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Application Proof of

Razer Inc.

雷蛇*

(Incorporated in the Cayman Islands with limited liability)

(the “Company”)

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* *For identification purpose only*

IMPORTANT

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RAZER INC.

雷蛇*

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under : [REDACTED] Shares (subject to the [REDACTED] the [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED] and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : US\$0.01 per Share
[REDACTED]

Joint Sponsors, [REDACTED]
(in alphabetical order)



Financial Adviser

EVERCORE

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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] (Hong Kong time) and, in any event, not later than [REDACTED] (Hong Kong time). The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced. If, for any reason, the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us are unable to reach an agreement on the [REDACTED] by [REDACTED], the [REDACTED] will not become unconditional and will lapse immediately.

The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, with our consent, where considered appropriate, reduce the number of [REDACTED] and/or the indicative [REDACTED] below that stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] will be published in the [South China Morning Post] (in English) and the [Hong Kong Economic Times] (in Chinese) not later than the morning of the last day for lodging applications under the [REDACTED]. Such notices will also be available on the website of the Stock Exchange at www.hkexnews.hk and our website at www.razerzone.com. Further details are set out in the sections headed "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" in this document.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document.

Prospective investors of the [REDACTED] should note that the obligations of the Hong Kong [REDACTED] under the Hong Kong [REDACTED] to subscribe, or to procure subscribers, for the [REDACTED], are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain events occur prior to 8:00 a.m. on the day on which trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "[REDACTED]" in this document. It is important that you refer to that section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act. The [REDACTED] are being offered and sold (1) to QIBs in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

* For identification purpose only

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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You should rely only on the information contained in this document and the [REDACTED] to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not included in this document or the [REDACTED] must not be relied on by you as having been authorized by our Company or any of the Relevant Persons. Information contained on our website at www.razerzone.com does not form part of this document.

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the [REDACTED]. There are risks associated with any investment in the [REDACTED]. Some of the particular risks associated with an investment in the [REDACTED] are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED].

BUSINESS OVERVIEW

*For Gamers. By Gamers.*TM We are the leading global lifestyle brand for gamers, according to Newzoo, that offers an integrated portfolio of gaming hardware, software and services. The Razer ecosystem delivers gamers a competitive edge, immersive gaming experiences and access to a comprehensive catalogue of digital entertainment.

We operate in a large and growing addressable market of hardware, software and services for gamers. Games are a pervasive element of popular culture and integral to the modern way of life of the world's approximately 2.1 billion active gamers in 2016, which is estimated to grow to approximately 2.7 billion active gamers in 2021, according to Newzoo. According to Frost & Sullivan, the global games market is the fastest growing segment within the global entertainment industry. In 2016, the global games market revenue of US\$101.1 billion exceeded both the global cinema and global music markets, which according to Frost & Sullivan, generated US\$39.9 billion and US\$48.4 billion respectively. As an early mover in professional competitive games, also known as esports, we are strategically positioned to capitalize on the opportunities in this segment which has grown rapidly in the past few years and has emerged as a standalone industry.

The Razer Brand

Razer was founded by gamers. Our passion for gaming and focus on creating premium gaming products that cater to the demanding requirements of gamers have propelled us to become a lifestyle brand for gamers. Our brand is recognized for its authenticity and we have built an intensely devoted fan base. Razer has become an aspirational brand for gamers and millennials, who we believe, recognize our brand as one synonymous with high performance and industry leading technology. Our users include early adopters of technology, millennials and some of the most prominent trendsetters, such as top esports athletes, movie stars, leading music artists and social media celebrities.

Online social networks play a key role for us to attract and engage gamers. We partner with social media celebrities who promote our products to their millions of fans, and we sponsor top esports athletes who promote our brand at professional gaming events. We have one of the largest online social media followings globally among games and esports brands. As of December 31, 2016, we had approximately 7.5 million "Likes" on Facebook, 2.7 million followers on Twitter, 1.2 million followers on Instagram, 1.2 million subscribers on YouTube, 250,000 followers on WeChat and 140,000 followers on Weibo.

We are a leading brand in esports and have sponsored top esports athletes for over 12 years. As of December 31, 2016, *Team Razer*, our esports brand, comprised of 160 top esports athletes from 22 different countries.

Through our loyal fan base, video streaming, strong social media presence and viral marketing, and as one of the pioneers of esports, we believe we are in a prime position to market to the growing gamer market worldwide.

SUMMARY

The Razer Ecosystem

We believe we have one of the largest integrated gaming ecosystems in the world. The Razer ecosystem consists of hardware, software and services designed and developed to integrate seamlessly and enhance personalized user experiences for gamers across different entertainment genres.

We believe our robust brand-centric ecosystem contributes to the successful launches of new hardware, software and services, creating a virtuous cycle.

Hardware

Since our founding, we have been able to continually innovate, develop and sell category-defining hardware. Our hardware, which includes premium gaming peripherals (including high-precision mice, fully customizable keyboards, audio devices, mouse mats and gaming console controllers) and systems (including laptops), deliver a competitive edge and immersive experiences for our users. To date, we have sold over 25 million connected devices, and we have sold over US\$1 billion worth of hardware during the Track Record Period.

