STOCK CODE: 1337

ANNUAL REPORT 2019

RAZER INC.

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Mr. CHAN Thiong Joo Edwin
(resigned on March 24, 2020)

Ms. LIU Siew Lan Patricia

Mr. TAN Chong Neng
(appointed on March 24, 2020)

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, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance,
8th Floor, Prince's Building,
10 Chater Road, Central,
Hong Kong

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

Corporate Headquarters
9 Pasteur, Suite 100, Irvine, CA 92618,
United States

514 Chai Chee Lane, #07-05,
Singapore 469029

Principal Place of Business in Hong Kong
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

Principal Share Registrar and Transfer Office
Maples Fund Services (Cayman) Limited,
PO Box 1093, Boundary Hall, Cricket Square,
Grand Cayman KY1-1102,
Cayman Islands

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

Investor Relations Contact
Email: ir@razer.com

Corporate Website
www.razer.com

STOCK CODE: 1337


THIS IS ESPORTS
THIS IS ESPORTS
THIS IS ESPORTS
MIAMI SUNSET
MIAMI

FINANCIAL SUMMARY AND HIGHLIGHTS

FINANCIAL SUMMARY AND HIGHLIGHTS

For the Year ended December 31, 2019

RECORD HIGH REVENUE OF US$820.8 MILLION, WITH 15.2% YOY GROWTH

US$0 DEBT WITH OVER US$500 MILLION IN CASH

CONTINUOUS BREAKTHROUGH OF SERVICES BUSINESS

Revenue grew 55.2% YoY to US$77.0 million
Increased Gross Profit contribution to the Group of approximately 20%

2H 2019 ADJUSTED EBITDA BREAKEVEN*

excluding exited mobile handset business

* On a full-year basis, Adjusted EBITDA loss narrowed by 37.3% to US$29.4 million. 2019 will be the last year that we will see the impact of our mobile handset business on our results as we successfully pivoted our mobile gaming strategy by exiting the mobile handset business towards growing the mobile/cloud gaming (peripherals, software and services) business. We achieved breakeven in the second half of 2019 on an Adjusted EBITDA basis (if EBITDA was adjusted to exclude the mobile handset business that we exited).

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,				
	2015 US$'000	2016 US$'000	2017 US$'000	2018 US$'000	**2019** **US$'000**
Revenue	319,706	392,099	517,937	712,439	**820,795**
Gross profit	100,201	109,451	151,025	170,078	**168,063**
Loss before income tax	(17,146)	(63,270)	(164,585)	(89,547)	**(77,816)**
Loss for the year	(20,356)	(59,616)	(165,839)	(97,908)	**(83,470)**
Total comprehensive income for the year	(20,461)	(59,696)	(164,877)	(103,308)	**(83,252)**
Loss attributable to equity shareholders of the Company	(20,356)	(59,332)	(164,020)	(96,966)	**(84,179)**
Total comprehensive income attributable to equity shareholders of the Company	(20,461)	(59,412)	(163,058)	(102,453)	**(81,755)**

Condensed Consolidated Statements of Financial Position

	As at December 31,				
	2015 US$'000	2016 US$'000	2017 US$'000	2018 US$'000 (Restated)	**2019** **US$'000**
Non-current assets	23,165	52,722	93,429	144,576	**146,879**
Current assets	165,245	263,758	911,834	885,156	**847,928**
Total assets	188,410	316,480	1,005,263	1,029,732	**994,807**
Current liabilities	104,881	164,776	217,966	353,879	**401,920**
Net current assets	60,364	98,982	693,868	531,277	**446,008**
Non-current liabilities	4,145	3,516	3,921	13,911	**18,099**
Net assets	79,384	148,188	783,376	661,942	**574,788**
Total equity attributable to equity shareholders of the Company	79,384	144,601	781,608	659,810	**568,275**
Non-controlling interests	–	3,587	1,768	2,132	**6,513**
Total equity	79,384	148,188	783,376	661,942	**574,788**

CHAIRMAN'S STATEMENT

MANUAL
136
0
00:37
Progress
1
2
STRIKER
LV.70
39049
18 HITS!
9
7
56788 / 56788
LEVEL 70
POWER
WIFI
100%

CHAIRMAN'S STATEMENT

2019 was another strong year for Razer. Our core gaming ecosystem business saw broad based growth across all business segments of hardware, software and services, while we continued to scale our new growth initiatives with ongoing investments.

2019: RECORD HIGH REVENUE; ADJUSTED EBITDA BREAKEVEN (EXCLUDING EXITED MOBILE HANDSET BUSINESS) IN SECOND HALF OF 2019; CONTINUED BREAKTHROUGH OF SERVICES BUSINESS; STRONG BALANCE SHEET WITH NO DEBT AND OVER US$500 MILLION IN CASH

Razer remains on a strong growth trajectory, with revenues reaching an all-time record high of US$820.8 million, representing a year-on-year growth of 15.2%.

On a full-year basis, Adjusted EBITDA loss narrowed by 37.3% to US$29.4 million. 2019 will be the last year that we will see the impact of our mobile handset business on our results as we successfully pivoted our mobile gaming strategy by exiting the mobile handset business towards growing the mobile/cloud gaming (peripherals, software and services) business. We achieved breakeven in the second half of 2019 on an Adjusted EBITDA basis (if EBITDA was adjusted to exclude the mobile handset business that we exited). This is a result of continued improvements in operating leverage, as revenues grew across all business segments and we enforced strong operating cost discipline.

Our Services business saw continued breakthrough with revenue growing by 55.2% year-on-year to US$77.0 million, contributing almost 20% of the Group's gross profits. Razer Gold's transaction volume almost doubled in the second half of the year, thanks to the rapid global expansion of channels, introduction of new content

Razer Blade Gaming Laptops: World's First Gaming Ultrabook, Best Gaming Laptop of 2020

and new in-game items from our content partners, our strong marketing efforts, and to a lesser extent positive seasonality. In addition, Razer Gold's pivotal role in helping content companies to monetise on mobile has been tremendous. Indeed, we have recently achieved historical high record in daily total payment value ("TPV") with one of our content partners in the release of their new content. 2019 was the first year where we have the full-year contribution from MOL Global which we acquired in May 2018. In the second half of 2019, we sold part of our Turkey business which accounted for 9.3% of revenue of our Services business in 2018.

Our balance sheet remains robust, with no debt, and with cash and cash equivalents of US$528.3 million as of December 31, 2019. This puts us in a strong position to weather and continue growing even at times of challenging global economic conditions.

Core Segment

HARDWARE:

16.0% YEAR-ON-YEAR GROWTH TO US$714.0 MILLION

For 2019, our Hardware business grew by 16.0% year-on-year to US$714.0 million, driven primarily by the robust growth of our Peripherals and Systems businesses.

Our ability to roll out innovative, category-defining products puts us at the forefront of the industry. At the recent Consumer Electronics Show ("CES"), one of the world's most iconic technology events held annually at Las Vegas, Razer was crowned the official CES show's Best of CES for the 8th time in the company's history. During the year, we also announced that 10 million units of Razer DeathAdder have been sold globally since its launch in 2006. This flagship gaming mouse continues to be our best-selling mouse to date.

Despite the high base comparison versus a year of extraordinary growth in 2018 due to the release of two Battle Royale games, we finished the year as the number 1 brand for gaming peripherals in the US, and saw strong market share gains in Europe, Asia Pacific and China especially towards the end of year[1]. This was driven by in-depth understanding of gamers and the use of innovative new technologies such as the wildly popular Razer Viper Ultimate wireless gaming mouse, and the rolling out of our mobile gaming portfolio comprising mobile accessories and mobile controllers.

We have also grown to become the number 1 brand for premium gaming laptops in the U.S.[2] and our Systems business also continued its phenomenal expansion in markets outside of the U.S. such as Europe and Asia Pacific, with market share increasing across all regions[3].

SOFTWARE:

44.6% YEAR-ON-YEAR GROWTH TO APPROXIMATELY 80 MILLION TOTAL REGISTERED USER ACCOUNTS

Our Software business continued to expand with a 44.6% year-on-year increase in total registered user accounts to approximately 80 million as of December 31, 2019. This increase was mainly driven by strong growth across all our software offerings. During the year, efforts were made to further enhance the user experience of our software products that helped drive user adoption and user activity.

Our open software platform is key to our strategy of growing our user base to bring our software offerings and ecosystem to more partners and gamers around the world.

The growing proliferation of our RAZER CHROMA™ RGB Connected Devices Programme, an initiative started in 2018 to bring more third-party brands to the Razer ecosystem also contributed to increasing user adoption and user activity in our software products during the year. As of December 31, 2019, we have secured partnerships across 40 brands including AMD, Ducky, MSI, Thermaltake, with over 500 RAZER CHROMA™ RGB connected devices.

SERVICES:

55.2% YEAR-ON-YEAR GROWTH IN REVENUE TO US$77.0 MILLION

Our Services business continued to go from strength to strength with revenue growing by 55.2% year-on-year to US$77.0 million, contributing almost 20% of the Group's gross profit. In addition, Razer Gold's transaction volume almost doubled in the second half of the year, thanks to the rapid global expansion of channels, introduction of new content and new in-game items from our content partners, our strong marketing efforts, and to a lesser extent positive seasonality. In the second half of 2019, we sold part of our Turkey business which accounted for 9.3% of revenue of our Services business in 2018.

During the year, we significantly expanded the geographical presence of Razer Gold. Users from more than 130 countries can now use Razer Gold to purchase games and entertainment content or virtual items at 3.4 million channel touchpoints.

In addition, we further reinforced our position as the partner of choice for the world's leading gaming publishers. There are now 33,250 digital entertainment titles on our Razer Gold platform with new gaming content such as World of Dragon Nest. We also extended the use case beyond gaming within the digital entertainment space such as live-streaming and e-books/e-comics.

Growth Initiatives

MOBILE/CLOUD GAMING:

PRIME MOVER IN THE GAMING INDUSTRIAL REVOLUTION

Cloud gaming is set to become an increasingly crucial part of the gaming industry revolution, as the number of potential users is expected to reach 124.7 million by 2022[4]. In addition, it is expected that peripherals and input devices will become more prominent on mobile, as high-quality game experiences become more defined by input. As more complex and competitive titles continue to hit the platform, consumers' need for more precise input (controller peripherals) and communication (headsets) may drive revenues from mobile peripherals[5].

We have strong industry relationships with key players in the cloud gaming space such as Google Stadia, Microsoft Xbox Game Streaming (Preview) and Tencent Cloud.

During the year, we successfully pivoted our mobile gaming strategy from mobile handset towards mobile/cloud gaming (peripherals, software and services).

For peripherals, we unveiled our mobile/cloud gaming portfolio with the launch of a gaming controller and wireless earbuds towards the end of the year. These products saw an encouraging response from the market. For instance, the Razer Kishi, a universal mobile/cloud gaming controller for iOS and Android phones, has earned rave reviews from the market since launch at the recent CES.

For software, the Razer Cortex Mobile game recommendation app saw strong traction in its first full year since its launch in December 2018 with 1.5 million total user accounts as of December 31, 2019. Thanks to user retention features such as our Razer Silver loyalty points and new features such as user personalisation, the Razer Cortex Mobile game recommendation app saw strong increase in monthly active users, with user engagement per games launched and user conversion per games significantly expanded by 50-fold and 33-fold respectively.

For services, Razer Gold's pivotal role in helping content companies to monetise on mobile has been tremendous. Indeed, we have recently achieved historical high record in daily TPV with one of our content partners in the release of their new content.

We also plan to further invest and develop mobile gaming, including mobile esports platforms, teams and tournaments.

RAZER FINTECH:

EXTENDING THE BRAND, YOUTH/ MILLENNIAL USER BASE AND OUR RAZER GOLD FUNDAMENTALS

Globally, the unbanked/underserved population comprises some 1.7 billion[6]. The global fintech market size is projected to reach US$460 billion by 2025[7]. Research also shows that fintech solutions have become mainstream with global adoption reaching 64% in 2019, up from only 16% in 2015[8]. In addition, we have seen numerous regulatory initiatives taking place on a global scale such as the issuance of virtual banking licenses, with the aim of opening up the financial services industry. These industry trends bode well for Razer.

Razer Kishi: CES award winning universal mobile controller for cloud gaming

Razer Fintech, our financial technology arm established in April 2018 has grown to become one of the largest offline-to-online (O2O) digital payment networks in the emerging markets such as Southeast Asia.

Razer Fintech delivered a strong performance for the year, generating approximately US$2.1 billion in TPV, representing an increase of 50.0% year-on-year. The increase was driven by expansion in merchant base, and an increased focus in driving average transaction size as well as monthly average number of transactions per user.

Razer Merchant Services ("RMS"), a leading B2B (business-to-business) solution, accounted for the majority of Razer Fintech's revenue and TPV, and recorded significant growth during the year.

RMS Online, a leading card processing gateway in the region, also saw significant progress as we continued to onboard new merchants to adopt our processing capabilities, including major regional e-commerce players. Traction from key regional e-wallet partners also contributed to the growth in TPV in this business.

RMS Offline, which is one of Southeast Asia's largest offline payment networks with over 1 million physical acceptance points, saw robust growth. This is driven by mobile top-ups, bill payments such as utility bills payments, cash-over-counter services, as well as sale of Point of Sale Activation ("POSA") gaming and entertainment gift cards.

Razer Pay, the B2C (business-to-consumer) e-wallet solution first available in Malaysia in mid-2018 and subsequently available in Singapore at the end of 2019 has experienced tremendous growth, with 1,763% and 271% increase in both monthly TPV and monthly transaction volume since the launch of the upgraded version of the Razer Pay app in Malaysia in February 2019.

In light of the massive growth of our financial services business and coupled with our youths and millennials following, we intend to build a global youth bank – Razer Youth Bank, regionally and globally.

Addressing the unmet financial needs of the large, yet underserved, segment of the population though an innovative digital-first banking platform is a natural extension of our payments business.

Razer has:

- A strong brand with the youths and millennials globally: Over 70% of millennials are gamers[9] and Razer is a defining brand for the global youth population. As of December 31, 2019, over 80% of our 80 million registered users are under the age of 35;
- A deep understanding of the youths: Deep understanding of the lifestyle needs of the youths and millennials and be able to customise relevant products and services; and
- An extensive technology and fintech expertise: Tapping into Razer Fintech's innovative and deep fintech expertise and data-driven technology stack to deliver exceptional user experience.

In January 2020, we announced that Razer Fintech has submitted its application for the Digital Full Bank License to be issued by the Monetary Authority of Singapore ("MAS").

Razer Fintech has assembled a consortium of strategic partners who will take up the remaining equity interest in Razer Youth Bank and who have been selected for their ability to contribute strategically, and not just financially, to Razer Youth Bank. Razer Fintech will take a majority stake in Razer Youth Bank with the other members of the consortium taking up the remaining equity interest.

Such strategic equity partners include:

- **Sheng Siong Holdings Pte Ltd** – Private vehicle of the Lim brothers, self-made Singaporean entrepreneurs behind one of the largest supermarket chains in Singapore;
- **FWD** – Insurance business of investment group, Pacific Century Group;
- **LinkSure Global** – One of the largest privately-owned Internet companies in Asia that operates "WiFi Master Key", with approximately 800 million monthly active users globally and affiliated with "ShengPay", a leading third-party payment company in China which processed over RMB370 billion in total transaction volume in 2018;
- **Insignia Ventures Partners** – An early stage Singaporean technology venture fund focusing on Southeast Asia; and
- **Carro** – Headquartered out of Singapore, Southeast Asia's leading wholesale marketplace for vehicles that transact over US$500 million of vehicles annually across Indonesia, Thailand, Malaysia and Singapore.

