ended December 31, 2017, ZVMidas Pte. Ltd. ("ZVMidas"), an indirect wholly-owned subsidiary of the Company, acquired approximately 19.9% of the then total issued share capital of MOL Global, in exchange for 72,551,502 ordinary shares (after adjusting for the capitalisation issue (note 26(c)) of the Company with an estimated fair value of US$19,900,000.

On February 8, 2018, ZVMidas entered into a Share Purchase Agreement ("Share Purchase Agreement") with MOL.com Sdn. Bhd. pursuant to which ZVMidas agreed to purchase 10,125,670 ordinary 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 cash consideration paid under the Share Purchase Agreement was US$15,000,000. The completion of the acquisition took place on the same date as the date of the Share Purchase Agreement. This resulted in the Group holding 34.9% equity interest in MOL Global and will account for this investment as an associate based on equity accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BUSINESS COMBINATION (CONTINUED)

(a) Acquisition of MOL Global (continued)

On April 23, 2018, RazerVentures and ZVMC entered into a Merger Agreement resulting in a Merger which was completed on May 10, 2018, with RazerVentures becoming the holder of 100% of the issued share capital in MOL Global. As part of the Merger, 2,637,789 treasury shares of MOL Global were cancelled with nil consideration. As the Group already held 34.9% (36.3% after adjusting for the cancellation of treasury shares) of the total issued share capital of MOL Global, the effect of the Merger is analogous to an acquisition by the Group of the entire equity interest in MOL Global, representing approximately 65.1% (63.7% after adjusting for the cancellation of treasury shares) of the total issued share capital of MOL Global. The purchase consideration for the Merger was approximately US$61,193,000. The Merger was completed on May 10, 2018. Upon completion of the Merger, the Group has accounted for this investment as a business acquisition and has consolidated MOL Global's results accordingly.

Acquiring MOL Global will enable the Group to grow its virtual credits platform through access to MOL Global's network of customers and partners as well as to enable the Group to develop its Razer Pay business. For the year ended December 31, 2018, MOL Global contributed revenue of US$41,524,000 and a net profit of US$1,313,000. If the acquisition had occurred on January 1, 2018, management estimates that the contribution to the consolidated revenue and net profit would have been US$61,057,000 and US$3,198,000 respectively.

Consideration transferred

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

	US$'000
Cash – total consideration transferred	61,193
Cash acquired	(33,180)
Net cash flows used in acquisition	28,013
Short-term fixed deposits acquired	(580)
Restricted cash acquired	(7,734)
Net cash outflows	19,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BUSINESS COMBINATION (CONTINUED)

(a) Acquisition of MOL Global (continued)

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	1,887
Intangible assets	25,267
Deferred tax assets	153
Equity investments	17
Other receivables	179
Inventories	8,307
Trade and other receivables	39,278
Cash and bank balances	33,760
Restricted cash	7,734
Tax recoverables	1,240
Trade and other payables	(69,074)
Customer funds	(3,785)
Tax liabilities	(3,620)
Deferred tax liabilities	(4,540)
Net defined benefit retirement obligation	(309)
Put option liability over non-controlling interests	(3,603)
Total net identifiable assets acquired	32,891

Fair value of the assets acquired and liabilities assumed is measured on a provisional basis pursuant to IFRS 3, *Business Combinations*. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill was recognised from the acquisition as follows:

	US$'000
Total consideration transferred	61,193
Fair value of existing interest in MOL Global	34,900
Non-controlling interests arising from acquisition of subsidiaries	61
Less: fair value of net identifiable assets	(32,891)
Goodwill	63,263

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BUSINESS COMBINATION (CONTINUED)

(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 72,543,099 ordinary shares (after adjusting for the capitalisation issue (note 26(c)) of the Company at an issue price of US$0.21 per share (after adjusting for the capitalisation issue (note 26(c)), of which (i) 47,149,233 ordinary shares (after adjusting for the capitalisation issue (note 26(c)) were issued and allotted on January 26, 2017 and (ii) 25,393,866 ordinary shares (after adjusting for the capitalisation issue (note 26(c)) 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 47,149,233 ordinary shares (after adjusting for the capitalisation issue (note 26(c)) with a fair value of approximately US$9,749,000 as of January 26, 2017. The remainder of the consideration of 25,393,866 ordinary shares (after adjusting for the capitalisation issue (note 26(c)) 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)(iii).

On July 17, 2018, the Company allotted and issued 8,739,120 ordinary shares (after adjusting for the capitalisation issue (note 26(c)), which is based on the consideration of 10,881,885 ordinary shares (after adjusting for the capitalisation issue (note 26(c)), reduced by 2,142,765 ordinary shares (after adjusting for the capitalisation issue (note 26(c)) relating to claims for indemnification.