Software

At the core of our ecosystem is our *Razer Software Platform*, which had over 35 million registered users as of May 31, 2017. Our platform comprises of *Razer Synapse*, an IoT platform, which allows users to access our software platform via our hardware devices; *Razer Chroma*, our proprietary RGB lighting technology system; and *Razer Cortex*, an all-in-one game launcher, game optimizer, game aggregator and price comparison engine. We believe these software offerings bring users to our ecosystem, keep them engaged and allow us to offer additional services to them.

Services

We have just begun to monetize our *Razer Software Platform* by offering services to our users. In March 2017, we launched our *zGold* virtual credits service, which allows gamers to purchase *zGold* and exchange it for digital content and items from various content providers. We have recently entered into an arrangement with MOL Global, which has a wide distribution network for virtual credits in Southeast Asia, whereby their virtual credits, MOLPoints, will be rebranded as "*zGold-MOLPoints*." At the same time, we have announced a partnership with Three Group, the mobile telecommunications division of CK Hutchison, to distribute *zGold* in Hong Kong and Europe. We intend to further expand the reach of *zGold* and our services offerings directly and through more partnerships.

Global Leadership

We are a market leader in high-performance gaming products worldwide. Razer is the leading global brand in terms of ownership, across each of the peripheral categories based on an aggregate of China, Europe and the United States, according to Newzoo. Razer is also the third most popular gaming system brand among gamer-focused brands, behind companies which offer broader product portfolios.

We are currently the number one global gaming peripherals brand in China in terms of both awareness and preference, according to Newzoo. According to Newzoo, 39.5% of gamers in China named Razer as their preferred global brand in gaming peripherals, 10% more gamers than any other brand. In addition, according to Frost & Sullivan, the Razer brand is considered more authentic than any other gamer lifestyle brand in China.

We have established a global footprint in the games industry. We have a geographically diverse revenue base, generating 50.1% of our revenue from the Americas, 27.0% from EMEA and 22.9% from Asia, including 12.7% in China, in 2016. Our software platform can be accessed worldwide and our sales and distribution network extends across six continents and 76 countries, as of December 31, 2016.

SUMMARY

OUR INDUSTRIES AND COMPETITIVE LANDSCAPE

Global Entertainment Industry

The global entertainment industry includes cinema, TV and video and games. Total revenue for the global entertainment industry was US\$869.8 billion in 2016 and is expected to grow to US\$950.9 billion in 2021. According to Frost & Sullivan, the global entertainment industry is likely to benefit from several social, demographic and economic trends.

Global Games Market

The global games market comprises gaming console, mobile and PC games (excluding hardware). According to Frost & Sullivan, the global games market is the fastest growing segment within the global entertainment industry. The global games market generated US\$84.7 billion in revenue in 2014, US\$101.1 billion in 2016 and is expected to generate US\$132.7 billion in 2021.

According to Newzoo, there were approximately 2.1 billion active gamers worldwide in 2016, which is expected to grow to approximately 2.7 billion active gamers in 2021.

Global Gaming Hardware Market

The global gaming hardware market primarily consists of gaming peripherals, gaming systems and mobile devices. In 2016, the global gaming peripherals market generated US\$2.2 billion in revenue, while the gaming systems market generated US\$19.3 billion, according to Newzoo.

Razer is the leading global brand in terms of ownership, across each of the peripheral categories based on an aggregate of China, Europe and the United States, according to Newzoo. Razer is also the third most popular gaming system brand among gamer-focused brands, behind companies which offer broader product portfolios.

Global Gaming Software and Services Market

The emergence of independent third-party software applications is closely connected to the growing popularity of desktop and laptop PC gaming and competitive gaming. The main types of software applications that are generally used while gaming, but are independent of the games themselves, include game launchers (such as *Razer Cortex*), game-related cloud software (such as *Razer Synapse* and *Razer Chroma*), game video recording (such as *Razer Cortex: Gamecaster* feature) and communication software. With the increasing focus on the sale of “in-game” downloadable digital content, most games now have their own virtual credits service, which players can use to purchase “in-game” items. Notably, there is no single virtual credits service that is widely adopted by all game publishers globally.

Global Esports Market

With a global audience of 322 million people in 2016, esports has become a standalone industry, generating around US\$500 million in sponsorships, advertising, fees from game publishers, media rights, merchandise and tickets in 2016. Global esports revenue is forecasted to increase with a 24.1% CAGR from 2017, set to reach US\$1.65 billion in 2021. Brands, media and sports companies across the globe are increasingly investing in this industry. The global esports audience is expected to grow to 386 million in 2017 and will continue to increase rapidly, with a 14.6% CAGR, reaching 665 million in 2021. China has the largest esports audience with 106 million people in 2016 and is expected to remain the largest in 2021, reaching a total of 218 million at a CAGR of 14.6% from 2017.

See the section headed “Industry Overview” for more information on our industries.

SUMMARY

OUR STRENGTHS

We believe the following strengths create a unique and leading position for us within the global games industry:

- Leading global lifestyle brand for gamers;
- Global footprint;
- Leading position in a large and growing addressable market;
- Superior gaming and entertainment experience enabled by our integrated ecosystem;
- Strong track record of innovation and creation of category-defining experiences;
- Established strategic relationships with leading players in the games and entertainment industry; and
- Visionary management team with deep industry experience and a strong gaming-focused culture.