Razer Youth Bank will redefine banking for the youths by integrating lifestyle experiences to its digital banking platform. As such, in addition to the strategic equity consortium partners, Razer Fintech has also gathered some the of world's best-in-class service providers, product and technology platform partners to create services and products to Razer Youth Bank.

According to the MAS, the award of the digital banking licenses is expected to be announced in the second half of 2020.

ESPORTS:

EXTENDING ON OUR BRAND LEADERSHIP IN ESPORTS

Razer is one of the world's leading brands in esports. Team Razer supports some of top esports' teams competing in all major esports games across the U.S., Europe and Asia Pacific, including China. During the year, Team Razer scored major wins in many tournaments, some of them being the biggest and most important ones for their respective gaming communities and scenes:

- ESL One: New York 2019 (CS:GO, Evil Geniuses)
- DreamHack Open Tours 2019 (CS:GO, Mousesports)
- DOTA Summit 10 (Dota 2, Alliance)
- April Annihilation 2019 (Street Fighter V, Mousesports & Dragon Ball FighterZ, Evil Geniuses)
- South East Asia Major 2019 (Street Fighter V, Fuudo)

Razer was also instrumental in bringing esports to the masses by successfully lobbying for esports to be included as an official sport at the 2019 Southeast Asian Games ("SEA Games 2019") – the first major global sporting event to include esports as a medal sport. Razer is proud to be the Official Esports Partner at the SEA Games 2019 which was a historical moment for esports.

As the first esports medal event, fans from all walks of life tuned in remotely or visited the San Juan Arena to watch the competitions live. On the first day alone, Razer's streaming platforms recorded over one million views with approximately 70,000 concurrent viewers.

At its peak, the San Juan Arena was filled to maximum capacity and Razer's streaming platforms registered 20 million impressions with 90,000 concurrent viewers. Audiences also spent over 200,000 hours watching the streams on YouTube, making it one of the top 10 trending gaming videos worldwide on the platform.

Outlook

Our business remains on track to deliver on its long-term strategy and growth ambitions.

Core Segment

In 2020, we expect our gaming Hardware business to continue to sustain market share leadership while rolling out innovative, category-defining products.

For our Software business, we intend to continue to grow and activate our user base in 2020 as well as explore monetisation opportunities starting with the Razer Cortex Mobile app.

For our Services business, Razer Gold will seek to continue its growth with the addition of new content, partners and channels.

Growth Initiatives

We will further expand our mobile/cloud gaming (peripherals, software, services) initiatives while working with other key players in the industry.

For Razer Fintech, we will continue to increase foothold in existing markets and explore new emerging markets for B2B business. We will also invest in B2C market expansion, such as digital banking initiatives.

Razer Viper Ultimate: Best Wireless Gaming Mouse in 2019

Razer also remains committed to elevating the status of esports to the mainstream through deep collaboration with global sports bodies and working with the best esports athletes to develop stellar esports products.

The COVID-19 situation is evolving with uncertainties about the extent and duration of the outbreak. Our initial assessment of the impact is:

First quarter of 2020:

- Consumer demand remains strong though there was short-term impact to hardware supply. Supply chain issues have largely been addressed by mid-March.

Full year of 2020:

"Stay-At-Home":

- Expect to see more opportunities and growth for the Razer gaming ecosystem in light of the "stay-at-home" situation.

Esports:

- With the cancellation of many traditional sporting activities, expect esports to continue to grow as esports events are primarily watched via livestreaming online.

Razer Fintech:

- Expect to see healthy expansion, especially on the B2B front with increasing e-commerce activity and the move away from cash in lieu of digital payments.

On the whole, we expect to see continued momentum in growth trajectory underpinned by our ecosystem of hardware, software and services, although there are uncertainties surrounding the COVID-19 outbreak, something which we are closely monitoring. Having said that, as we continue to maintain strong operating cost discipline, we are confident to drive further improvements in our operations. The fundamentals of our business remain robust. We have no debt, and our strong cash position of over US$500 million allows us to weather challenging global economic conditions, such as the uncertainties brought about by the COVID-19 outbreak.

For Gamers. By Gamers.

Min-Liang Tan
Co-Founder, Chairman and CEO

[1,3] GFK, NPD, company data
[2] 15" gaming laptops at US$1,800 and above according to NPD
[4,5,9] Newzoo
[6] World Bank Group – The Global Findex Database 2017
[7] Adroit Market Research
[8] EY Global Fintech Adoption Index 2019

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended December 31,	
	2019 **US$'000**	2018 US$'000
Revenue	**820,795**	712,439
Cost of sales	**(652,732)**	(542,361)
Gross profit	**168,063**	170,078
Selling and marketing expenses	**(112,675)**	(117,995)
Research and development expenses	**(52,418)**	(76,298)
General and administrative expenses	**(89,267)**	(75,383)
Impairment of goodwill and other assets	**(9,525)**	–
Loss from operations	**(95,822)**	(99,598)
Other non-operating income/(expenses)	**6,188**	(1,857)
Finance income	**13,193**	12,218
Finance costs	**(1,375)**	(310)
Loss before income tax	**(77,816)**	(89,547)
Income tax expense	**(5,654)**	(8,361)
Loss for the year	**(83,470)**	(97,908)
Loss attributable to:		
Equity shareholders of the Company	**(84,179)**	(96,966)
Non-controlling interests	**709**	(942)
Loss for the year	**(83,470)**	(97,908)
Unaudited non-GAAP measures		
Adjusted loss before income tax	**(40,316)**	(57,263)
Adjusted EBITDA	**(29,415)**	(46,887)

Revenue

Our revenue increased by 15.2% from US$712.4 million in 2018 to US$820.8 million in 2019, due to an increase in revenue from both our Hardware and our Software and Services businesses.

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,			
	2019		2018	
	US$'000	**%**	US$'000	%
Segment Revenue				
Hardware				
Peripherals	**444,902**	**54.2**	429,606	60.3
Systems	**269,077**	**32.8**	185,919	26.1
Software and Services	**77,027**	**9.4**	49,564	7.0
Others	**29,789**	**3.6**	47,350	6.6
	820,795	**100.0**	712,439	100.0

Our *Hardware* business consists primarily of sales of Peripherals and Systems, which increased 16.0% from US$615.5 million in 2018 to US$714.0 million in 2019. Revenue from the Peripherals segment increased by 3.6% from US$429.6 million in 2018 to US$444.9 million in 2019. Revenue from the Systems segment increased by 44.8% from US$185.9 million in 2018 to US$269.1 million in 2019, primarily due to market expansion in different geographical regions.

Software and Services. Revenue from the Software and Services segment increased by 55.2% from US$49.6 million in 2018 to US$77.0 million in 2019. The increase was primarily driven by expansion of channels and contents.

Others. Revenue from the Others segment decreased by 37.1% from US$47.4 million in 2018 to US$29.8 million as there was no refreshed model of the Razer Phone in 2019.

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 20.3% from US$542.4 million in 2018 to US$652.7 million in 2019. Gross profit decreased by 1.2% from US$170.1 million in 2018 to US$168.1 million in 2019, and gross margin decreased from 23.9% for 2018 to 20.5% for 2019.

Peripherals. Segment cost for Peripherals increased by 12.0% from US$292.2 million in 2018 to US$327.4 million in 2019, which was generally in line with the increase in our Peripherals revenue. Gross margin for our Peripherals segment decreased from 32.0% for 2018 to 26.4% for 2019 primarily due to investments in products and channels.

Systems. Segment cost for Systems increased by 44.0% from US$168.5 million in 2018 to US$242.6 million in 2019, which was generally in line with the increase in our Systems revenue. Gross margin for our Systems segment increased from 9.4% for 2018 to 9.8% for 2019, 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 by 72.1% from US$25.8 million in 2018 to US$44.4 million in 2019, which was in line with our increase in sales. Gross margin for our Software and Services segment decreased from 48.0% for 2018 to 42.4% for 2019, primarily due to a revenue-sharing arrangement with MOL Global on sales of Razer Gold, which has a higher margin, prior to the acquisition in May 2018.

Others. Segment cost for Others decreased by 31.5% from US$55.9 million in 2018 to US$38.3 million in 2019, which was generally in line with the decrease in our Others revenue as we did not introduce any refreshed model for the Razer Phone in 2019, unlike in 2018. Gross margin for our Others segment decreased from (18.1)% for 2018 to (28.6)% for 2019, primarily due to an increasingly competitive landscape in the smartphone market.

Selling and marketing expenses

Selling and marketing expenses decreased by 4.5% from US$118.0 million in 2018 to US$112.7 million in 2019. The decrease was primarily due to an overall decrease in sales and marketing spending of US$5.6 million, as we streamlined marketing programs as well as reduced marketing spend for the Razer Phone business in 2019.

Research and development expenses

Research and development expenses decreased by 31.3% from US$76.3 million in 2018 to US$52.4 million in 2019. The decrease was primarily due to (i) a decrease of US$13.2 million in external research and development costs as we did not launch a refreshed Razer Phone model in 2019, (ii) a decrease of US$11.4 million in employee benefits, which primarily relates to share-based compensation expense. This was slightly offset by restructuring expenses of US$1.3 million in 2019.

General and administrative expenses

General and administrative expenses increased by 18.4% from US$75.4 million in 2018 to US$89.3 million in 2019. The increase was primarily due to an increase in share-based compensation expense of US$15.8 million in 2019.

Impairment of goodwill and other assets

Impairment of goodwill and other assets of US$9.5 million relates to the write-off of mobile-related assets, which we have assessed to have no recoverable value.

Other non-operating income/(expenses)

Other non-operating income increased from an expense of US$1.9 million in 2018 to an income of US$6.2 million in 2019. The increase was primarily due to a gain from sale of a subsidiary in 2019 of US$4.8 million and foreign exchange gains from our Software and Services business.

Net finance income

Our net finance income slightly decrease from US$11.9 million in 2018 to US$11.8 million in 2019.

Loss before income tax

As a result of the foregoing, our loss before income tax decreased from a loss of US$89.5 million in 2018 to a loss of US$77.8 million in 2019, a decrease of 13.1%.

Income tax expense

Our income tax expense decreased from US$8.4 million in 2018 to US$5.7 million in 2019 primarily due to the impact from the conclusion of our 2014-2018 U.S. Advance Pricing Agreement which resulted in an increase of our U.S. incorporated subsidiary's pre-tax income during 2018.

Loss for the year

As a result of the foregoing, our loss for the year decreased from a loss of US$97.9 million in 2018 to a loss of US$83.5 million in 2019, a decrease of 14.7%.

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 before income tax

We define adjusted loss before income tax as loss for the year added back with income tax expense, share-based compensation expense, restructuring expense, an impairment of mobile-related assets and merger and acquisitions expense and deducted the gain from sale of subsidiary. 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,	
	2019	2018
	US$'000	US$'000
Loss for the year	**(83,470)**	(97,908)
Add: Income tax expense	**5,654**	8,361
Loss before income tax	**(77,816)**	(89,547)
Add:		
Share-based compensation expense	**30,432**	29,644
Gain from sale of subsidiary	**(4,770)**	–
Restructuring expense	**1,832**	–
Impairment of goodwill and other assets	**9,525**	–
Merger and acquisition expense	**481**	2,640
Adjusted loss before income tax	**(40,316)**	(57,263)

Adjusted EBITDA

We define adjusted EBITDA as loss from operations added back with depreciation and amortisation, share-based compensation expense, restructuring expense, an impairment of mobile-related assets and merger and acquisitions expense. 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,	
	2019	2018
	US$'000	US$'000
Loss from operations	**(95,822)**	(99,598)
Add:		
Depreciation and amortisation	**24,137**	20,427
Share-based compensation expense	**30,432**	29,644
Restructuring expense	**1,832**	–
Impairment of goodwill and other assets	**9,525**	–
Merger and acquisition expense	**481**	2,640
Adjusted EBITDA	**(29,415)**	(46,887)

LIQUIDITY AND CAPITAL RESOURCES

Our cash and bank balances (comprising of cash at bank and in hand, fixed deposits and money market funds) as at December 31, 2019 and 2018 were as follows:

	2019 **US$'000**	2018 US$'000
Cash at bank and in hand	**121,807**	136,533
Fixed deposits and money market funds	**406,523**	478,704
Cash and bank balances in the consolidated cash flow statement and consolidated statement of financial position	**528,330**	615,237

As at December 31, 2019, our cash and bank balances were US$528.3 million. The decrease was mainly due to (i) cash used in operations of US$35.9 million, and (ii) shares buy-back of approximately US$31.9 million in 2019.

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,	
	2019 **US$'000**	2018 US$'000
Capital Expenditures		
Acquisition of property, plant and equipment	**10,369**	13,763
Acquisition of intangible assets	**4,492**	1,418
Total	**14,861**	15,181

Our capital expenditures comprised the acquisition of property, plant and equipment such as tooling assets, retail fixtures, computer 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

As at December 31, 2019 and 2018, we did not have any material bank loans, debt securities, borrowings, indebtedness, guarantees, hire purchase commitments or mortgages.

Contingent Liabilities

As of December 31, 2019 and 2018, we did not have any material contingent liabilities.

Dividends

No dividends have been paid or declared by us during the years ended December 31, 2019 and 2018.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries

Except as disclosed below, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the year ended December 31, 2019.

On August 8, 2019, the Group entered into a sale and purchase agreement with Emre Gürsoy and Kuntay Kutlu to sell the 51% equity interest of Klon Ödeme Kuruluşu Anonim Şirketi ("PaybyMe") held by MOL AccessPortal Sdn. Bhd. for an aggregate cash consideration of US$2,608,000.

Material Investments

We did not hold any significant investments in the equity interests of any other companies.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Min-Liang Tan

Aged 42, 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 Health 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 (M) 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. (萬利線上股份有限公司), MOLPay Corp (網錢支付股份有限公司), Rixty, Inc., MOLPay International Ltd., MOL Group (Thailand) Co., Ltd., MOL AccessPortal Co., Ltd., 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., Razer B Holdings Pte. Ltd., Razer B (Singapore) Pte. Ltd., MOL AccessPortal Pte. Ltd., MOLPay Pte. Ltd., MMOG Asia Sdn. Bhd., MOL ManagedServices Sdn. Bhd., MOL AccessPortal, Inc. 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

(Resigned on March 24, 2020)

Aged 42, was appointed as an executive Director in June 2017. Mr. Chan has served as the Chief Investment Officer with effect from January 2020. Mr. Chan previously served as 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 the Chief Financial Officer from June 2013 to December 2019.

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., MOL Turkey Bilgi Sistemleri Yayincilik Sanayi ve Ticaret Anonim Sirketi and Razer Turkey Bilişim, Teknoloji ve Ticaret Anonim Sirketi.

Mr. Chan has over 17 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.

Ms. Liu Siew Lan Patricia

Aged 55, was appointed as an executive Director in March 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 organisation-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., Razer Pay Wallet (M) Sdn. Bhd., MOL AccessPortal Pty. Ltd., Rixty, Inc., MyCNX Holdings (M) Sdn. Bhd., MOL Wallet Sdn. Bhd., MOL SocialPayments Sdn. Bhd., Sept 3 Technology Sdn. Bhd. and Uniwiz Trade Sales, Inc.

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 the Singapore Management University.