The remaining 14,511,981 ordinary shares will not be issued, as the condition of having two of the key personnel of Nextbit staying employed by the Group had not been met for the required period.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BUSINESS COMBINATION (CONTINUED)

(b) Acquisition of business from Nextbit (continued)

Goodwill (continued)

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.

28 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:

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:

	2018 US$'000	2017 US$'000
Short-term employee benefits	**2,414**	2,056
Equity compensation benefits	**10,419**	84,963
	12,833	87,019

29 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 refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is minimised by working with banking counterparties with a minimum credit rating of A assigned by Standard & Poor's, and Moody's and Fitch which signify low credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 6% (2017: 20%) and 38% (2017: 58%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with outstanding balances due which are more than the credit amount granted, will be required to settle a portion of the outstanding balances, before further transaction can be approved and processed requested to settle all outstanding balances before any further credit is granted.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2018:

	Expected loss rate	Gross carrying amount US$'000	Loss allowance US$'000
Current (not past due)	0.1%	117,028	86
Past due 1-30 days	0.1%	17,873	17
Past due 31-60 days	0.9%	4,336	39
Past due 61-90 days	0.8%	5,134	43
Past due more than 90 days	11.3%	392	172
			357

Expected loss rates are based on actual loss experience over the past one year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Comparative information under IAS 39

Prior to January 1, 2018, an impairment loss was recognised only when there was objective evidence of impairment. As at December 31, 2017, trade receivables of US$1,756,000 were individually determined to be impaired. The individually impaired receivables relate to customers that were in financial difficulties and receivables that were long outstanding. Management assessed that only a portion of the receivables is expected to be recovered. Consequently, as at December 31, 2017, US$1,756,000 of allowance for doubtful debt was recorded.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Comparative information under IAS 39 (continued)

The movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 US$'000	2017 US$'000
At January 1	**1,756**	916
(Reversal of)/impairment loss recognised on trade receivables	**(1,341)**	983
Uncollectible amounts written off	**(58)**	(143)
At December 31	**357**	1,756

(c) Foreign currency risk

The Group is exposed to transaction foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and payables are denominated and the respective functional currencies of the Group's subsidiaries. The Group's primary functional currency is US$. The currencies in which these transactions are denominated are primarily US$ and Euro.

The Group also holds 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 Euro, HKD and SGD.

The Group's exposures to foreign currency are as follows:

		2018	
	Euro US$'000	**HKD US$'000**	**SGD US$'000**
Trade and other receivables	**35,583**	**209**	**1,440**
Cash and bank balances	**8,863**	**10,204**	**3,062**
Trade and other payables	**(3,478)**	**(5,463)**	**(4,753)**
	40,968	**4,950**	**(251)**

		2017	
	Euro US$'000	HKD US$'000	SGD US$'000
Trade and other receivables	19,247	28	891
Cash and bank balances	2,199	595,969	1,976
Trade and other payables	(2,922)	(97)	(5,410)
	18,524	595,900	(2,543)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign currency risk (continued)

Sensitivity analysis

A 10% strengthening of US$ against the following currencies at the reporting date would increase/(decrease) the loss by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant. In this respect, it is assumed that the pegged rate between US$ and HKD would be materially unaffected by any changes in movement in value of US$ against other currencies.

	2018 US$'000	2017 US$'000
Euro	**(4,097)**	(1,852)
SGD	**25**	254

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 22. 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

29 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
2018				
Financial assets				
Money market funds	**–**	**21,095**	**–**	**21,095**
Equity investments (quoted)	**1,544**	**–**	**–**	**1,544**
Equity investments (unquoted)	**–**	**–**	**1,210**	**1,210**
	1,544	**21,095**	**1,210**	**23,849**
Financial liabilities				
Put option liability over non-controlling interests	**–**	**–**	**4,973**	**4,973**
2017				
Financial assets				
Money market funds	–	63,311	–	63,311
Available-for-sale investments (quoted)[1]	1,753	–	–	1,753
Available-for-sale investments (unquoted)[1]	–	–	20,250	20,250
	1,753	63,311	20,250	85,314

1 Available-for-sale financial assets were designated at FVOCI (non-recycling) upon the adoption of IFRS 9 at January 1, 2018 (note 3(r)(i)).

2 The financial instruments carried at fair value are measured on a recurring basis.

The money market funds 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 equity investment is determined using quoted prices obtained for those investments as at reporting date. For unquoted equity investments, fair value is determined using valuation techniques. Such valuation techniques include recent arm's length market transactions.