OUR STRATEGY

Our principal business objectives are to focus on enhancing the gamer experience through an integrated ecosystem of gaming hardware, software and services. We intend to continue this focus and broaden the appeal of our brand and ecosystem to include verticals appealing to gamers and millennials by pursuing the following strategies:

- Broaden the appeal of our brand;
- Continue to introduce innovative, category-defining experiences; and
- Deepen global market penetration.

OUR CUSTOMERS

We sell our products directly through *RazerStores* and on our online store, and indirectly through a global distribution network of distributors and retailers. Our products can be found in large global online and offline retailers such as Amazon, Best Buy and Walmart in North America; Fnac, MediaMarkt and Saturn in Europe; and JD.com and Tmall in China. In 2015 and 2016, our largest customer was a distributor in China. In 2015, Eternal Asia, whose contract terms are substantially similar to our standard framework agreement accounted for approximately 13.5% of our revenue, and in 2016, Eternal Asia accounted for approximately 10.9% of our revenue. Our top five customers accounted for 35.2%, 38.9% and 34.8% of our revenue in 2014, 2015 and 2016, respectively. To the best of our knowledge, as of the Latest Practicable Date, all of our distributors and retailers were independent third parties and none of our distributors and retailers were controlled by former employees of Razer. The Company changed its primary China distributor from Beijing Digital to Eternal Asia in 2014, due to commercial reasons.

OUR SUPPLIERS

Our suppliers primarily include (i) contract manufacturers and suppliers for our hardware and other products, (ii) data storage and bandwidth providers, and server hosting and bandwidth leasing companies and (iii) payment channels.

Contract manufacturers and suppliers. We work closely with our manufacturers to ensure a smooth production process. These manufacturers are responsible for producing mock-ups, prototypes, certain aspects of mechanical and electronic design as well as production tooling. Our contract manufacturers are primarily located in China and Taiwan. We utilized 49, 54 and 51 independent contract manufacturers as of December 31, 2014, 2015 and 2016, respectively, for our peripherals and systems products. We generally engage multiple manufacturers. For product categories where we engage only one manufacturer, we believe there are alternative manufacturers which are readily accessible in the market.

SUMMARY

Purchases from our five largest suppliers (including both manufacturers and service providers) for each of 2014, 2015 and 2016 accounted for approximately 80.5%, 80.9% and 77.2% of our total purchase amount during those periods, respectively. Our largest supplier for each of 2014, 2015 and 2016 accounted for approximately 31.3%, 30.9% and 27.9% of our total purchase amount during those periods, respectively. As of December 31, 2016, we had maintained business relationships with our five largest suppliers for at least four years.

Data storage and bandwidth. We employ the services of commercial cloud service providers for most of our content delivery network (CDN) needs and for most of our computing, storage, sever hosting and bandwidth needs to run our Internet-based applications.

Payment channels. We engage third-party software and service providers for our online store and *RazerStores*. We have entered into or are planning to enter into payment service agreements with payment channels including PayPal, major credit cards, prepaid cards, prepaid methods, and direct carrier billing companies.

OUR DESIGN PROCESS

We achieve truly holistic design by controlling the entire design process in-house from product development to software coding to final packaging. Our typical hardware design process involves producing multiple design iterations, creating mock-ups for evaluation and then multiple working prototypes for in-the-field testing and validation, followed by extensive testing. We then go through the rigor of this process as many times as necessary to produce an uncompromisingly high-performance product with our distinctive look and feel. We conduct research and development of software technology in-house, from product development to user interface design, engineering development, and the development of technology components. Our design teams are led by Mr. Tan, our co-founder and chief executive officer, who is supported by design teams based in California, Singapore and Taiwan. We had 192, 248, and 309 in-house research and design team personnel as of December 31, 2014, 2015 and 2016, respectively.

RISK FACTORS

Our business and the [REDACTED] involve certain risks, which are set out in the section headed "Risk Factors" in this document. You should read that section in its entirety before you decide to invest in the [REDACTED]. Some of the major risks we face include:

- We are dependent on our brand, our distinctive logo and our reputation in the gamer community and among millennials for our sales and future growth.
- If we are unable to continue to develop innovative and popular products, demand for our products may suffer.
- We have incurred operating and net losses in the past and may incur operating and net losses in the future or be unable to achieve or maintain profitability.
- Our revenue, gross margins and profitability can vary significantly depending on multiple factors, which can result in unanticipated fluctuations in our operating results.
- We may not be able to continue or manage our rapid growth. If we are unable to continue or manage our growth, our corporate culture may deteriorate and our business, financial condition and results of operations may be materially and adversely affected.
- If the games industry does not grow as expected or declines, our ability to expand our business and generate positive operating results could be materially and adversely affected.
- We are subject to government regulation across our business, and the implementation of laws and regulations which negatively impact our business and gaming may cause us to incur substantial costs or require us to change our business practices.
- Any changes to the regulatory landscape or any unforeseen regulatory regime related to our new products and services or any litigation related to unknown or unforeseen risks with the use of our products and services could materially and adversely affect our business, financial condition and results of operations.