Mr. Tan Chong Neng

Aged 46, was appointed as an executive Director on March 24, 2020. Mr. Tan has served as the Chief Financial Officer since January 2020. Mr. Tan previously served as Senior Vice President, Corporate Controller from November 2017 to December 2019.

A finance veteran of more than 20 years, Mr. Tan was the Group Chief Financial Officer of the Tri-Star Group prior to joining Razer. He also served as the Chief Operating Officer and Chief Financial Officer of Stanley Security Solutions in Asia Pacific. Prior to this, Mr. Tan spent 10 years in United Technologies Corporation, taking on positions of increasing responsibility from the Regional Financial Controller role to Regional Finance Director, covering different countries.

Mr. Tan holds a master's degree in business administration from Manchester Business School and a bachelor of accountancy from Nanyang Technological University, and is a Chartered Accountant (Singapore).

Non-executive Director

Mr. Lim Kaling

Aged 56, 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 the 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 32 years of experience in private equity and as a seed investor. Mr. Lim was a founding investor of Premisys Communications Inc., a company listed on NASDAQ and was subsequently acquired by Zhone Technologies Pte Ltd. Mr. Lim served as a director of Premisys Communications Inc. from 1990 to 1996. Mr. Lim was also the founding investor of Lucasfilm Animation Singapore Pte Ltd. and has served as a director since 2004. Currently, Mr. Lim is the chairman of his 100-year old family business, Lim Teck Lee Pte Ltd. 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 59, 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 derivative syndication and had been posted to the bank's London and Tokyo offices. In 1990, Mr. Chau set up his own real estate investment company in California, the United States, investing in real estate projects in Texas and California. Since 1996, Mr. Chau has been an independent non-executive director of the Tai Sang Land Development Limited (a company listed on the Stock Exchange (Stock Code: 89)). From 2005 to 2012, Mr. Chau was the executive vice chairman of Sincere Watch (Hong Kong) Limited (a company listed on the Stock Exchange (Stock Code: 444)) ("Sincere Watch Group"), during which he was responsible for the overall development of Sincere Watch Group's business, as well as the strategic planning and positioning and management of the Sincere Watch Group. Prior to joining the Sincere Watch Group, he was a principal officer of an investment company in Hong Kong dealing in real estates and the food and beverage industry in China 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 75, 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 48, 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. 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

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

Mr. Chan Thiong Joo Edwin has served as the Chief Investment Officer since January 2020. Please refer to the section headed "Executive Directors" for the biography of Mr. Chan.

Ms. Liu Siew Lan Patricia

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. Tan Chong Neng

Mr. Tan Chong Neng has served as the Chief Financial Officer since January 2020. Please refer to the section titled 'Executive Directors' for the biography of Mr. Tan.

Mr. Choo Wei Pin

Aged 48, is Chief Legal and Compliance Officer of Razer and is responsible for Razer's global legal activities including intellectual property, corporate secretarial matters and regulatory compliance. 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 is recognised as a leading in-house lawyer.

Prior to joining Razer, Mr. Choo had served as general counsel and company secretary of companies listed in Singapore, Hong Kong and Malaysia. He was previously a partner with a large law firm in Singapore.

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.

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 Razer B Holdings Pte. Ltd. on November 28, 2019. Appointed as director of Razer B (Singapore) Pte. Ltd. on December 3, 2019. Appointed as director of MOL AccessPortal Pte. Ltd. on December 9, 2019. Appointed as director of MOLPay Pte. Ltd. on December 9, 2019. Appointed as director of MOL ManagedServices Sdn. Bhd. on December 16, 2019. Appointed as director of MMOG Asia Sdn. Bhd. on December 17, 2019. Appointed as director of MOL AccessPortal, Inc. on December 19, 2019. Appointed as director of Sihirli Kule Bilgi Sistemleri Ltd on January 15, 2020.

MR. CHAN THIONG JOO EDWIN: Appointed as director of Razer Turkey Bilişim Teknoloji ve Ticaret Anonim Sirketi on October 15, 2019.

Mr. Khaw Kheng Joo

Aged 71, is the Chief Operating Officer of the Company since June 2012. From October 2009 to November 2009, Mr. Khaw served as the interim Chief Executive Officer, from February 2011 to May 2012, Mr. Khaw served as the consultant and interim Chief Operating Officer and from June 2017 to March 2019, Mr. Khaw was an executive Director.

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

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

Mr. Li Meng Lee

Aged 42, 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 partnerships and further penetration into broader entertainment segments, to advance buildout of Razer's ecosystem of hardware, software and services. He is also the CEO of Razer Fintech since January 2020 and is responsible for driving our Razer Fintech business and expanding Razer brand in the greater sphere of the youth and millennials. Mr. Lee serves as a director MOLPay Sdn. Bhd., a subsidiary of the Company.

Mr. Lee brings over 16 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.

MS. LIU SIEW LAN PATRICIA: Appointed as director of MOL AccessPortal Pty Ltd on December 9, 2019. Appointed as director of Rixty, Inc. on December 9, 2019. Appointed as director of MyCNX Holdings (M) Sdn. Bhd. on December 17, 2019. Appointed as director of MOL Wallet Sdn. Bhd. on December 17, 2019. Appointed as director of MOL SocialPayments Sdn. Bhd. on December 17, 2019. Appointed as director of Sept 3 Technology Sdn. Bhd. on December 17, 2019. Appointed as director of Uniwiz Trade Sales, Inc. on December 19, 2019. Appointed as director of MOLPay Philippines Inc. on January 3, 2020. Appointed as director of Zest Interactive Co., Ltd, MOL AccessPortal Co., Limited and MOL Solutions Company Limited on March 18, 2020.

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 2019 annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2019 (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, 2019, 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 10 to 15 and "Management Discussion and Analysis" on pages 18 to 23 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 6 to 7 in this annual report.

Bank Borrowings and Other Borrowings

The Group had no bank borrowings and other borrowings as at December 31, 2019.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the year ended December 31, 2019 are set out in note 13 to the Financial Statements.

Charge on Assets

As at December 31, 2019, no property, plant and equipment was pledged to banks as loan security.

Share Capital

On November 1, 2019, the Company issued 150,000,000 Shares with an aggregate nominal value of US$1,500,000.00 to the RSU Trustee to be held on trust under an account for non-connected persons to satisfy Awards granted under the 2016 Equity Incentive Plan to non-connected persons upon vesting of the Awards. The new Shares were issued at par value. As of December 31, 2019, the authorised share capital of the Company was US$150,000,000 divided into 15,000,000,000 Shares, among which 8,930,703,033 Shares were issued and fully paid.

Details of movements in the Company's share capital during the year ended December 31, 2019 are set out in note 27 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, 2019, the Company repurchased 167,934,000 Shares on the Stock Exchange at an aggregate consideration of HK$248,856,130.85 excluding brokerage fee 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$
January	52,619,000	1.36	1.02	59,100,438.30
February	30,735,000	1.49	1.32	44,275,621.20
March	7,507,000	1.66	1.60	12,260,637.80
April	38,400,000	2.10	1.66	70,663,280.66
May	22,847,000	2.03	1.46	38,943,247.59
June	15,826,000	1.70	1.41	23,612,905.30

All 167,934,000 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, 2019.

Results and Dividends

The results of the Group for the year ended December 31, 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 83 to 84 of this annual report.

The Board does not recommend the payment of any dividend for the year ended December 31, 2019.

Reserves

As at December 31, 2019, 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, 2019 are set out in the consolidated statement of changes in equity and note 27 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, 2019, approximately 77.9% of the Group's total purchases were attributable to the Group's five largest suppliers and approximately 37.9% of the Group's total purchases were attributable to the largest supplier. During the year ended December 31, 2019, approximately 28.3% of the Group's total revenues were attributable to the Group's five largest customers and approximately 9.1% 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, 2019 and up to the date of this annual report were as follows:

Executive Directors

Mr. Min-Liang Tan *(Chairman)*
Mr. Chan Thiong Joo Edwin *(resigned on March 24, 2020)*
Mr. Khaw Kheng Joo *(resigned on March 21, 2019)*
Ms. Liu Siew Lan Patricia *(appointed on March 21, 2019)*
Mr. Tan Chong Neng *(appointed on March 24, 2020)*

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. Min-Liang Tan, Mr. Lim Kaling and Mr. Gideon Yu will retire at the forthcoming AGM and being eligible, offer themselves for re-election thereat.

Pursuant to article 16.2 of the Articles of Association, Mr. Tan Chong Neng who was appointed by the Board on March 24, 2020 will retire at the forthcoming AGM and being eligible, offer himself 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, 2019 are set out on pages 26 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 "Continuing Connected Transaction(s)" and "Related Party Transaction(s)" 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, 2019 or as at December 31, 2019.

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, 2019.

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, 2019, 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	290,593,794[2]	3.25%
	Founder of a discretionary trust	Other interest	2,837,935,801[3]	31.78%
Chan Thiong Joo Edwin	Beneficial owner	Personal interest	54,785,622[4]	0.61%
Liu Siew Lan Patricia	Beneficial owner	Personal interest	6,126,241[5]	0.07%
Lim Kaling ("Mr. Lim")	Beneficial owner	Personal interest	1,089,246[6]	0.01%
	Interest of controlled corporations	Corporate interest	453,852,460[7]	5.08%
	Founder of a discretionary trust	Other interest	1,673,090,441[8][9]	18.73%
Chau Kwok Fun Kevin	Beneficial owner	Personal interest	847,155[10]	0.01%
	Founder of a discretionary trust	Other interest	600,000	0.01%
Lee Yong Sun	Beneficial owner	Personal interest	616,112[11]	0.01%
Gideon Yu	Beneficial owner	Personal interest	4,665,074[12]	0.05%

Notes:

(1) The percentage has been computed based on the total number of Shares of the Company in issue as at December 31, 2019 (i.e. 8,930,703,033 Shares).

(2) Mr. Tan had a beneficial interest in a total of 290,593,794 Shares which included beneficial interest in 135,386,116 Shares underlying 135,386,116 restricted share units ("RSUs") which have been granted and have not yet vested as at December 31, 2019.

(3) 2,837,935,801 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 54,785,622 Shares which included beneficial interest in 13,844,574 Shares underlying 13,844,574 RSUs which have been granted and have not yet vested as at December 31, 2019.

(5) Liu Siew Lan Patricia had a beneficial interest in a total of 6,126,241 Shares which included beneficial interest in 3,058,482 Shares underlying 3,058,482 RSUs which have been granted and have not yet vested as at December 31, 2019.

(6) Mr. Lim had a beneficial interest in a total of 1,089,246 Shares which included beneficial interests in 467,282 Shares underlying 467,282 RSUs which have been granted and have not yet vested as at December 31, 2019.

(7) 453,852,460 Shares were held by Mr. Lim through his controlled corporations – Lim Teck Lee Land Pte Ltd, Archview Capital Ltd and Sandalwood Associates Limited. Lim Teck Lee Land Pte Ltd is 93.66% owned indirectly by Mr. Lim through Lim Teck Lee (Pte.) Ltd. Archview Capital Ltd and Sandalwood Associates Limited are indirectly wholly-owned by Mr. Lim through Immobillari Limited.

(8) 1,342,446,474 Shares were held by Risoluto Pte. Ltd. as the trustee of the Quadri Trust, which beneficially owns Voyager Equity Limited. The Quadri Trust was established by Mr. Lim as the settlor and the investment advisor. Mr. Lim and his family member are the beneficiaries of the Quadri Trust.

(9) 330,643,967 Shares were held by Risoluto Pte. Ltd. as the trustee of the Campagnion Trust, which beneficially owns Primerose Ventures Inc. The Campagnion Trust was established by Mr. Lim as the settlor and the investment advisor. Mr. Lim and his family member are the beneficiaries of the Campagnion Trust.

(10) Chau Kwok Fun Kevin had a beneficial interest in a total of 847,155 Shares which included beneficial interests in 628,414 Shares underlying 628,414 RSUs which have been granted and have not yet vested as at December 31, 2019.

(11) Lee Yong Sun had a beneficial interest in a total of 616,112 Shares which included beneficial interests in 457,027 Shares underlying 457,027 RSUs which have been granted and have not yet vested as at December 31, 2019.

(12) Gideon Yu had a beneficial interest in a total of 4,665,074 Shares which included beneficial interests in 599,235 Shares underlying 599,235 RSUs which have been granted and have not yet vested as at December 31, 2019.

(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	3,420,000(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, 2019 (i.e. 17,100,000 common stock).*

(2) *3,420,000 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, 2019, 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	2,837,935,801(2)	31.78%
Julius Baer Trust Company (Channel Islands) Limited	Trustee	2,837,935,801(2)	31.78%
Chen Family (Global) Holdings Limited	Interest of controlled corporations	2,837,935,801(2)	31.78%
Chen Family (Hivemind) Holdings Limited	Beneficial owner	2,837,935,801(2)	31.78%
Risoluto Pte. Ltd.	Trustee	1,673,090,441(3)(4)	18.73%
Voyager Equity Limited	Beneficial owner	1,342,446,474(3)	15.03%

Notes:

(1) *The percentage has been computed based on the total number of Shares of the Company in issue as at December 31, 2019 (i.e. 8,930,703,033 Shares).*

(2) *2,837,935,801 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of the Chen Family Trust, which beneficially owns Chen Family (Global) Holdings Limited which in turn wholly owns Chen Family (Hivemind) Holdings Limited. The Chen Family Trust was established by Mr. Tan as the settlor and the investment advisor. Mr. Tan and his family members are the beneficiaries of the Chen Family Trust. Mr. Tan is also a director of Chen Family (Hivemind) Holdings Limited. Julius Baer Group Limited is a parent company of Julius Baer Trust Company (Channel Islands) Limited which has an interest in the shares in its role as trustee of a certain trust.*

(3) *1,342,446,474 Shares were held by Risoluto Pte. Ltd. as the trustee of the Quadri Trust, which beneficially owns Voyager Equity Limited. The Quadri Trust was established by Mr. Lim as the settlor and the investment advisor. Mr. Lim and his family member are the beneficiaries of the Quadri Trust.*

(4) *330,643,967 Shares were held by Risoluto Pte. Ltd. as the trustee of the Campagnion Trust, which beneficially owns Primerose Ventures Inc. The Campagnion Trust was established by Mr. Lim as the settlor and the investment advisor. Mr. Lim and his family member are the beneficiaries of the Campagnion Trust.*

Save as disclosed above, as at December 31, 2019, 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.

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 determined based on their qualification, position and seniority, while the variable components of their compensation are determined based on the performance of the Group and the individual concerned. The Group had 1,355 employees as of December 31, 2019. 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, 2019 and 2018, 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 30 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 it does not involve the grant of options by the Company to subscribe for new shares.

The purposes of the 2016 Equity Incentive Plan are (i) to recognise the contributions 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 this Plan shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the 2016 Equity Incentive Plan.

Unless otherwise duly approved by the shareholders of the Company, the total number of shares underlying RSUs which may be granted under the 2016 Equity Incentive Plan shall not exceed 1,594,406,095, equivalent to approximately 18.0% of the total number of issued shares as at November 13, 2017 (the "Scheme Limit").