For put option liability over non-controlling interests, fair value is determined using valuation techniques which consider the present value of the gross obligation discounted using a risk-adjusted rate. The key inputs applied in arriving at the value of the put option liability are the earnings before interest, tax, depreciation and amortisation of MOLPay Sdn. Bhd., a subsidiary of the Company, for the year ending December 31, 2019 which is estimated by using management's business plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values (continued)

Fair value hierarchy (continued)

The carrying value of the put option liability is dependent on assumptions applied in determining these key inputs and is subject to change in the event that there is a change in any of those assumptions. The valuation is updated at every reporting period or more often if a significant change to any input is observed.

The significant unobservable inputs adopted in the valuation is the pre-tax weighted average cost of capital discount rate of 14% per annum. The fair value measurement is negatively correlated to the discount rate. A increase in the discount rate by 1% would have increased the carrying value by US$103,000. The re-measurement of the fair value of the put option liability is recognised in equity.

During the year ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The following table presents the change in Level 3 instruments:

	2018 US$'000	2017 US$'000
Financial assets		
At January 1	**20,250**	–
Additions	**408**	20,250
Additions through business combination (note 27(a))	**17**	–
Net unrealised gain recognised in other comprehensive income	**435**	–
Transfer to interest in an associate	**(19,900)**	–
	1,210	20,250

	2018 US$'000	2017 US$'000
Financial liabilities		
At January 1	**–**	2,120
Additions through business combination (note 27(a))	**3,603**	–
Net unrealised foreign exchange gain recognised in profit or loss	**–**	2,980
Net unrealised foreign exchange loss recognised in other comprehensive income	**(197)**	–
Revision to estimated exercise price	**1,567**	–
Issuance of holdback shares	**–**	(5,100)
	4,973	–

The Group does not have any other financial instruments that are measured using fair values as at December 31, 2018 and 2017.

29 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. In addition, the Group expects discounted cash out flow of approximately US$4,973,000 beyond one year.

30 OPERATING LEASE COMMITMENTS

The Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2018 US$'000	2017 US$'000
Within one year	**5,070**	3,875
After one year but within five years	**9,070**	10,130
After five years	**729**	1,571
Total minimum lease payments	**14,869**	15,576

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.

On December 21, 2018, the Group entered into an agreement to lease ("Agreement") with an entity ("Landlord") controlled by one of the Company's substantial shareholders, who is also a director of the Company, in respect of a premise (the "Premise") in Singapore. Under the Agreement, the Landlord agreed to grant to the Group a lease of the Premise for a term of 15 years, inclusive of a six-month rent free period, commencing from the date when the Landlord delivers vacant possession of the Premise to the Group ("Handover Date"), which is expected to be around May 1, 2020, after the building has received its Temporary Occupation Permit ("TOP"). In addition, the Landlord has agreed to provide certain property management and maintenance services to the Group from the Handover Date. The Group is also entitled to certain renewal options on the lease term. Without considering these renewal options, the total consideration under the Agreement, including the rent, management and maintenance service charge is approximately US$53.7 million, which is payable over the term of lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	December 31, 2018 US$'000	December 31, 2017 US$'000
Non-current assets		
Investments in a subsidiary	**341,421**	257,682
Prepayments	**229**	–
	341,650	257,682
Current assets		
Other receivables	**138,115**	32,069
Prepayments	**81**	120
Cash and bank balances	**484,403**	691,014
	622,599	723,203
Current liability		
Trade and other payables	**3,994**	10,620
Net current assets	**618,605**	712,583
NET ASSETS	**960,255**	970,265
Capital and reserves		
Share capital	**89,661**	90,225
Share premium	**714,082**	725,125
Reserves	**156,512**	154,915
TOTAL EQUITY	**960,255**	970,265

32 COMPARATIVE FIGURES

The Group has initially applied IFRS 9 and IFRS 15 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3(r).

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 and further amended by the Board on March 8, 2019) 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, 2018, which will be held on June 28, 2019
"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
"ASEAN"	Association of Southeast Asian Nations
"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
"Esports Mogul"	Esports Mogul Asia Pacific Limited, whereby ZVF1 Pte. Ltd., a wholly-owned subsidiary of the Company holds 5.72% interest in Esports Mogul
"GAAP"	Generally Accepted Accounting Principles
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	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
"initial public offering" or "IPO"	The initial public offering of the shares of Company, further details of which are set out in the Prospectus
"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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"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.
"MYR"	Malaysia Ringgit, the lawful currency of Malaysia
"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$0.01 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SGD"	Singapore dollars, the lawful currency of Singapore
"SST"	Slot Speaker Technologies, Inc. (formerly known as THX Ltd.)
"THX"	THX Ltd. (formerly known as Razer Tone, Inc.), a company incorporated in Delaware, the United States on August 19, 2016 and our 80%-owned subsidiary
"U.S."	the United States of America
"US$"	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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