SUMMARY

- Technological developments or other changes in our industry could render our products and services less competitive or obsolete, which would negatively impact our business, our financial condition and results of operations.
- A significant portion of our revenue is derived from the peripherals category.

[REDACTED] INVESTMENTS

The Company has issued six rounds of Preferred Shares, a summary of which is set out below:

	Series A Preferred Shareholders ⁽¹⁾	Series B-1 Preferred Shareholders ⁽¹⁾	Series B-2 Preferred Shareholders	Series B-3 Preferred Shareholders	Series C Preferred Shareholders	Series D Preferred Shareholders
Cost per Preferred Share paid	US\$76.1532	US\$386.83	US\$511.483	US\$1,737.43	US\$1,737.438	US\$2,304.80
Date of the agreement(s)	May 16, 2007, October 25, 2007 and January 1, 2010	October 1, 2011 and January 20, 2012	April 17, 2013	September 30, 2014	February 21, 2016 and September 4, 2016	April 12, 2017
Date on which investment was fully settled	February 3, 2010	March 19, 2012	May 29, 2013	March 31, 2015	December 1, 2016	May 15, 2017
Total number of Preferred Shares issued	78,051	36,926	24,341	2,877	71,945	18,804
Cost per Share paid after taking into account the effect of the [REDACTED] ⁽²⁾ .	HK\$0.15	HK\$0.78	HK\$1.04	HK\$3.52	HK\$3.52	HK\$4.67
Discount to the [REDACTED] ⁽³⁾ .	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%

Notes:

- (1) These represent the preferred shares originally allotted and issued by Razer (Asia Pacific) which were exchanged for the same number of Preferred Shares that the Company allotted and issued on November 8, 2012, pursuant to the restructuring as further described in the section headed “History and Corporate Structure — Our Corporate History and Major Shareholding Changes of Our Group — 6. 2012 Restructuring, Allotment and Issue of Shares, Series A Preferred Shares and Series B Preferred Shares by the Company.”
- (2) Cost per Share paid calculated by dividing the total consideration paid by the total number of Shares held following conversion of the relevant Preferred Shares to Shares and the [REDACTED] in relation to each series of the [REDACTED] Investments.
- (3) The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED], on the basis that [REDACTED] Shares are expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED] (including completion of the conversion of the Preferred Shares into Shares) and without taking into account the Deferred Settlement Shares.

Pursuant to the Shareholders’ Agreement entered into by the Company and the [REDACTED] Investors, the [REDACTED] Investors have been granted certain special rights, all of which shall automatically upon [REDACTED] when the Preferred Shares are converted into Shares.

Upon the completion of the [REDACTED] and the [REDACTED], the Shares held by the [REDACTED] Investors (i.e. all [REDACTED] Investors excluding Chen Family (Hivemind) Holdings Limited, Lim Teck Lee Land Pte Ltd, Primerose Ventures Inc. and Sandalwood Associates Limited) will count towards part of the public float.

For the details of the allotment and issue of the Series A, Series B-1, Series B-2, Series B-3, Series C and Series D Preferred Shares and the conversion of such Preferred Shares into Shares, please refer to the section headed “History and Corporate Structure — Our Corporate History and Major Shareholding Changes of Our Group” in this document.

SUMMARY

For the details of the allotment and issue of Shares by the Company as consideration for the transactions involving Slot Speaker Technologies, Inc. (formerly known as THX Ltd.), Nextbit Systems Inc., and MOL Global, please refer to the section headed “History and Corporate Structure — Our Corporate History and Major Shareholding Changes of Our Group” in this document. Shareholders which were allotted Shares in connection with the [REDACTED] Investments do not have any special rights.

OUR SHAREHOLDING STRUCTURE

The Controlling Shareholders

Immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares), Chen Family (Hivemind) Holdings Limited will directly hold [REDACTED]% of the issued share capital in the Company. Chen Family (Hivemind) Holdings Limited is in turn jointly controlled by Chen Family (Global) Holdings Limited and Mr. Tan. Chen Family (Global) Holdings Limited is wholly-owned by the Chen Family Trust established by Mr. Tan as the settlor with Julius Baer Trust Company Guernsey Limited as the trustee. The beneficiaries of the Chen Family Trust are Mr. Tan and his family members. Accordingly, Mr. Tan will, together with Chen Family (Global) Holdings Limited, and in turn through Chen Family (Hivemind) Holdings Limited, be interested in [REDACTED]% of the issued share capital in the Company. Therefore, Mr. Tan, Chen Family (Global) Holdings Limited and Chen Family (Hivemind) Holdings Limited are the Controlling Shareholders of our Company.

None of our Controlling Shareholders nor any of our Directors is, as of the Latest Practicable Date, interested in or engaged in any business, other than our Company, which competes or is likely to compete, either directly or indirectly with our Group’s business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules. Our Directors believe that our Company is capable of carrying out its business independently of our Controlling Shareholders and his or its associates. For further information, please see the section headed “Relationship with our Controlling Shareholders.”