To facilitate the administration of the 2016 Equity Incentive Plan, an aggregate of 708,104,004 Shares and 150,000,000 were issued to the Computershare Hong Kong Trustees Limited, as trustee, on November 13, 2017 and November 1, 2019 respectively. Accordingly, the number of shares underlying the RSUs which remains available under the Scheme Limit to be granted is 736,302,091 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, 2019	RSUs granted during the period from January 1, 2019 to December 31, 2019	RSUs vested during the period from January 1, 2019 to December 31, 2019	RSUs cancelled during the period from January 1, 2019 to December 31, 2019	Number of Shares underlying RSUs outstanding at December 31, 2019
Directors of the Company					
Min-Liang Tan	3,422,117	178,396,938	(46,432,939)	–	135,386,116
Chan Thiong Joo Edwin[(1)]	25,608,142	1,135,730	(12,899,298)	–	13,844,574
Khaw Kheng Joo[(2)]	42,010,798	385,070	(21,100,626)	–	21,295,242
Liu Siew Lan Patricia[(3)]	3,016,677	1,660,904	(1,619,099)	–	3,058,482
Lim Kaling	201,671	568,260	(302,649)	–	467,282
Chau Kwok Fun Kevin	–	847,155	(218,741)	–	628,414
Lee Yong Sun	–	616,112	(159,085)	–	457,027
Gideon Yu	1,048,271	757,679	(1,206,715)	–	599,235
Subtotal	75,307,676	184,367,848	(83,939,152)	–	175,736,372
Other employees[(4)]	224,378,085	56,572,293	(105,328,522)	(29,340,052)	146,281,804
TOTAL OF ALL GRANTEES	**299,685,761**	**240,940,141**	**(189,267,674)**	**(29,340,052)**	**322,018,176**

Notes:

(1) *Chan Thiong Joo Edwin resigned as executive Director with effect from March 24, 2020.*

(2) *Khaw Kheng Joo resigned as executive Director with effect from March 21, 2019.*

(3) *Liu Siew Lan Patricia was appointed as executive Director with effect from March 21, 2019.*

(4) *Comprise 538 and 462 other employees as of January 1, 2019 and as of December 31, 2019.*

THX Equity Incentive Plan

Pursuant to the resolutions of THX's directors and shareholders dated May 30, 2019, THX, a non-wholly owned subsidiary of the Company, adopted an equity incentive plan (the "THX EIP"). The terms of the THX EIP governing the grant of restricted share units in THX ("THX RSUs") are not subject to the provisions of Chapter 17 of the Listing Rules as the THX EIP does not involve the grant of options by THX to subscribe for new shares in THX ("THX Shares").

Unless otherwise approved by the shareholders of THX, the total number of THX Shares underlying THX RSUs to be granted under the THX EIP shall not exceed 2,900,000 THX Shares (being 14.5% of the issued share capital of THX as at December 31, 2019). On December 9, 2019, THX granted 900,000 THX RSUs underlying 900,000 THX Shares to Mr. Min-Liang Tan, who is the Chief Executive Officer of THX, in accordance with the terms of the THX EIP.

The adoption of the THX EIP did not constitute a discloseable transaction under Chapter 14 of the Listing Rules and the grant of THX RSUs to Mr. Min-Liang Tan constituted a de minimis connected transaction fully exempt from the announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

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, no equity-linked agreements subsisted at December 31, 2019.

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.

Continuing Connected Transactions

On December 23, 2019, Razer (Asia-Pacific) Pte. Ltd. ("RAP") and THX (a subsidiary of the Company) entered into the THX Technology License Agreement for the license of the Audio Software to RAP which would be integrated into Razer products or sold to end customers by RAP as a standalone product, which has an effective period running from January 1, 2019 to December 31, 2021, and the THX Certification Amendment Agreement for the testing, certification and provision of technical assistance by THX in relation to Razer products, which takes effect as of December 23, 2019, to amend the THX Certification Agreement. All transactions under the THX Technology License Agreement and the THX Certification Agreement are in the ordinary and usual course of the Group's business and are on normal commercial terms.

THX is 20% indirectly owned by Mr. Lim Kaling, a Non-executive Director. As Mr. Lim (i) as a Director is a connected person of the Company and (ii) can exercise or control the exercise of 10% or more of the voting power of THX, THX is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules. Accordingly, the THX Technology License Agreement, the Amended THX Certification Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The aggregate of the amounts payable by RAP to THX in respect of the transactions under the THX Technology License Agreement and the Amended THX Certification Agreement, is subject to the following annual caps:

	2019	2020	2021
Annual cap for the aggregate amount payable to THX by RAP under the THX Technology License Agreement	US$2,000,000	US$4,000,000	US$5,000,000
Annual cap for the aggregate amount payable to THX by RAP under the Amended THX Certification Agreement	US$250,000	US$100,000	N.A.
Aggregated amount of the annual caps for the THX Technology License Agreement and the Amended THX Certification Agreement	US$2,250,000	US$4,100,000	US$5,000,000

The fees paid to THX pursuant to the THX Technology License Agreement comprised a unit cost for each Razer audio hardware product incorporating the audio software sold to end customers, a percentage of the revenue for each audio software purchased as a standalone product by Razer's end customers, and a unit cost for each instance of a Razer customer converting a lower-end software to the audio software licensed by THX, subject to a minimum agreed fee. The unit costs were determined by arm's length negotiations between RAP and THX, with reference to pricing benchmarks based on quotes from or prices charged by other third party vendors for similar software. The fees payable by RAP for the audio software purchased as a standalone product were based on a share of revenue, which is a standard negotiated pricing structure for distributorship-type arrangements. The licensing fees paid to THX under the THX Technology License Agreement were on rates not more than those charged by THX to other third parties for similar services. For the financial year ended December 31, 2019, the actual aggregate transaction amount with THX under the THX Technology License Agreement was US$1,437,880 (2018: US$143,976).

The fees paid to THX pursuant to the Amended THX Certification Agreement comprised an initial product category designation fee (which varies based on the nature of the product), additional product testing fees (which are determined based on the amount of work required), and royalties based on the volume of products sold. The fees for testing and certificate services paid to THX under the Amended THX Certification Agreement were on rates not more than those charged by THX to other third parties for similar services. For the financial year ended December 31, 2019, the actual aggregate transaction amount with THX under the Amended THX Certification Agreement was US$94,072 (2018: US$73,705).

The above-mentioned continuing connected transactions have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of Shareholders as a whole.

KPMG was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. KPMG has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the Annual Report in accordance with Rule 14A.56 of the Listing Rules that nothing has come to their attention that causes them to believe that the continuing connected transactions (i) have not been approved by the Board, (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group, (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the cap. A copy of the KPMG letter has been provided by the Company to the Stock Exchange.

Related Party Transactions

A summary of all material related parties' transactions entered into by the Group during the year ended December 31, 2019 is contained in note 30 to the Financial Statements. None of the related party transactions as described in note 30 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. As of December 31, 2019, the Group had:

- used approximately US$76 million to finance acquisitions that will continue the expansion of the Group's ecosystem;
- deployed approximately US$77 million for general working capital purposes, including share buyback activities;
- used approximately US$4 million to develop new verticals such as Razer Fintech; and
- spent approximately US$8 million for new sales and marketing initiatives including esports.

The remaining balance of the net proceeds of US$431 million was placed with banks and financial institutions. 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, 2019, the Company has complied with the applicable code provisions as set out in the CG Code, save for the code provisions A.2.1 and E.1.5. 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, 2019.

Compliance with Laws and Regulations

During the year ended December 31, 2019, the Group is not aware of any non-compliance with laws and regulations that has 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 75 of this annual report.

Significant Legal Proceedings

For the year ended December 31, 2019, 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 offer 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 has been reviewed by the Audit and Risk Management Committee of the Company. Further information on the work and composition of the Audit and Risk Management Committee are set out in the Corporate Governance Report on page 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
Singapore, March 24, 2020

CORPORATE GOVERNANCE REPORT


RAZER

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, 2019 (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", and code provision E.1.5.

Code provision E.1.5 provides that the Company should have a policy on payment of dividends and disclose such policy in the annual report. As the Company is still in a loss-making position as at December 31, 2019, it has not implemented a policy on the payment of dividends. The Company is obliged to comply with the CG Code and will make appropriate arrangements accordingly.

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. 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 2019 with the independent non-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 *(resigned on March 24, 2020)*
Ms. Liu Siew Lan Patricia
Mr. Tan Chong Neng *(appointed on March 24, 2020)*

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 26 to 29 of this annual report.

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

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. Save as disclosed above, there has been no change to the composition of the Board or Board Committees during the reporting period.

Following the reporting period, Mr. Chan Thiong Joo Edwin resigned from the Board on March 24, 2020 and Mr. Tan Chong Neng was appointed as an executive Director on March 24, 2020.

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 2 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, 2019.

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

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

(a) 2019 performance goals and proposed short-term and long-term compensation for all employees;

(b) Proposed compensation for key management for 2019;

(c) Proposed directors' fees for the financial year ended December 31, 2019; and

(d) Proposed grants of RSUs to employees.

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")	**2019**	2018
1,000,001 - 1,500,000	**–**	1
3,500,002 - 4,000,000	**2**	–
4,000,001 - 4,500,000	**–**	1
5,500,002 - 6,000,000	**1**	–
8,500,002 - 9,000,000	**1**	–
9,000,001 - 9,500,000	**–**	1
13,000,001 - 13,500,000	**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
167,000,001 - 167,500,000	**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 terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

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.

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) reviewing of nomination policy;

(b) 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;

(c) for the purpose of re-election of the retiring Directors at the 2019 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 2019 annual general meeting of the Company;

(d) 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 the 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, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors

The attendance record of each Director at the Board, 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(1)	1/1	–	–	–	–
Ms. Liu Siew Lan Patricia(2)	3/3	–	–	–	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	3/3	0/1	–	0/1

Notes:

(1) Khaw Kheng Joo resigned as executive Director with effect from March 21, 2019.

(2) Liu Siew Lan Patricia was appointed as executive Director with effect from March 21, 2019.

During the reporting period, an annual general meeting of shareholders was held on June 28, 2019 in Singapore.

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/her 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	√
Ms. Liu Siew Lan Patricia	√
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 legal advisor in relation 2019 legal and regulatory update. 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 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. Seven (7) 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, 2019. Based on the internal controls established and maintained by the Group and 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 continues to be highly competitive, innovative and ever-changing due to evolving consumer preferences and products and services with increasingly short life cycles. The Group's challenge, therefore, 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. 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.

The Group also 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.

The COVID-19 situation continues to evolve with uncertainties about the extent and duration of the outbreak. Although the COVID-19 outbreak led to short-term impact to the Group's hardware supply in first quarter of 2020, supply chain issues have largely been addressed by mid-March 2020. The Group continues to closely monitor the uncertainties surrounding the COVID-19 situation.

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.

In order 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. 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.

4. Intellectual Property risk

The Group's branding and intellectual property ("IP") assets are critical to our business. In order 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 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

As the Internet and technology industries continue to evolve, 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 the 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.

7. Disease Outbreak risk

An outbreak of an epidemic such as COVID-19 could potentially disrupt our operations or impact our results. If our employees are, or are suspected to have been, infected, such employees, as well as those who have been in contact with them (which may be a significant proportion of the employees in the affected territory), may be hospitalised, quarantined, or otherwise unable to work. We may also be required to disinfect the affected offices or suffer a temporary suspension of business operations. As the Group relies on third party suppliers, manufacturers and distributors, we would similarly be affected if any of them are subject to quarantine or are required to suspend operations as a result of government-imposed measures. Furthermore, such an outbreak could lead to a decrease in the level of economic activity in affected areas, or legal restrictions on activity and movement, which could also adversely affect our business and operating results.

To address this, the Group has implemented a business continuity plan which is aimed at protecting the Group's employees, business, systems and infrastructure. It identifies and puts in place policies to mitigate risks to the Group's business and services, and is designed to minimise the impact of an epidemic outbreak or other disaster event. For instance, the Group deploys appropriate technology solutions to enable employees to work remotely, enabling the continuity of business operations even if offices are required to be closed.

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, 2019.

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 77 to 82.

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, 2019 is set out below:

Service Category	**Fees Paid/Payable** (US$)
Audit Services	1,187,000
Non-audit Services	249,000
Total	1,436,000

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 and Compliance 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. Sandra Phung, Director, Legal 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, 2019 in compliance with Rule 3.29 of the Listing Rules.

Shareholders' Rights

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

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

Convening and Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Investor Relations

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


Resistance
Profile

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About This Report

Reporting Period and Scope

This report covers the sustainability performance of the Group for the period from January 1, 2019, to December 31, 2019. 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 72 to 75.

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.

Source of Consumption	Total Electricity Consumption (kWh)		Carbon Dioxide Emission Equivalence* (Metric Tonnes)	
	2019	2018	**2019**	2018
Corporate Offices				
Singapore – Razer	**999,999**	936,861	**707**	697
U.S. – Razer	**307,496**	309,536	**217**	230
U.S. – THX	**39,000**	39,000	**29**	29
Europe – Razer	**27,886**	21,309	**20**	15
China – Razer	**91,693**	68,847	**65**	51
China – THX	**1,600**	1,600	**1**	1
Taiwan – Razer	**353,004**	159,998	**250**	119
Hong Kong – Razer	**57,625**	38,466	**41**	29
Malaysia – MOL Global	**259,187**	213,424	**183**	151
Singapore – MOL Global	**–**	4,044	**–**	3
Indonesia – MOL Global	**23,476**	15,071	**17**	11
Philippines – MOL Global	**69,776**	54,336	**49**	38
Thailand – MOL Global	**60,280**	51,605	**43**	37
Turkey – MOL Global	**16,008**	34,295	**11**	24
Contract Manufacturers Peripherals				
CM1	**2,970,000**	2,700,000	**2,100**	1,909
CM2	**3,293,942**	2,147,468	**2,329**	1,519
CM3	**459,983**	462,408	**325**	327
CM4	**127,730**	103,115	**90**	73
Systems				
CM5	**2,180,000**	1,442,000	**1,541**	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) 2019	2018
Australia	**16**	46
Canada	**20**	-
China	**101**	35
Dubai	**5**	10
Germany	**267**	174
Hong Kong	**52**	37
Japan	**28**	20
Korea	**5**	-
Singapore	**133**	112
Taiwan	**29**	17
U.S.	**709**	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**
2019			
Peripheral Product (Mice, Headphones, Keyboards, Wires, etc.)	14.724	14.872	22.879
Packaging Materials (Cardboard boxes, plastics, paper, foam, etc.)	3.681	22.003	29.547
2018			
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	34.650

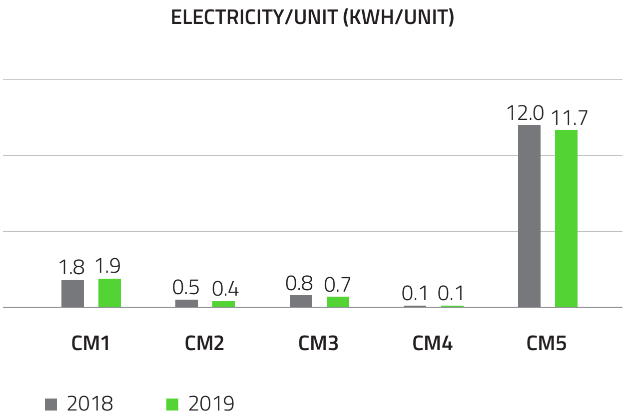
A2. Use of Resources

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:

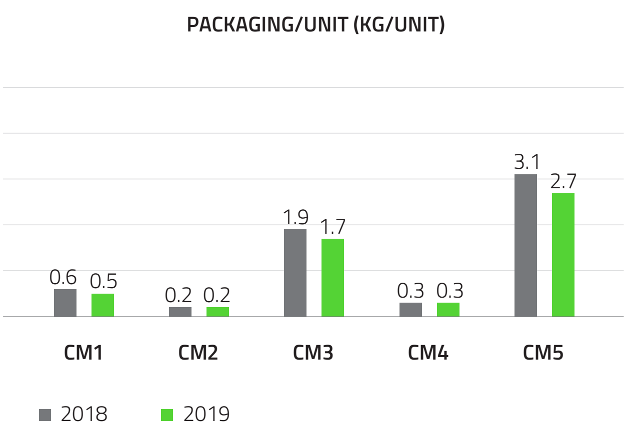
Region	**Water Consumption** (Metric Tonnes)	**Electricity Consumption** (kWh)	**Water Intensity** (per square meter)	**Electricity Intensity** (per square meter)
2019				
Singapore – Razer	218.70	999,999	0.04	172.30
U.S. – Razer	*	307,496	*	76.40
U.S. – THX	*	39,000	*	48.40
Europe – Razer	*	27,886	*	37.20
China – Razer	*	91,693	*	32.70
China – THX	*	1,600	*	35.60
Taiwan – Razer	659.80	353,004	0.40	198.10
Hong Kong – Razer	33.70	57,625	0.20	303.30
Malaysia – MOL Global	791.00	259,187	0.23	74.87
Indonesia – MOL Global	*	23,476	*	234.76
Philippines – MOL Global	559.00	69,776	1.30	162.50
Thailand – MOL Global	43.00	60,280	0.09	129.49
Turkey – MOL Global	136.00	16,008	0.23	26.68
2018				
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 table tennis. These activities are on an ongoing basis and driven entirely by staff.