2016 Equity Incentive Plan

The Company adopted a 2016 Equity Incentive Plan by a resolution of our Board on July 25, 2016 and a resolution of our Shareholders on August 23, 2016 (and subsequently amended by our Board and our Shareholders on [●], 2017). RSUs granted under the 2016 Equity Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve the grant of options by our Company to subscribe for new Shares. Please refer to the section headed “Appendix IV — Statutory and General Information — E. 2016 Equity Incentive Plan” in this document for further details.

SUMMARY

FINANCIAL PERFORMANCE DURING THE TRACK RECORD PERIOD

During the Track Record Period, our revenue increased from US\$315.2 million in 2014 to US\$392.1 million in 2016, representing a CAGR of 11.5%. From 2014 to 2016, our revenue increased from US\$135.2 million to US\$196.7 million in the Americas, from US\$96.6 million to US\$105.7 million in EMEA and from US\$83.5 million to US\$89.7 million in Asia Pacific including China. In 2016, we generated 76.2% of our revenue from Peripherals and 23.1% from Systems. Software and services revenue was immaterial in 2016.

We had a profit of US\$20.3 million in 2014, and our losses were US\$20.4 million and US\$59.7 million in 2015 and 2016, respectively. Excluding the impact of share-based payments, a one-time settlement payment in 2015, expenses related to a contemplated securities offering incurred in 2015 and impairment of acquisition-related intangible assets in 2016, we had an adjusted profit of US\$20.3 million in 2014, and our adjusted losses were US\$6.2 million and US\$20.3 million in 2015 and 2016, respectively. See “Financial Information — Non-IFRS Measure: Adjusted Profit/(Loss).”

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth a summary of our financial information for the three years ended December 31, 2014, 2015 and 2016 and should be read in conjunction with our financial information included in the section headed “Appendix I — Accountants’ Report” in this document, including the notes thereto. Our financial information has been prepared in accordance with IFRS. The basis of preparation is set forth in Note 2 of section B of the section headed “Appendix I — Accountants’ Report” in this document.

SELECTED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

	For the Year Ended December 31,		
	2014	2015	2016
	US\$ (in thousands)		
Revenue	315,247	319,706	392,099
Cost of sales	(207,274)	(219,505)	(282,648)
Gross profit	107,973	100,201	109,451
Selling and marketing expenses	(34,290)	(41,110)	(69,993)
Research and development expenses	(23,640)	(29,818)	(52,175)
General and administrative expenses	(24,787)	(41,348)	(49,606)
Impairment of goodwill	—	—	(805)
Operating income/(loss)	25,256	(12,075)	(63,128)
Share of results of joint venture, net of tax . . .	(681)	731	—
Other non-operating expense	(3,331)	(5,993)	(653)
Profit/(loss) from operations	21,244	(17,337)	(63,781)
Finance income	176	201	525
Finance costs	(74)	(10)	(14)
Net finance income	102	191	511
Profit/(loss) before income tax	21,346	(17,146)	(63,270)
Income tax (expenses)/benefit	(1,014)	(3,210)	3,654
Profit/(loss) for the year	20,332	(20,356)	(59,616)
Owners of the Company	20,332	(20,356)	(59,332)
Non-controlling interest	—	—	(284)

SUMMARY

SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

	As of December 31,		
	2014	2015	2016
	US\$ (in thousands)		
Assets			
Non-current assets	14,966	23,165	52,722
Current assets	174,516	165,245	263,758
Total assets	<u>189,482</u>	<u>188,410</u>	<u>316,480</u>
Liabilities			
Non-current liabilities	4,534	4,145	3,516
Current liabilities	95,908	104,881	164,776
Total liabilities	<u>100,442</u>	<u>109,026</u>	<u>168,292</u>
Equity			
Share capital	8	8	8
Share premium	51,451	56,451	187,211
Reserves	37,581	22,925	(42,618)
Total equity attributable to equity holders of the Company	89,040	79,384	144,601
Non-controlling interest	—	—	3,587
Total equity	<u>89,040</u>	<u>79,384</u>	<u>148,188</u>
Total equity and liabilities	<u>189,482</u>	<u>188,410</u>	<u>316,480</u>

SELECTED CONSOLIDATED CASH FLOWS STATEMENTS ITEMS

	For the Year Ended December 31,		
	2014	2015	2016
	US\$ (in thousands)		
Net cash generated from operating activities...	34,414	3,532	1,678
Net cash used in investing activities	(17,827)	(2,908)	(32,360)
Net cash (used in)/generated from financing activities	(104)	(44)	77,134
Net increase in cash and cash equivalents	16,483	580	46,452
Effect of exchange rate fluctuations on cash held	(36)	(75)	(54)
Cash and cash equivalents at the beginning of the year	57,779	74,226	74,731
Cash and cash equivalents at the end of the year	<u>74,226</u>	<u>74,731</u>	<u>121,129</u>

SUMMARY

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the [REDACTED] of the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares in issue (including the Shares on conversion of the Preferred Shares), the Shares to be issued pursuant to (i) the [REDACTED], (ii) the [REDACTED] (including the additional Shares which may be issued upon the exercise of the [REDACTED]) and (iii) the RSUs granted or to be granted under the 2016 Equity Incentive Plan and the Deferred Settlement Shares.