SAFETY: We place great emphasis to create a safe workplace for our employees globally. Apart from regular safety procedures, such as fire drill exercise as well providing the safety facilities within our office premises, we had also conducted lunch talks on fire safety and emergency preparedness to equip our employees with the necessary know-hows in emergency situations.

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 skill sets as they journey with the company. In 2018, we formalised Razer Academy to empower our employees to take charge of their own development to level up. The diverse offerings within the Razer Academy covers a gamut of topics, ranging from soft skills, such as communication, personal effectiveness, leadership and management, to functional and technical skills like project management and coding. These topics are curated to meet their learning needs and conducted both in classroom settings as well as bite-sized online learning where employees can learn on the go.

During the reporting period, HR continued its partnership with LinkedIn to provide access to the LinkedIn Learning’s extensive library of content where our employees can select the relevant topics that are aligned to their development goals. HR has also piloted LinkedIn Learning Journey, a 12-week learning programme where employees chose to enroll into a ‘module’ of their interest and embarked on a learning journey using LinkedIn Learning as the mode of delivery. The programme saw close to 170 participants, who spent over 670 hours of learning throughout the duration. We also saw these participants spending another 350 hours of learning on other topics after the launch of this pilot programme.

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 is 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 U.S. 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.

A list of countries product certification is shown in the table below:

Country	Certification Agency
Non-Wireless Devices	
U.S.	FCC 15B
Canada	ICES-003
Europe	CE Mark (EMC/LVD Directive)
Australia/New Zealand	RCM mark
Taiwan	BSMI
China	CCC
Korea	KC Mark
Japan	PSE Mark
Wireless Devices	
Europe	CE ETSI (R&TTE Directive)
Australia/New Zealand	C-Tick
U.S.	FCC ID
Canada	IC ID
Taiwan	NCC
Korea	KC
China	SRRC
Japan	TELEC
Malaysia	SIRIM
Indonesia	SDPPI
Singapore	IMDA
Thailand	NBTC
Philippines	NTC
UAE	TRA
Saudi Arabia	CITC
India	DoT

All our products are warranted against defects and workmanship fault. We have multiple channels, such as contact centres, social media platforms, or through our distributors and retailers, that allow customers to reach out to us 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 that 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 in a timely manner.

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 significant 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 whistleblower may make a report through email at play.fair@razer.com, by letter addressed to Razer at 514 Chai Chee Lane, #07-05, Singapore 469029, marked "Attention: Head of Legal" or "Attention: Head of HR" or directly to the Audit and Risk Management Committee ("ARMC") via armc.ww@razer.com. Both the Head of Legal 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 ARMC.

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 local communities where we operate in, we made several commitments to grow, develop and give back to those around us.

Esports – August 2019

Esports Bootcamp

We led the charge to promote esports as an officially recognised sporting event at the international level. The 2019 edition of the Southeast Asian Games ("SEA Games 2019") saw esports listed as an official medal sport for the first time in international sporting events. As the official esports partner for SEA Games 2019, Razer organised the inaugural regional esports bootcamp, involving esports national teams from Singapore, Malaysia, Indonesia, Thailand and the Philippines, along with global esports powerhouse team Evil Geniuses. The bootcamp served as a platform to mentor the national teams at the highest levels of competitive skill for DOTA 2 tournaments at SEA Games 2019. This marks Razer's commitment to elevate esports to the next level in the region.

Esports – December 2019

SEA Games 2019

Our decade-long endeavours to promote esports had culminated into six successful esports tournaments in SEA Games 2019, the first major sporting event to include esports as a medalled sport. Fans from all walks of life tuned in remotely or visited the San Juan Arena to watch competitions live. On the first day, Razer's streaming platforms recorded over one million views with approximately 70,000 concurrent viewers. At its peak, the San Juan Arena was filled to maximum capacity and Razer's streaming platforms registered 20 million impressions with 90,000 concurrent viewers. Audiences also spent over 200,000 hours watching the streams on YouTube, making it one of the top 10 trending gaming videos worldwide on the platform. With the success of the SEA Games 2019 esports event, Razer is now placing its focus on the Olympics.

Community – September & October 2019

Razer supports Breast Cancer Research

We showcased our support towards Breast Cancer Research by launching the #QuartzForACause Campaign in the United States of America. The nationwide campaign was held to benefit Breast Cancer Research Foundation ("BCRF") and we pledged to donate 50% of the purchase price of the limited-edition BCRF Razer Customs mobile phone cases and 20% from select Quartz edition peripherals for the month of October.

In addition, our employees in the Irvine office participated in Susan G. Komen's Race for Cure walk to further show our support towards breast cancer research.

Community – Sustainability

#TeamTrees Social Campaign

Our tribe had spoken! More than 20,000 members of our community would like to see Razer involved in contributing towards global green movement and we were more than happy to comply! The Global Community Team ran a campaign on Razer's Facebook Page with our pledge to donate US$1 for every share of the post to plant a tree. This campaign was held in conjunction with the #TeamTrees movement. A total of 8,200 shares were garnered by the end of 2019 and the donation was made on behalf of the community.

Community – School Engagement

Welcoming leaders of tomorrow at Razer offices

In the Singapore office, we welcomed a group of 18 students from Raffles Institution who were keen to learn about Razer's journey from a fledging start-up to a multi-national corporation. The students had the opportunity to attend a presentation about Razer and the ecosystem we had created for the gaming community and listen to career tips given by the HR team to prepare them for the working life. Three employees also spent some time having intimate conversations with these students, sharing their roles and responsibilities in Razer and responded to any queries they may have.

In October, the Irvine office had the pleasure to host a group of high school students through the Youth Career Connections program in partnership with United Way. Youth Career Connections is a work-based learning model that infuses classroom learning with real-world career opportunities by connecting students directly to employers so they are able to apply their classroom learning in a professional setting and gain real-world experience through classroom speakers, workplace tours and field-trips. We hosted 20 students and two teachers from Rancho Alamito High School. The students had the opportunity to learn about Razer, to listen to six Razer employees talk about their education and the good takes from their current and previous work experience, get a tour of the office and chat with a few employees.

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 60 - 62
KPI A1.1	The types of emissions and respective emissions data.	Pages 60 - 61
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 61
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 60 - 61
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).	Pages 63 - 64
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 64
A3. Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Page 60
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 60

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 65
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 65
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 and Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Page 66
KPI B5.1 (Optional)	Number of suppliers by geographical region.	NA
KPI B5.2 (Optional)	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Page 66
B6. Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Pages 66 - 68
KPI B6.1 (Optional)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There was no product recalled during the reporting period.
KPI B6.2 (Optional)	Number of products and service related complaints received and how they are dealt with.	The Group is not aware of any significant complaints related to product and services during the reporting period. We consider issues that are significant to be those related to material non-compliance with relevant standards, rules and regulations on health and safety, mis-advertising and labelling, and intellectual property rights etc. Upon any complaints received, formal investigations are launched and follow up actions are taken in a timely manner.
KPI B6.3 (Optional)	Description of practices relating to observing and protecting intellectual property rights.	Page 67
KPI B6.4 (Optional)	Description of quality assurance process and recall procedures.	Pages 66 - 67
KPI B6.5 (Optional)	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Page 68
B7. Anti-Corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Page 68
KPI B7.1 (Optional)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Zero cases
KPI B7.2 (Optional)	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Page 68

Aspect	Disclosure	Page Number
B8. Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 69
KPI B8.1 (Optional)	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Pages 69 - 71
KPI B8.2 (Optional)	Resources contributed (e.g. money or time) to the focus area.	Pages 69 - 71

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

KPMG

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 83 to 146, which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow 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, 2019 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, 2019 amounted to US$30,898,000 and US$73,997,000 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)

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 customer including the terms of delivery and acceptance, applicable arrangement of payments for sales channel incentive programs and any sales return arrangements to assess the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;
- comparing, on a sample basis, sales transactions recorded during the financial reporting period with underlying delivery documents, which contained evidence of acknowledgement of the customer's receipt of the goods, and assessing whether the related revenue was properly recognised in accordance with the trade terms set out in the respective sales contracts;
- assessing, on a sample basis, whether specific revenue transactions recorded around the end of the financial reporting period have been recognised in 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.

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.

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 24, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended December 31, 2019 (Expressed in United States dollars)

	Note	2019 US$'000	2018 US$'000
Revenue	5	**820,795**	712,439
Cost of sales		**(652,732)**	(542,361)
Gross profit		**168,063**	170,078
Selling and marketing expenses		**(112,675)**	(117,995)
Research and development expenses		**(52,418)**	(76,298)
General and administrative expenses		**(89,267)**	(75,383)
Impairment of goodwill and other assets		**(9,525)**	–
Loss from operations		**(95,822)**	(99,598)
Other non-operating income/(expenses)		**6,188**	(1,857)
Finance income	7	**13,193**	12,218
Finance costs	7	**(1,375)**	(310)
Loss before income tax	8	**(77,816)**	(89,547)
Income tax expense	11(a)	**(5,654)**	(8,361)
Loss for the year		**(83,470)**	(97,908)
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		**860**	(5,647)
Remeasurement of net defined benefit liability		**(81)**	2
		779	(5,645)
Item 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)		**(561)**	245
		(561)	245
Other comprehensive income for the year		**218**	(5,400)
Total comprehensive income for the year		**(83,252)**	(103,308)
Loss attributable to:			
Equity shareholders of the Company		**(84,179)**	(96,966)
Non-controlling interests		**709**	(942)
Loss for the year		**(83,470)**	(97,908)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

for the year ended December 31, 2019 (Expressed in United States dollars)

	Note	**2019 US$'000**	2018 US$'000
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(81,755)**	(102,453)
Non-controlling interests		**(1,497)**	(855)
Total comprehensive income for the year		**(83,252)**	(103,308)
Loss per share	12		
Basic		**US$(0.01)**	US$(0.01)
Diluted		**US$(0.01)**	US$(0.01)

The notes on pages 91 to 146 form part of these financial statements.

Consolidated Statement of Financial Position

at December 31, 2019 (Expressed in United States dollars)

	Note	**December 31, 2019 US$'000**	December 31, 2018 US$'000 (Restated)
Non-current assets			
Property, plant and equipment	13	**29,982**	18,120
Intangible assets and goodwill	14	**104,895**	115,435
Other investments	20	**1,297**	1,210
Deferred tax assets	17	**5,647**	6,346
Restricted cash	21	**2,047**	1,771
Prepayments		**182**	230
Other receivables	19	**2,829**	1,464
		146,879	144,576
Current assets			
Inventories	18	**74,820**	68,511
Trade and other receivables	19	**215,096**	181,589
Prepayments		**6,268**	6,941
Current tax receivables		**2,785**	4,457
Other investments	20	**6,234**	1,544
Restricted cash	21	**14,395**	6,877
Cash and bank balances	22	**528,330**	615,237
		847,928	885,156
Total assets		**994,807**	1,029,732
Current liabilities			
Trade and other payables	23	**377,590**	344,476
Contract liabilities		**999**	1,066
Customer funds	24	**12,869**	4,355
Lease liabilities	25	**4,029**	17
Current tax payables		**3,073**	1,644
Other tax liabilities	16	**3,360**	2,321
		401,920	353,879
Net current assets		**446,008**	531,277
Total assets less current liabilities		**592,887**	675,853
Non-current liabilities			
Deferred tax liabilities	17	**3,265**	4,944
Contract liabilities		**1,655**	77
Net defined benefit retirement obligation		**515**	334
Other payables	23	**1,588**	7,306
Other tax liabilities	16	**1,095**	1,240
Lease liabilities	25	**9,981**	10
		18,099	13,911
NET ASSETS		**574,788**	661,942

Consolidated Statement of Financial Position (Continued)

at December 31, 2019 (Expressed in United States dollars)

	Note	**December 31, 2019 US$'000**	December 31, 2018 US$'000 (Restated)
Capital and reserves			
Share capital	27(b)	**89,482**	89,661
Share premium		**683,847**	714,082
Reserves		**(205,054)**	(143,933)
Total equity attributable to equity shareholders of the Company		**568,275**	659,810
Non-controlling interests		**6,513**	2,132
TOTAL EQUITY		**574,788**	661,942

Approved and authorised for issue by the board of directors on March 24, 2020.

	)	
Min-Liang Tan	)	
	)	Directors
Tan Chong Neng	)	
	)	

The notes on pages 91 to 146 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended December 31, 2019 (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 (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
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	–	–	–	–	–	(17,640)	(85,792)	–	81,643	(21,789)	–	(21,789)
Share-based compensation expense	26	–	–	–	–	–	–	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 pre-IPO business combinations	27(c)	87	1,719	–	–	–	–	–	–	–	1,806	–	1,806
Remeasurement of put option written on non-controlling interests	31(e)	–	–	–	–	–	–	–	(1,567)	–	(1,567)	–	(1,567)
Step acquisition of a subsidiary		–	–	–	–	–	–	–	–	(5)	(5)	(55)	(60)
Purchase of own shares	27(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

Consolidated Statement of Changes in Equity (Continued)

for the year ended December 31, 2019 (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 (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, 2019		89,661	714,082	(4,000)	(5,714)	998	(24,721)	105,619	(1,567)	(214,548)	659,810	2,132	661,942
Changes in equity for 2019:													
Loss for the year		-	-	-	-	-	-	-	-	(84,179)	(84,179)	709	(83,470)
Other comprehensive income		-	-	-	3,066	(561)	-	-	-	(81)	2,424	(2,206)	218
Total comprehensive income		-	-	-	3,066	(561)	-	-	-	(84,260)	(81,755)	(1,497)	(83,252)
Issuance of vested shares, net of tax	26	-	-	-	-	-	1,893	(41,237)	-	39,344	-	-	-
Share-based compensation expense	26	-	-	-	-	-	-	30,154	-	-	30,154	52	30,206
Dividends		-	-	-	-	-	-	-	-	-	-	(191)	(191)
Change in ownership interests in subsidiaries		-	-	-	-	-	-	-	-	(6,017)	(6,017)	6,017	-
Issuance of treasury shares		1,500	-	-	-	-	(1,500)	-	-	-	-	-	-
Remeasurement of put option written on non-controlling interests	31(e)	-	-	-	-	-	-	-	(2,003)	-	(2,003)	-	(2,003)
Purchase of own shares	27(c)	(1,679)	(30,235)	-	-	-	-	-	-	-	(31,914)	-	(31,914)
Balance at December 31, 2019		89,482	683,847	(4,000)	(2,648)	437	(24,328)	94,536	(3,570)	(265,481)	568,275	6,513	574,788

Note: Treasury shares are the Company's shares held by a designated trustee for the purpose of providing for existing and future restricted stock unit ("RSU") grants under the 2016 Equity Incentive Plan (note 26). Shares issued to the RSU holders are recognised on a first-in-first-out basis.

Consolidated Cash Flow Statement

for the year ended December 31, 2019 (Expressed in United States dollars)

	Note	**2019 US$'000**	2018 US$'000
Cash flows from operating activities			
Loss for the year		**(83,470)**	(97,908)
Adjustments for:			
Depreciation of property, plant and equipment	13	**15,462**	12,706
Amortisation of intangible assets	14	**8,675**	7,721
Loss on disposal of property, plant and equipment		**33**	662
Loss on disposal of intangible assets		**40**	7
Impairment of goodwill and other assets		**9,525**	–
(Reversal of)/impairment loss recognised on trade receivables	31	**241**	(1,341)
Gain on sale of subsidiary		**(4,770)**	–
Loss on remeasurement of investments		**523**	–
Write-down of inventories	18	**1,925**	3,944
Finance income	7	**(13,193)**	(12,218)
Finance costs	7	**1,375**	310
Share-based compensation expense		**30,432**	29,644
Income tax expense	11(a)	**5,654**	8,361
Changes in working capital:			
Increase in inventories		**(9,209)**	(22,720)
Increase in trade and other receivables		**(37,778)**	(19,909)
Decrease/(increase) in prepayments		**407**	(4,257)
(Increase)/decrease in restricted cash		**(7,794)**	931
Increase in trade and other payables		**48,829**	59,230
(Decrease)/increase in customer funds		**(2,841)**	82
Increase in net defined benefit retirement obligation		**81**	25
Cash used in operations		**(35,853)**	(34,730)
Income taxes paid		**(2,640)**	(3,718)
Net cash used in operating activities		**(38,493)**	(38,448)
Cash flows from investing activities			
Interest received		**12,764**	10,889
Proceeds from disposal of property, plant and equipment		**69**	–
Acquisition of property, plant and equipment		**(10,369)**	(13,763)
Acquisition of intangible assets		**(4,492)**	(1,418)
Increase in short-term fixed deposits		**–**	30,764
Investment in financial assets		**(5,300)**	(1,408)
Proceeds from disposal of equity securities		**–**	1,023
Acquisition of subsidiaries, net of cash assumed	28	**–**	(28,013)
Acquisition of an associate		**–**	(15,000)
Sale of subsidiary		**(2,710)**	–
Net cash used in investing activities		**(10,038)**	(16,926)

Consolidated Cash Flow Statement (Continued)

for the year ended December 31, 2019 (Expressed in United States dollars)

	Note	**2019 US$'000**	2018 US$'000
Cash flows from financing activities			
Interest paid		**(294)**	(310)
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		**(31,914)**	(16,022)
Payment of lease liabilities (2018: Payment of finance lease liabilities)		**(5,380)**	(124)
Acquisition of non-controlling interests of a subsidiary		**–**	(60)
Dividends paid to subsidiary's shareholders		**(191)**	–
Net cash used in financing activities		**(37,779)**	(37,031)
Net decrease in cash and cash equivalents		**(86,310)**	(92,405)
Cash and cash equivalents at January 1	22	**615,237**	709,249
Effect of exchange rate fluctuations on cash and cash equivalents		**(597)**	(1,607)
Cash and cash equivalents at December 31	22	**528,330**	615,237

During the year ended December 31 2018, the Group issued 8,739,120 ordinary shares as part of the consideration for the acquisition of the business of Nextbit Systems Inc. ("Nextbit").

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 9 Pasteur, Suite 100, Irvine, CA 92618, the United States of America and 514 Chai Chee Lane, #07-05, Singapore 469029.

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.

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 merged with MOL Global (the "Merger"). The Merger resulted in RazerVentures, the Company's indirectly wholly-owned subsidiary 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 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(s) 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 other 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.

Notes to the Consolidated Financial Statements (Continued)

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 (Continued)

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 (Continued)

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 net within administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

(ii) Subsequent costs

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

Notes to the Consolidated Financial Statements (Continued)

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 (Continued)

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 (Continued)

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 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

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (“FVOCI”) – equity investment; or fair value through profit or loss (“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 asset 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 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 other investments.

Notes to the Consolidated Financial Statements (Continued)

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).

Other investments

Investments in equity and debt 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 and debt 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 such equity 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 income.

(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.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(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. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold and reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a 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 a probability-weighted estimate of credit losses. Credit losses are measured as 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).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

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.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

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 always 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.

(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.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (continued)

(ii) Impairment of non-financial assets (continued)

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

An impairment loss in respect of 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.

(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.

(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.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations (continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(l) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(m) Leases

The Group has applied IFRS 16 *Leases* using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(A) Policy applicable from January 1, 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

(A) Policy applicable from January 1, 2019 (continued)

This policy is applied to contracts entered into, on or after January 1, 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

(A) Policy applicable from January 1, 2019 (continued)

(i) As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(B) Policy applicable before January 1, 2019

For contracts entered into before January 1, 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

(B) Policy applicable before January 1, 2019 (continued)

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(n) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the net gain or loss on financial assets at FVPL;
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

(o) 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.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (continued)

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.

(p) 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.

(q) 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.

(r) 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 (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Changes in accounting policies

The Group has initially adopted IFRS 16 *Leases* from January 1, 2019. A number of other new standards are effective from January 1, 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

a. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 3(m).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

b. As a lessee

As a lessee, the Group leases a number of office equipment, motor vehicles and properties. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component and non-lease component on the basis of their relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

(i) Leases classified as operating leases under IAS 17

– Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019 (see Note 3(m)). Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Changes in accounting policies (continued)

b. As a lessee (continued)

(i) Leases classified as operating leases under IAS 17 (continued)

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

– did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

– did not recognise right-of-use assets and liabilities for leases of low value assets;

– excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

– used hindsight when determining the lease term.

(ii) Leases classified as finance leases under IAS 17

The Group leases office equipment which were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

c. Impact on financial statements

(i) Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets, and additional lease liabilities. The impact on transition is summarised below.

	January 1, 2019 US$'000
Right-of-use assets presented in property, plant and equipment	12,967
Lease liabilities	12,622
Trade and other receivables	(1,070)
Trade and other payables	(725)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 6.9%.

	US$'000
Operating lease commitments at December 31, 2018 as disclosed in the Group's consolidated financial statements	14,869
Discount based on the incremental borrowing rate at January 1, 2019	(1,050)
Finance lease liabilities recognised as at December 31, 2018	(27)
– Recognition exemption for leases of low-value assets	(10)
– Recognition exemption for leases within less than 12 months of lease term at transition	(1,160)
Lease liabilities recognised at January 1, 2019	12,622

Notes to the Consolidated Financial Statements (Continued)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Changes in accounting policies (continued)

c. Impact on financial statements (continued)

(ii) Impacts for the year

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised right-of-use assets of US$13,348,000 and lease liabilities of US$14,010,000 as at December 31, 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the year ended December 31, 2019, the Group recognised depreciation charges of US$4,493,000 and interest costs of US$963,000 from these leases.

(t) 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 and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended December 31, 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Definition of a business*	January 1, 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	January 1, 2020

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. The developments are not expected to have significant impact on the Group's consolidated financial statements.

4 SIGNIFICANT ACCOUNT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Notes to the Consolidated Financial Statements (Continued)

4 SIGNIFICANT ACCOUNT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Note 14 contains information about the assumptions and their risk factors relating to goodwill impairment. Other key sources of estimation uncertainty are as follows:

Estimates & assumptions

(a) CGU definition

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

(b) Deferred tax

The Group follows the statement of financial position method to be consistent with note 3(o). 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.

(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.

Notes to the Consolidated Financial Statements (Continued)

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:

	2019 **US$'000**	2018 US$'000
Sales of goods	**737,937**	657,363
Services income	**78,638**	50,254
Royalty income	**4,220**	4,822
Total	**820,795**	712,439

(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 policies**
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.

Notes to the Consolidated Financial Statements (Continued)

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 policies
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.

(iii) Royalty income

Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
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.

Notes to the Consolidated Financial Statements (Continued)

6 SEGMENT INFORMATION

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

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

- *Peripherals* primarily consists of gaming mice, keyboards, audio devices and mouse mats developed, marketed and sold;
- *Systems* consists of laptops developed, marketed and sold;
- *Software and Services* primarily consists of provision of software over the Razer Software Platform, virtual credits and payment related services; and
- *Others* primarily consists of new products and services including the Razer Phone and THX.

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
2019					
Revenue	**444,902**	**269,077**	**77,027**	**29,789**	**820,795**
Depreciation and amortisation	**(6,776)**	**(3,122)**	**(10,021)**	**(4,219)**	**(24,138)**
Gross profit	**117,462**	**26,449**	**32,675**	**(8,523)**	**168,063**
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	137,425	17,440	23,799	(8,586)	170,078

There is no revenue from customers that account for more than 10% of the Group's revenue in 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

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 to which the customer resides in.

Revenue by regions were as follows:

	2019 US$'000	2018 US$'000
Americas[1]	**364,650**	294,044
Europe, the Middle East and Africa ("EMEA")	**203,638**	203,601
Asia Pacific excluding China[2]	**143,054**	119,533
China	**109,453**	95,261
Total revenue	**820,795**	712,439

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

	2019 US$'000	2018 (Restated) US$'000
Americas[1]	**26,706**	18,508
EMEA	**4,217**	236
Asia Pacific excluding China[2]	**93,808**	106,114
China	**10,146**	8,697
Total non-current assets[3]	**134,877**	133,555

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$336,501,000 for the year ended December 31, 2019 (2018: US$269,499,000). Non-current assets at Americas region includes non-current assets at U.S. of US$26,706,000 as at December 31, 2019 (2018: US$18,508,000).

2 Revenue from Asia Pacific region includes revenue from Singapore of US$50,792,000 for the year ended December 31, 2019 (2018: US$15,235,000). Non-current assets at Asia Pacific region includes non-current assets at Singapore and Malaysia of US$8,512,000 (2018: US$16,486,000) and US$83,449,000 (2018: US$81,913,000) as at December 31, 2019, respectively.

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

Notes to the Consolidated Financial Statements (Continued)

7 FINANCE INCOME AND FINANCE COSTS

	2019 US$'000	2018 US$'000
Finance income		
Interest income on fixed deposits and money market funds	**13,193**	12,218
Finance costs		
Bank charges	**163**	104
Interest on lease liabilities	**963**	15
Others	**249**	191
	1,375	310

8 LOSS BEFORE INCOME TAX

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

	2019 US$'000	2018 US$'000
Auditors' remuneration		
– Audit services	**1,395**	1,194
– Other services	**196**	242
Operating lease expense	**1,668**	5,671
Exchange gain	**880**	1,119
Staff costs		
– Salaries and other benefits	**67,992**	77,174
– Contributions to defined contribution plans[1]	**5,912**	5,400
– Share-based compensation expense	**29,933**	29,101

[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 SGD 6,000 per employee.

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

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

Notes to the Consolidated Financial Statements (Continued)

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	Retirement scheme contribution US$'000	Discretionary bonuses US$'000	Share-based compensation[2] US$'000	2019 Total US$'000
Directors						
Gideon Yu	**40**	**–**	**–**	**–**	**82**	**122**
Lim Kaling	**30**	**–**	**–**	**–**	**63**	**93**
Tan Min-Liang	**60**	**524**	**13**	**43**	**20,718**	**21,358**
Chan Thiong Joo Edwin	**25**	**225**	**12**	**19**	**860**	**1,141**
Lee Yong Sun	**40**	**–**	**–**	**–**	**63**	**103**
Chau Kwok Fun Kevin	**55**	**–**	**–**	**–**	**86**	**141**
Khaw Kheng Joo[3]	**6**	**299**	**6**	**25**	**1,340**	**1,676**
Liu Siew Lan Patricia[4]	**19**	**262**	**11**	**22**	**189**	**503**
	275	**1,310**	**42**	**109**	**23,401**	**25,137**

	Directors' fees US$'000	Salaries, allowance and benefits in kind[1] US$'000	Retirement scheme contribution 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	45	511	13	84	1,276	1,929
Chan Thiong Joo Edwin	19	212	13	34	1,990	2,268
Khaw Kheng Joo[3]	19	281	6	46	3,245	3,597
Lee Yong Sun	30	–	–	–	47	77
Chau Kwok Fun Kevin	41	–	–	–	65	106
	207	1,004	32	164	6,855	8,262

1 Allowances and benefits in kind include leave pay and insurance premium.
2 This represents the estimated share-based compensation expense recorded for each director.
3 Khaw Kheng Joo resigned as director of the Company on March 21, 2019.
4 Liu Siew Lan Patricia was appointed as a director of the Company on March 21, 2019.
5 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, 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2018: three) were directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2019 US$'000	2018 US$'000
Salaries, allowances, benefits in kind and retirement scheme contribution	**561**	727
Share-based compensation[1]	**1,625**	4,208
	2,186	4,935

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

The emoluments of two (2018: two) individuals with the highest emoluments other than the three (2018: three) directors as disclosed in note 9 are within the following bands:

	2019	2018
in Hong Kong dollars ("HKD")		
5,500,001 – 6,000,000	**1**	–
11,000,001 – 11,500,000	**1**	–
14,000,001 – 14,500,000	**–**	1
24,500,001 – 25,000,000	**–**	1

11 INCOME TAX EXPENSE

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

	2019 US$'000	2018 US$'000
Current tax expense		
Current year	**6,810**	2,083
Deferred tax expense		
Origination and reversal of temporary differences	**(1,156)**	6,278
Total income tax expense	**5,654**	8,361

During the year ended December 31, 2019, no tax benefits related to share-based compensation was recognised in equity. During the year ended December 31, 2018 tax benefit of US$10,269,000 related to share-based compensation was recognised in equity.

Notes to the Consolidated Financial Statements (Continued)

11 INCOME TAX EXPENSE (CONTINUED)

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

	2019 US$'000	2018 US$'000
Loss before income tax	**(77,816)**	(89,547)
Income tax using Singapore tax rate of 17%	**(13,229)**	(15,223)
Effect of different tax rate in foreign jurisdictions	**(1,484)**	(281)
Non-taxable Income	**(1,352)**	–
Non-deductible expenses	**5,596**	4,985
Current year losses for which no deferred tax asset was recognised	**16,005**	16,475
Tax incentives	**(2,221)**	2,321
Others	**2,339**	84
Total income tax expense	**5,654**	8,361

(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. The subsidiary has met the qualifying conditions and has submitted its request for an extension of the Incentive. The MTI has granted an in-principle extension until September 30, 2023.