We [REDACTED] reference to (i) our revenue for the year ended December 31, 2016, being US\$392.1 million (equivalent to approximately HK\$3,058 million), which is over HK\$500 million, and (ii) our expected market capitalization at the time of [REDACTED], which, based on the low-end of the indicative [REDACTED], exceeds HK\$[REDACTED].

DIVIDEND POLICY

Our Board has absolute discretion as to whether to declare any dividend for any year, and in what amount. The Company has not paid or declared any dividend since its inception. No distributable reserves of the Company were available for distribution to the owners during the Track Record Period. We will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic climate. However, the determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. Our Shareholders may at a general meeting approve any declaration of dividends, which must not exceed the amount recommended by the Board. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. There can be no assurance that dividends of any amount will be declared or distributed in any year.

For further details on the timing, amount and form of future dividends, if any, our Company’s ability to pay cash dividends, the factors affecting the payment of dividends, please see “Financial Information — Dividend Policy and Distributable Reserves.”

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK\$[REDACTED]	Based on an [REDACTED] of HK\$[REDACTED]
[REDACTED] of our Shares ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
[REDACTED] ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of the market capitalization is based on the assumption that [REDACTED] will be in issue and outstanding immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares).
- (2) The [REDACTED] of our Company per Share in the above table is calculated after the adjustments referred to in the section headed “Appendix II — [REDACTED]” in this document and on the basis of [REDACTED] in issue immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares).

For further details, see “Future Plans and Use of [REDACTED].”

SUMMARY

[REDACTED] EXPENSES

We will incur [REDACTED] expenses in connection with the [REDACTED], which include professional fees, [REDACTED] commissions and other fees. Assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the range of the [REDACTED] as stated in this document, the [REDACTED] expenses to be borne by us are estimated to be approximately HK\$[REDACTED]. The [REDACTED] expenses will be either charged to our consolidated income statement or recorded as deferred expense that will be charged against equity upon a successful [REDACTED].

The [REDACTED] expenses above are the latest practicable estimate and are provided for reference only, and actual amounts may differ. Our Directors do not expect [REDACTED] expenses to be incurred after the Track Record Period to have a material and adverse impact on our financial results for the year ending December 31, 2017.

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of the [REDACTED] stated in the document, we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), after deduction of [REDACTED] fees and estimated expenses in connection with the [REDACTED]. If the [REDACTED] is exercised in full, we estimate that we will receive additional net [REDACTED] of approximately HK\$[REDACTED] (after deducting [REDACTED] fees and estimated expenses in connection with the [REDACTED]), assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the range of the [REDACTED] as stated in this document.

Our Directors intend to apply the net [REDACTED] from the [REDACTED] as follows:

See “Future Plans and Use of [REDACTED].”

Amount of the estimated net [REDACTED]	Intended use of net [REDACTED]
Approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) (representing [REDACTED]% of net [REDACTED])	Develop new verticals in the gaming and digital entertainment industry including mobile devices
Approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) (representing [REDACTED]% of net [REDACTED])	Finance acquisitions that will continue the expansion of our ecosystem
Approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) (representing [REDACTED]% of net [REDACTED])	Expand our research and development capabilities
Approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) (representing [REDACTED]% of net [REDACTED])	Implement our sales and marketing initiatives to broaden the appeal of the Razer brand and increase user awareness of our new products including <i>zGold</i> , our virtual credits service, and other products
Approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) (representing [REDACTED]% of net [REDACTED])	For general working capital purposes

SUMMARY

RECENT DEVELOPMENTS

In the first half year of 2017, we achieved several milestones:

- On January 26, 2017, we completed the acquisition of certain assets of Nextbit Systems Inc. in exchange for 8,633 Shares.
- In March 2017, we launched our *zGold* virtual credits service, which allows gamers to purchase *zGold* and exchange it for digital content and items from various content providers.
- On May 12, 2017, we completed the investment in 19.9% of MOL Global’s in exchange for 8,634 Shares and entered into various cooperation agreements with MOL AccessPortal Sdn. Bhd., a wholly-owned Malaysian subsidiary of MOL Global.
- On May 15, 2017, we completed the Series D Preferred Shares investments and issued 18,804 Series D Preferred Shares for an aggregate consideration of US\$43.3 million.
- On June 17, 2017, we announced a partnership with CK Hutchison’s Three Group and opened our sixth *RazerStore* in Hong Kong.

For more information on the foregoing recent developments, see the section headed “History and Corporate Structure.”

Our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since December 31, 2016, the date of our latest audited consolidated financial statements.

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are defined in the section headed “Glossary of Technical Terms” in this document.