In addition, certain subsidiaries have been granted the Multimedia Super Corridor Malaysia ("MSC Malaysia") status by the Ministry of Finance Malaysia and the Ministry of International Trade and Industry Malaysia, and enjoy certain incentives, including "Pioneer Status", which entitles the Company 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 (Continued)

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$84,179,000 (2018: US$96,966,000) divided by the weighted average of ordinary shares of 8,645,305,099 shares (2018: 8,598,592,264 shares) in issue during the year.

Weighted average number of ordinary shares:

	2019	2018
Issued ordinary shares at January 1	**8,966,137,033**	9,022,560,913
Effect of treasury shares	**(342,873,250)**	(708,104,004)
Effect of shares repurchased and cancelled	**(129,300,268)**	(11,047,063)
Effect of treasury shares issued	**(25,068,493)**	–
Effect of shares issued related to RSUs, net of shares withheld for withholding tax payment purpose	**176,410,077**	291,183,971
Effect of shares issued related to business combinations	**–**	3,998,447
Weighted average number of ordinary shares at December 31	**8,645,305,099**	8,598,592,264

(b) Diluted loss per share

During the years ended December 31, 2019 and 2018, 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 (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	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	Right-of-use assets US$'000	Construction in progress US$'000	Total US$'000
Cost:											
At January 1, 2018	–	3,364	10,990	3,697	1,534	508	3,551	30,706	–	440	54,790
Additions	–	794	1,069	717	89	127	–	4,173	–	6,794	13,763
Additions through business combination (note 28(a))	896	108	515	260	106	2	–	–	–	–	1,887
Disposals	(21)	(90)	(628)	(34)	(64)	(31)	(130)	(457)	–	(542)	(1,997)
Transfer	–	41	57	94	(51)	–	–	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
At January 1, 2019	**843**	**4,210**	**11,946**	**4,694**	**1,602**	**517**	**3,421**	**40,765**	**–**	**208**	**68,206**
Recognition of right-of-use asset on initial application of IFRS 16	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,967**	**–**	**12,967**
Adjusted balance at January 1, 2019	**843**	**4,210**	**11,946**	**4,694**	**1,602**	**517**	**3,421**	**40,765**	**12,967**	**208**	**81,173**
Additions	**–**	**41**	**1,095**	**1,012**	**199**	**156**	**121**	**4,526**	**4,866**	**3,220**	**15,236**
Disposals	**–**	**(487)**	**(3,013)**	**(186)**	**(58)**	**(350)**	**–**	**(160)**	**(26)**	**(37)**	**(4,317)**
Transfer	**–**	**–**	**12**	**992**	**49**	**–**	**304**	**1,654**	**–**	**(3,011)**	**–**
Effect of movement in exchange rate	**55**	**17**	**39**	**22**	**5**	**(2)**	**1**	**–**	**44**	**–**	**181**
At December 31, 2019	**898**	**3,781**	**10,079**	**6,534**	**1,797**	**321**	**3,847**	**46,785**	**17,851**	**380**	**92,273**
Accumulated depreciation:											
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
At January 1, 2019	**42**	**2,726**	**9,028**	**3,734**	**1,145**	**400**	**3,280**	**29,731**	**–**	**–**	**50,086**
Depreciation for the year	**49**	**529**	**1,973**	**759**	**222**	**28**	**155**	**7,254**	**4,493**	**–**	**15,462**
Impairment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**844**	**–**	**–**	**844**
Disposals	**–**	**(485)**	**(2,999)**	**(166)**	**(54)**	**(350)**	**–**	**(161)**	**–**	**–**	**(4,215)**
Effect of movement in exchange rate	**31**	**18**	**34**	**15**	**5**	**–**	**1**	**–**	**10**	**–**	**114**
At December 31, 2019	**122**	**2,788**	**8,036**	**4,342**	**1,318**	**78**	**3,436**	**37,668**	**4,503**	**–**	**62,291**
Net book value:											
At December 31, 2019	**776**	**993**	**2,043**	**2,192**	**479**	**243**	**411**	**9,117**	**13,348**	**380**	**29,982**
At December 31, 2018	801	1,484	2,918	960	457	117	141	11,034	–	208	18,120

Notes to the Consolidated Financial Statements (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Amount recognised in consolidated statement of profit or loss and other comprehensive income:

	US$'000
2019 – Leases under IFRS 16	
Interest on lease liabilities	**963**
Expenses relating to short-term leases	**1,652**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**16**
2018 – Operating leases under IAS 17	
Lease expense	5,671

(c) Amount recognised in consolidated cash flow statement:

	2019 US$'000
Total cash outflow for leases	**5,380**

Notes to the Consolidated Financial Statements (Continued)

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, 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	–	67,279	92,546
Disposals	(100)	–	–	–	–	–	–	(100)
Effect of movement in exchange rate	–	(149)	(243)	–	(988)	–	(3,667)	(5,047)
At December 31, 2018 (restated)[1]	16,072	12,479	18,539	2,736	17,150	407	74,955	142,338
At January 1, 2019	**16,072**	**12,479**	**18,539**	**2,736**	**17,150**	**407**	**74,955**	**142,338**
Additions	**3,273**	**1,113**	**106**	**–**	**–**	**–**	**–**	**4,492**
Disposals	**(22)**	**(125)**	**(67)**	**–**	**–**	**–**	**–**	**(214)**
Effect of movement in exchange rate	**153**	**43**	**120**	**–**	**207**	**–**	**765**	**1,288**
At December 31, 2019	**19,476**	**13,510**	**18,698**	**2,736**	**17,357**	**407**	**75,720**	**147,904**
Accumulated amortisation and impairment losses:								
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
At January 1, 2019	**15,193**	**5,832**	**2,957**	**–**	**2,071**	**45**	**805**	**26,903**
Amortisation for the year	**296**	**3,736**	**1,498**	**–**	**3,125**	**20**	**–**	**8,675**
Impairment	**–**	**–**	**6,476**	**–**	**–**	**–**	**918**	**7,394**
Disposals	**(22)**	**(86)**	**–**	**–**	**–**	**–**	**–**	**(108)**
Effect of movement in exchange rate	**4**	**21**	**75**	**–**	**45**	**–**	**–**	**145**
At December 31, 2019	**15,471**	**9,503**	**11,006**	**–**	**5,241**	**65**	**1,723**	**43,009**
Net book value:								
At December 31, 2019	**4,005**	**4,007**	**7,692**	**2,736**	**12,116**	**342**	**73,997**	**104,895**
At December 31, 2018 (restated)[1]	879	6,647	15,582	2,736	15,079	362	74,150	115,435

[1] The adjustment was made to net assets value in connection with the acquisition of business from MOL Global during the year ended December 31, 2018, which was previously determined on a provisional basis. During the measurement period of twelve months following the transaction, the Group recognised adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. accordingly, the adjustments are recognised retrospectively and comparative information is restated. Save as adjustments to goodwill of US$4,016,000, there were increases in current assets of US$505,000, current liabilities of US$2,908,000 and non-current liabilities of US$1,613,000 as of the acquisition date.

Notes to the Consolidated Financial Statements (Continued)

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(a) Amortisation charge

The amortisation of development costs and purchased technology assets is included in general and administrative expenses and selling and marketing expenses. The amortisation of patents and customer relationships is included in 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 has been allocated to the Group's CGUs (operating divisions) as follows:

	2019		2018	
	Goodwill US$'000	**Trademarks US$'000**	(restated) 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	–
CGU C within the "Software and Services" segment	**26,556**	**–**	26,241	–
CGU D within the "Software and Services" segment	**37,821**	**–**	37,371	–
	73,997	**2,736**	74,150	2,736

(i) CGU A

CGU A is part of the business operations within the "Others" segment. The recoverable amount of 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.

	2019	2018
Pre-tax discount rate	**20%**	30%
Terminal value growth rate	**3%**	3%
Budgeted revenue growth rate (average of financial forecasts period)	**20%**	36%

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 the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

The recoverable amount of the CGU A (including goodwill) based on the estimated value-in-use calculations was higher than its carrying amount at December 31, 2019 and 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, 2019 and 2018.

Notes to the Consolidated Financial Statements (Continued)

14 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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

(ii) CGU B

During 2019, following the Group's decision to discontinue the sales of Razer Phone, the Group has recognised a full impairment on the carrying value of CGU B's long-lived assets, including goodwill and patents of US$918,000 and US$6,476,000 respectively.

CGU B is part of the business operations within the "Others" segment.

For the recoverability assessment performed in 2018, the recoverable amount of 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 estimated growth rate stated below. Cash flows for the stabilised years are equal to or lower than the cash flows of the ninth year of the business plan. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

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

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

The recoverable amount of the CGU B (including goodwill) based on the estimated value-in-use calculations was higher than its carrying amount 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.

(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 estimated growth rate 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.

	2019	2018
Pre-tax discount rate	**13%**	13%
Terminal value growth rate	**0%**	0%
Budgeted revenue growth rate (average of financial forecasts period)	**20%**	20%

Notes to the Consolidated Financial Statements (Continued)

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 the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

The recoverable amount of the CGU C (including goodwill) based on the estimated value-in-use calculations was higher than its carrying amount at December 31, 2019. 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, 2019.

(iv) CGU D

The recoverable amount of 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 estimated growth rate 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.

	2019	2018
Pre-tax discount rate	**13%**	13%
Terminal value growth rate	**0%**	0%
Budgeted revenue growth rate (average of financial forecasts period)	**17%**	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 the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

The recoverable amount of the CGU D (including goodwill) based on the estimated value-in-use calculations was higher than its carrying amount at December 31, 2019. 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, 2019.

Notes to the Consolidated Financial Statements (Continued)

15 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. All the subsidiaries are limited liability 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 Singapore dollars ("SGD") 88,049,876.36 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 utilizing internet-connected physical outlets as e-distribution and e-payment centers and provision of e-solution services	Malaysia	Issued and paid-up capital of RM12,770,409.00 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 RM2,100,000.00 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	United States	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 PHP11,000,000.00 consisting of 11,000,000 common shares of PHP1.00 each	–	100
Rixty Brasil Intermediação e Agenciamento de Negócios Ltda	Providing alternative payment system to domestic and international users 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

Note:

(i) On August 8, 2019, the Group entered into a sale and purchase agreement with Emre Gürsoy and Kuntay Kutlu to sell the 51% equity interest of Klon Ödeme Kuruluşu Anonim Şirketi ("PaybyMe") held by MOL AccessPortal Sdn. Bhd. at an aggregate cash consideration of US$2,608,000.

Notes to the Consolidated Financial Statements (Continued)

16 OTHER TAX LIABILITIES

Recognised income tax positions are measured at the best estimate of the tax amounts to be paid. Changes in recognition or measurement are reflected in the year in which the change in judgment occurs. As at December 31, 2019, the Group recognised tax effect of uncertain income tax positions of US$4,455,000 (2018: US$3,000,000).

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, 2018 US$'000	Recognised in/ (credited to) profit or loss (note 11) US$'000	Recognised in equity US$'000	Acquired in business combination US$'000	At December 31, 2018 US$'000	Recognised in/ (credited to) profit or loss (note 11) US$'000	Recognised in/ (credited to) equity US$'000	Recognised in/ (credited to) profit or loss Others US$'000	**At December 31, 2019 US$'000**
Assets									
Unutilised research credits	860	602	–	–	1,462	(130)	–	–	**1,332**
Loss allowance for trade receivables	748	75	–	–	823	237	–	–	**1,060**
Share-based compensation	18,309	(5,404)	(10,269)	–	2,636	(937)	–	–	**1,699**
Other provisions	3,021	(938)	–	–	2,083	1,544	18	(172)	**3,473**
Other items	646	200	–	–	846	48	–	–	**894**
	23,584	(5,465)	(10,269)	–	7,850	762	18	(172)	**8,458**
Liabilities									
Property, plant and equipment	(1,494)	(735)	–	–	(2,229)	(886)	–	–	**(3,115)**
Intangible assets and goodwill	–	(78)	–	(4,141)	(4,219)	1,280	(36)	14	**(2,961)**
Net deferred tax assets	22,090	(6,278)	(10,269)	(4,141)	1,402	1,156	(18)	(158)	**2,382**

During the years ended December 31, 2019 and 2018, 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 (Continued)

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:

	2019 US$'000	2018 US$'000
Deferred tax assets	**5,647**	6,346
Deferred tax liabilities	**(3,265)**	(4,944)
	2,382	1,402

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

(b) Unrecognised deferred tax assets

	2019 US$'000	2018 US$'000
Deductible temporary differences	**2,899**	10,946
Tax losses	**339,195**	232,773

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, 2019, the Group has tax losses of US$339,195,000 (2018: US$232,773,000), 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, 2019, cumulative tax loss of US$339,195,000 (2018: US$232,772,000) can be carried forward indefinitely.

18 INVENTORIES

	2019 US$'000	2018 US$'000
Raw materials	**11,941**	8,210
Finished goods	**62,879**	60,301
	74,820	68,511

Raw materials and changes in finished goods recognised in cost of sales amounted to US$652,473,000 (2018: US$542,361,000) including write-down to net realisable value amounting to US$1,925,000 (2018: US$3,944,000) for the Group.

Notes to the Consolidated Financial Statements (Continued)

19 TRADE AND OTHER RECEIVABLES

	2019 US$'000	2018 US$'000 (Restated)
Trade receivables	**202,896**	175,603
Less: Allowance for trade receivables	**(43,885)**	(30,361)
Less: Loss allowance	**(598)**	(357)
	158,413	144,885
Deposits	**3,148**	1,111
Other receivables[1]	**56,364**	35,987
Deferred rent credit[2]	**–**	1,070
Trade and other receivables	**217,925**	183,053
Non-current	**2,829**	1,464
Current	**215,096**	181,589
	217,925	183,053

1 Other receivables mainly comprise of receivables from arrangements whereby the Group purchases components from third-party suppliers and subsequently sell to contract manufacturers.

2 The Group has initially applied IFRS 16 at January 1, 2019. The deferred rent credit included under "Trade and other receivables" was reclassified as an adjustment to the right-of-use assets as shown in note 3(s).

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:

	2019 US$'000	2018 US$'000 (Restated)
Neither past due nor impaired	**141,392**	117,421
Past due 1 – 30 days	**14,715**	17,856
Past due 31 – 60 days	**1,768**	4,297
Past due 61 – 90 days	**249**	5,091
More than 90 days	**289**	220
	158,413	144,885

The Group usually grants credit terms ranging from 2 days to 60 days (2018: 2 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 31(b).

Notes to the Consolidated Financial Statements (Continued)

20 OTHER INVESTMENTS

	2019 US$'000	2018 US$'000
Equity securities designated at FVOCI (non-recycling)		
Equity security (quoted) – current	**1,196**	1,544
Equity security (unquoted) – non-current	**997**	1,210
	2,193	2,754
Financial assets designated at FVPL		
Financial assets (quoted) – current	**5,038**	–
Financial assets (unquoted) – non-current	**300**	–
	5,338	–
	7,531	2,754

During 2019, the Group made a capital commitment US$10,000,000 to a venture capital fund, of which US$500,000 has been called as of December 31, 2019. The capital commitment may be drawn down by the fund for the purposes of investments and for management fees during its investment period, which terminates in 2024, and for limited purposes (including follow-on investments and management fees) after the end of the investment period, until the end of the fund's charter life in 2029 (subject to two potential one-year extensions).

The Group's exposures to credit and market risks, and fair value measurement are disclosed in note 31.

21 RESTRICTED CASH

As at December 31, 2019, the restricted cash balance is US$16,442,000 (2018: US$8,648,000), of which US$732,000 (2018: US$1,061,000) 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 letters of credit and amounts held at bank as required by local regulations for payment related services.

22 CASH AND BANK BALANCES

	2019 US$'000	2018 US$'000
Cash at bank and in hand	**121,807**	136,533
Fixed deposits and money market funds	**406,523**	478,704
Cash and cash equivalent in the consolidated cash flow statement and in the consolidated statement of financial position	**528,330**	615,237

The weighted average effective interest rate of fixed deposits at the reporting date was 2.8% per annum (2018: 3.0%). Interest rates are repriced at monthly intervals.

Notes to the Consolidated Financial Statements (Continued)

23 TRADE AND OTHER PAYABLES

	2019 US$'000	2018 US$'000 (Restated)
Trade payables	**301,318**	269,575
Accrued operating expenses	**43,600**	45,045
Provision for warranty expenses	**12,958**	8,676
Accrued liabilities for materials	**1,043**	9,207
Deposits received	**795**	4,271
Other payables[1]	**19,464**	15,008
	379,178	351,782
Non-current	**1,588**	7,306
Current	**377,590**	344,476
	379,178	351,782

[1] Other payables mainly comprise of sales and withholding taxes and the obligations arose from the 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:

	2019 US$'000	2018 US$'000 (Restated)
Up to 3 months	**297,416**	267,010
Over 3 months but within 6 months	**1,214**	2,261
Over 6 months but within 12 months	**2,510**	277
Over 12 months	**178**	27
	301,318	269,575

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:

	2019 US$'000	2018 US$'000
At January 1	**8,394**	–
Additions through business combination	**–**	8,057
Revision to estimated exercise price	**1,548**	1,567
Disposal through transaction with non-controlling interests	**(2,908)**	–
Exchange differences	**10**	(1,230)
At December 31	**7,044**	8,394

Notes to the Consolidated Financial Statements (Continued)

23 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2019 US$'000	2018 US$'000
At January 1	**8,676**	7,005
Provision made during the year	**24,129**	17,164
Provision utilised during the year	**(19,847)**	(15,493)
At December 31	**12,958**	8,676

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 31.

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 LEASE LIABILITIES

As at December 31, 2019, the contractual maturities of the lease liabilities are as follows:

	2019 US$'000
Less than one year	**4,975**
Between one and five years	**9,777**
More than five years	**1,560**
Total contractual cash flows	**16,312**
Less: Imputed interest on lease liabilities	**(2,302)**
Carrying amount	**14,010**

Notes to the Consolidated Financial Statements (Continued)

26 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, where awards are vested at the rate of 25% provided that the recipient remains in service on the vesting date of each tranche. 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 awards is satisfied over four tranches, where awards are vested at the rate of 25% provided that the recipient remains in service on the vesting date of each tranche.

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.

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 2019 was 240,940,141 (2018: 29,503,217). The weighted average grant date fair value of RSUs granted during 2019 was US$0.20 per share (2018: US$0.41 per share).

In October 2017, the board of directors and the shareholders of the Company 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 was 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 of directors considered that the Remuneration Committee's discretion on the Subsequent Grant is substantive and the grant date was not established, and subject to the Remuneration Committee fixing the vesting conditions, approving the grants, and a definitive RSU agreement being executed.

Under the Subsequent Grant, the first and second tranches of the RSUs were granted on March 27, 2019 upon the approval of the Remuneration Committee. The accounting treatment of the first and second tranches of RSUs granted follows the accounting policy set out in note 3(j)(iii). As of December 31, 2019, the third tranche of 88,630,209 RSUs with a vesting period of four years from 2019 has not been approved and no grant date has been established by the Remuneration Committee although the service period is considered having commenced.

As such, the Group estimated and recognised share-based compensation expense in respect of the third tranche of the RSUs based on the fair value of Company's ordinary shares at each balance sheet date in 2019. The amount of share-based compensation expense for the third tranche is being re-estimated at each balance sheet date until a grant date is established.

For the year ended December 31, 2019 and 2018, US$20,235,000 and US$904,000 of share-based compensation expense respectively were recognised in the consolidated statements of profit or loss and other comprehensive income in respect of these RSUs.

Notes to the Consolidated Financial Statements (Continued)

27 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$'000	Share-based payments reserve US$'000	Retained earnings/ (accumulated losses) US$'000	Total US$'000
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
Shares repurchased	(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 pre-IPO business combination	87	1,719	–	–	–	1,806
At December 31, 2018 and January 1, 2019	**89,661**	**714,082**	**(24,721)**	**105,619**	**75,614**	**960,255**
Changes in equity for 2019:						
Profit for the year	**–**	**–**	**–**	**–**	**10,593**	**10,593**
Shares repurchased	**(1,679)**	**(30,235)**	**–**	**–**	**–**	**(31,914)**
Issuance of vested shares, net of tax	**–**	**–**	**1,893**	**(41,237)**	**39,344**	**–**
Share-based compensation expense	**–**	**–**	**–**	**29,946**	**–**	**29,946**
Intercompany loan waiver	**–**	**–**	**–**	**–**	**(148)**	**(148)**
Issuance of treasury shares	**1,500**	**–**	**(1,500)**	**–**	**–**	**–**
At December 31, 2019	**89,482**	**683,847**	**(24,328)**	**94,328**	**125,403**	**968,732**

Notes to the Consolidated Financial Statements (Continued)

27 CAPITAL AND RESERVES (CONTINUED)

(b) Share capital

	2019 No. of shares	Amount US$'000	2018 No. of shares	Amount US$'000
Authorised:				
At January 1	**15,000,000,000**	**150,000**	10,000,000,000	100,000
Increase of authorised ordinary shares	**–**	**–**	5,000,000,000	50,000
Ordinary shares	**15,000,000,000**	**150,000**	15,000,000,000	150,000
Ordinary shares, issued and fully paid				
At January 1	**8,966,137,033**	**89,661**	9,022,560,913	90,225
Shares repurchased and cancelled	**(185,434,000)**	**(1,679)**	(65,163,000)	(651)
Issuance of ordinary shares to RSU Trustee after IPO	**150,000,000**	**1,500**	–	–
Issued in pre-IPO business combinations after IPO	**–**	**–**	8,739,120	87
At December 31	**8,930,703,033**	**89,482**	8,966,137,033	89,661

(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, 2019, 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
January 2019	52,619,000	1.36	1.02	7,547
February 2019	30,735,000	1.49	1.32	5,645
March 2019	7,507,000	1.66	1.60	1,562
April 2019	38,400,000	2.10	1.66	9,003
May 2019	22,847,000	2.03	1.46	5,103
June 2019	15,826,000	1.70	1.41	3,054
				31,914

During the year ended December 31, 2018, the Group issued 8,739,120 ordinary shares as part of the consideration of the acquisition of the Nextbit business.

Notes to the Consolidated Financial Statements (Continued)

27 CAPITAL AND RESERVES (CONTINUED)

(d) Treasury shares

The Company's treasury shares comprise the cost of 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 26).

In 2019, 189,267,674 ordinary shares were issued for vested RSUs, of which no shares were withheld for withholding tax purpose.

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).

28 BUSINESS COMBINATION

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 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% in MOL Global.

Notes to the Consolidated Financial Statements (Continued)

28 BUSINESS COMBINATION (CONTINUED)

Acquisition of MOL Global (continued)

On April 23, 2018, RazerVentures and 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 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 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.

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 and cash equivalents 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

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 (Restated)
Property, plant and equipment	1,887
Intangible assets	25,267
Deferred tax assets	153
Equity investments	17
Other receivables	179
Net current assets	14,038
Tax liabilities	(4,214)
Deferred tax liabilities	(4,540)
Net defined benefit retirement obligation	(309)
Put option liability over non-controlling interest	(3,603)
Total net identifiable assets acquired	28,875

Notes to the Consolidated Financial Statements (Continued)

28 BUSINESS COMBINATION (CONTINUED)

Acquisition of MOL Global (continued)

Identifiable assets acquired and liabilities assumed (continued)

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

	US$'000 (Restated)
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	(28,875)
Goodwill	67,279

The goodwill is attributable mainly to the skills and talent of 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.

29 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Pursuant to the terms of a Subscription and Shareholder's Agreement ("Agreement") entered into between the Company and, inter alia, Berjaya Corporation Berhad ("Berjaya") on April 16, 2018, Razer Pay Holdings Pte Ltd. ("Razer Pay") was set up with an initial paid-in capital of US$2,600,000 contributed proportionately by Razer Midas Pte. Ltd. and Berjaya in exchange for 51% and 49% of equity interest of Razer Pay respectively. Under the agreement, the Company agreed to transfer its payment services business to Razer Pay and Berjaya committed to leverage its retail network to help expand the group's payment services business.

During the year ended December 31, 2019, the Group's payment services operations have been transferred to Razer Pay.

The disposal was accounted for as a common control transaction and the transfer of assets and liabilities were recorded based on book values. The Group recorded an adjustment of US$6,017,000 in retained earnings related to the disposals.

Notes to the Consolidated Financial Statements (Continued)

30 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:

	2019 US$'000	2018 US$'000
Short-term employee benefits	**2,095**	2,414
Equity compensation benefits	**23,833**	10,419
	25,928	12,833

31 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 limited because the counterparties are banks with a minimum credit rating of A assigned by Standard & Poor's, for which the Group considers to have low credit risk.

Trade receivables

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, 20% (2018: 6%) and 45% (2018: 38%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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 balances due are 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.

Notes to the Consolidated Financial Statements (Continued)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2019:

	Expected loss rate	**Gross carrying amount** US$'000	**Loss allowance** US$'000
Current (not past due)	0.1%	141,508	116
Past due 1-30 days	0.1%	14,730	15
Past due 31-60 days	2.0%	1,805	37
Past due 61-90 days	10.4%	278	29
More than 90 days	58.1%	690	401
			598

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.

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

	2019 US$'000	2018 US$'000
At January 1	**357**	1,756
(Reversal of)/impairment loss recognised on trade receivables	**241**	(1,341)
Uncollectible amount written off	**–**	(58)
At December 31	**598**	357

Notes to the Consolidated Financial Statements (Continued)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than US$, the Company's functional currency. The currencies giving rise to this risk is primarily Euro, HKD, MYR and SGD.

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, MYR and SGD.

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

		2019		
	Euro US$'000	**HKD US$'000**	**SGD US$'000**	**MYR US$'000**
Trade and other receivables	**33,474**	**180**	**3,818**	**12,112**
Cash and bank balances	**1,956**	**5,811**	**4,451**	**16,707**
Trade and other payables	**(3,840)**	**(1,341)**	**(6,116)**	**(57,983)**
	31,590	**4,650**	**2,153**	**(29,164)**

		2018		
	Euro US$'000	HKD US$'000	SGD US$'000	MYR US$'000
Trade and other receivables	35,583	209	1,440	17,149
Cash and bank balances	8,863	10,204	3,062	16,921
Trade and other payables	(3,478)	(5,463)	(4,753)	(36,854)
	40,968	4,950	(251)	(2,784)

Sensitivity analysis

A 10% strengthening of US$ against the following currencies at the reporting date would increase/(decrease) 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.

	2019 US$'000	2018 US$'000
Euro	**(3,159)**	(4,097)
SGD	**(215)**	25
MYR	**2,916**	278

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.

Notes to the Consolidated Financial Statements (Continued)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 (Continued)

31 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
2019				
Financial assets				
Money market funds	**–**	**20,286**	**–**	**20,286**
Other investments (quoted)	**6,234**	**–**	**–**	**6,234**
Other investments (unquoted)	**–**	**–**	**1,297**	**1,297**
	6,234	**20,286**	**1,297**	**27,817**
Financial liabilities				
Put option liability over non-controlling interest	**–**	**–**	**7,044**	**7,044**
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 interest	–	–	4,973	4,973

[1] 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 quoted investments are determined using quoted prices obtained for those investments as at reporting date. For unquoted 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 interest, fair value is determined using valuation techniques which considers the present value of the gross obligation, discounted using a risk-adjusted rate.

During the year ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Notes to the Consolidated Financial Statements (Continued)

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values (continued)

Fair value hierarchy (continued)

The following table presents the change in level 3 instruments:

	2019 US$'000	2018 US$'000
Financial assets		
At January 1	**1,210**	20,250
Additions	**300**	408
Additions through business combination (note 28(a))	**–**	17
Net unrealised gain recognised in other comprehensive income	**(213)**	435
Transfer to interest in an associate	**–**	(19,900)
	1,297	1,210

	2019 US$'000	2018 US$'000
Financial liabilities		
At January 1	**4,973**	–
Additions through business combination (note 28(a))	**–**	3,603
Net unrealised foreign exchange loss recognised in other comprehensive income	**68**	(197)
Unwinding of discount	**2,003**	1,567
	7,044	4,973

The Group does not have any other financial instruments that are measured using fair values as at December 31, 2019 and 2018.

(f) Liquidity risk

The Group monitors the overall liquidity risk by maintaining sufficient cash and cash equivalent levels and actively manages cash flow fluctuations to finance and support business operations. Operational cash flows are expected to be short-term in nature. All of the current trade and other payables are expected to be settled and recognised as income within one year or are repayable on demand. The effects of the Group's cash flows occurring beyond one year are expected to be immaterial.

Notes to the Consolidated Financial Statements (Continued)

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	December 31, 2019 US$'000	December 31, 2018 US$'000
Non-current assets		
Investments in a subsidiary	**368,973**	341,421
Prepayments	**182**	229
	369,155	341,650
Current assets		
Other investments	**5,038**	–
Other receivables	**186,147**	138,115
Prepayments	**81**	81
Cash and bank balances	**410,626**	484,403
	601,892	622,599
Current liability		
Trade and other payables	**2,315**	3,994
Net current assets	**599,577**	618,605
NET ASSETS	**968,732**	960,255
Capital and reserves		
Share capital	**89,482**	89,661
Share premium	**683,847**	714,082
Reserves	**195,403**	156,512
TOTAL EQUITY	**968,732**	960,255

33 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at January 1, 2019. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3(s).

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 on October 25, 2017 and March 8, 2019) for the grant of, among others, RSUs to eligible participants
"Articles of Association"	the articles of association of the Company adopted on October 25, 2017 and which became effective on November 13, 2017, the date on which the Shares were listed on the Stock Exchange, as amended from time to time
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China"	the People's Republic of China, which for the purpose of this announcement 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, taxes, depreciation and amortisation
"ESG Guide"	the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules
"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 China
"IFRS"	the International Financial Reporting Standards
"initial public offering" or "IPO"	the initial public offering of the shares of the Company, further details of which are set out in the prospectus of the Company dated November 1, 2017
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MOL Global"	MOL Global, Inc., a subsidiary of the Company since May 2018
"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

Definitions and Glossary of Technical Terms (Continued)

"Shares"	ordinary shares of US$0.01 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"THX"	THX Ltd. (formerly known as Razer Tone, Inc.), a company incorporated in Delaware, the United States on August 19, 2016 and our 80%-owned subsidiary
"U.S."	the United States of America
"US$" or "U.S. dollar"	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.

"cloud gaming"	gaming involving game content being streamed to a gamer's device
"esports"	professional competitive gaming
"gamers"	individuals who play games across any platform
"games"	games played primarily on personal computers, mobile devices and consoles
"mobile gaming"	gaming involving games being played on a mobile device
"peripherals"	hardware devices, such as mice, keyboards, headsets, audio devices and controllers, used to play games in conjunction with a personal computer, mobile device or console

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