“2016 Equity Incentive Plan”	the 2016 Equity Incentive Plan approved by the Board on July 25, 2016 and our Shareholders on August 23, 2016 (and subsequently amended by the Board and our Shareholders on [●], 2017) for the grant of, among others, RSUs to eligible participants, a summary of the principal terms of which is set forth in the section headed “Appendix IV — Statutory and General Information — E. 2016 Equity Incentive Plan”
“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
[REDACTED]	
“Articles” or “Articles of Association”	the articles of association of our Company adopted on [●], 2017 and which will become effective on the [REDACTED], as amended from time to time, a summary of which is set out in the section headed “Appendix III — Summary of the Constitution of our Company and Cayman Islands Companies Law” in this document
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit and Risk Management Committee”	the audit and risk management committee of the Board
“Board of Directors” or “Board”	our board of Directors
“Business Day”	any day (other than a Saturday or Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business to the public
“CAGR”	compound annual growth rate

DEFINITIONS

[REDACTED]

“ <i>Cayman Islands</i> ”	the Cayman Islands, a British Overseas Territory
“ <i>Cayman Islands Companies Law</i> ”	the Companies Law, Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands
“ <i>CCASS</i> ”	the Central Clearing and Settlement System established and operated by HKSCC
“ <i>CCASS Clearing Participant</i> ”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“ <i>CCASS Custodian Participant</i> ”	a person admitted to participate in CCASS as a custodian participant
“ <i>CCASS Investor Participant</i> ”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“ <i>CCASS Participant</i> ”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“ <i>China</i> ” or “ <i>PRC</i> ”	the People’s Republic of China, which for the purpose of this document and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“ <i>Companies Ordinance</i> ”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ <i>Companies (Winding Up and Miscellaneous Provisions) Ordinance</i> ”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ <i>Company</i> ” or “ <i>our Company</i> ”	Razer Inc., an exempted company incorporated in the Cayman Islands with limited liability on May 18, 2012

DEFINITIONS

“ <i>Controlling Shareholders</i> ”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Mr. Tan, Chen Family (Global) Holdings Limited and Chen Family (Hivemind) Holdings Limited
“ <i>Credit Suisse</i> ”	Credit Suisse (Hong Kong) Limited
“ <i>Deferred Settlement Shares</i> ”	(a) the 1,220 Shares to be issued to Archview Capital Ltd. on October 5, 2017 pursuant to the asset purchase agreement entered into between Razer Tone, Inc. and Slot Speaker Technologies, Inc. (formerly known as THX Ltd.) dated October 5, 2016; (b) the 1,295 Shares to be issued to Nextbit Systems Inc. on January 26, 2019 pursuant to the asset purchase agreement entered into between Razer USA Ltd. and Nextbit Systems Inc. dated December 30, 2016; and (c) the 1,727 Shares to be issued to Nextbit Systems Inc. on or before January 26, 2019 upon the satisfaction of certain conditions, pursuant to the asset purchase agreement entered into between Razer USA Ltd. and Nextbit Systems Inc. dated December 30, 2016
“ <i>Director(s)</i> ” or “ <i>our Director(s)</i> ”	the director(s) of our Company or any one of them
“ <i>EMEA</i> ”	Europe, the Middle East and Africa
“ <i>EU</i> ”	the European Union
“ <i>Financial Advisor</i> ”	Evercore Asia Limited
“ <i>Frost & Sullivan</i> ”	Frost & Sullivan (S) Pte Ltd.
“ <i>GDP</i> ”	gross domestic product
	[REDACTED]
“ <i>Grantee(s)</i> ”	the grantee(s) of RSUs under the 2016 Equity Incentive Plan
	[REDACTED]
“ <i>Group</i> ”, “ <i>our Group</i> ” or “ <i>Razer</i> ”	our Company and its subsidiaries
“ <i>HKSCC</i> ”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“ <i>HKSCC Nominees</i> ”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“ <i>HK\$</i> ” or “ <i>Hong Kong dollars</i> ” or “ <i>HK dollars</i> ” or “ <i>HK cents</i> ”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

DEFINITIONS

“*Hong Kong*” or “*HK*” the Hong Kong Special Administrative Region of the People’s Republic of China

[REDACTED]

“*Hong Kong Stock Exchange*” or “*Stock Exchange*” The Stock Exchange of Hong Kong Limited

[REDACTED]

“*Hong Kong [REDACTED]*” the Hong Kong [REDACTED] dated [REDACTED] relating to the [REDACTED] entered into among our Company, the Controlling Shareholders, the [REDACTED], the Joint Sponsors and Hong Kong [REDACTED] as further described in the section headed “[REDACTED] — [REDACTED] and Expenses — [REDACTED] — Hong Kong [REDACTED]” in this document

“*IFRS*” the International Financial Reporting Standards

“*Independent Third Party(ies)*” party or parties which is/are not connected (as defined in the Listing Rules) to our Company, so far as our Directors are aware after having made reasonable enquiries

“*Industry Consultants*” Newzoo and Frost & Sullivan

“*INEDs*” the independent non-executive Directors

[REDACTED]

DEFINITIONS

[REDACTED]

“[REDACTED]”	[REDACTED] (in alphabetical order)
“[REDACTED]”	[REDACTED] (in alphabetical order)
“[REDACTED]”	[REDACTED] (in alphabetical order)
“ <i>Joint Sponsors</i> ”	Credit Suisse and UBS Securities Hong Kong Limited (in alphabetical order)
“ <i>Latest Practicable Date</i> ”	June 20, 2017, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
“[REDACTED]”	the [REDACTED] of the Shares on the Main Board of the Stock Exchange
“ <i>Listing Committee</i> ”	the Listing Committee of directors of the Stock Exchange
“[REDACTED]”	the date expected to be on or about [REDACTED] on which the Shares are [REDACTED] and from which dealings therein are permitted to take place on the Stock Exchange
“ <i>Listing Rules</i> ”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise from time to time
“ <i>Main Board</i> ”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
“ <i>Maximum [REDACTED]</i> ”	HK\$[REDACTED] per [REDACTED], being the maximum [REDACTED] in the [REDACTED] stated in this document

DEFINITIONS

“ <i>Memorandum</i> ” or “ <i>Memorandum of Association</i> ”	the amended and restated memorandum of association of our Company adopted on [●], 2017 and which will become effective on the [REDACTED], as amended from time to time
“ <i>MOL Global</i> ”	MOL Global, Inc.
“ <i>Mr. Tan</i> ”	Mr. Min-Liang Tan (陳民亮), a co-founder, chairman of the Board, chief executive officer, an executive Director of the Company and one of our Controlling Shareholders
“ <i>MSRP</i> ”	Market Suggested Retail Price
“ <i>Newzoo</i> ”	Newzoo International B.V.
“ <i>Nomination Committee</i> ”	the nomination committee of the Board
“[REDACTED]”	the final Hong Kong dollar price per [REDACTED] (before brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which [REDACTED] are to be subscribed or purchased pursuant to the [REDACTED], which will be not more than HK\$[REDACTED] and is expected to be not less than HK\$[REDACTED], to be determined as described in the section headed “Structure of the [REDACTED] — Pricing and Allocation” in this document
“[REDACTED]”	the [REDACTED] and the [REDACTED], together with, where relevant, any Shares which may be issued by the Company pursuant to the exercise of the [REDACTED]

[REDACTED]

“ <i>Preferred Shareholders</i> ”	the holders of any Preferred Shares from time to time
“ <i>Preferred Shares</i> ”	the Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares
“[REDACTED] <i>Investment(s)</i> ”	the [REDACTED] investments in the Company undertaken by the [REDACTED] Investors pursuant to the Preferred Shares subscription agreements, details of which are set out in the section headed “History and Corporate Structure” in this document

DEFINITIONS

“ [REDACTED] <i>Investors</i> ”	the Series A Preferred Shareholders, the Series B Preferred Shareholders, the Series C Preferred Shareholders and the Series D Preferred Shareholders
“ [REDACTED] ”	the date, expected to be on or about [REDACTED] (Hong Kong time) and in any event no later than [REDACTED] , on which the [REDACTED] is to be fixed
“ <i>QIBs</i> ”	qualified institutional buyers within the meaning of Rule 144A
“ <i>Razer (Asia-Pacific)</i> ”	Razer (Asia-Pacific) Pte. Ltd., a company incorporated in Singapore with limited liability on December 19, 2003 and wholly-owned by the Company
“ <i>Regulation S</i> ”	Regulation S under the U.S. Securities Act
“ <i>Relevant Persons</i> ”	[REDACTED] the Joint Sponsors [REDACTED] the Controlling Shareholders, any of their or our Company’s respective directors, officers or representatives or any other person involved in the [REDACTED]
“ <i>Remuneration Committee</i> ”	the remuneration committee of the Board
“ <i>RMB</i> ”	Renminbi, the lawful currency of China
“ <i>RSU Trustee(s)</i> ”	the trustee(s) of the 2016 Equity Incentive Plan to be appointed on or before the [REDACTED] to hold Shares pending the vesting of RSUs granted or to be granted
“ <i>RSUs</i> ”	restricted stock units, being contingent rights to receive Shares which are granted pursuant to the 2016 Equity Incentive Plan
“ <i>Rule 144A</i> ”	Rule 144A under the U.S. Securities Act
“ <i>S\$, “SGD” or “Singapore Dollars</i> ”	Singapore dollars, the lawful currency of Singapore
“ <i>Series A Preferred Shareholders</i> ”	the holders of the Series A Preferred Shares
“ <i>Series A Preferred Shares</i> ”	the series A convertible preferred shares of the Company with a par value of US\$0.01 per share, 78,051 shares of which have been issued and are held by the Series A Preferred Shareholders
“ <i>Series B Preferred Shareholders</i> ”	the holders of the Series B Preferred Shares

DEFINITIONS

“ <i>Series B Preferred Shares</i> ”	the Series B-1 Preferred Shares, the Series B-2 Preferred Shares and the Series B-3 Preferred Shares
“ <i>Series B-1 Preferred Shareholders</i> ”	the holders of the Series B-1 Preferred Shares
“ <i>Series B-1 Preferred Shares</i> ”	the series B-1 convertible preferred shares of the Company, with a par value of US\$0.01 per share, 36,926 shares of which have been issued and are held by the Series B-1 Preferred Shareholders
“ <i>Series B-2 Preferred Shareholders</i> ”	the holders of the Series B-2 Preferred Shares
“ <i>Series B-2 Preferred Shares</i> ”	the series B-2 convertible preferred shares of the Company, with a par value of US\$0.01 per share, 24,341 shares of which have been issued and are held by the Series B-2 Preferred Shareholders
“ <i>Series B-3 Preferred Shareholders</i> ”	the holders of the Series B-3 Preferred Shares
“ <i>Series B-3 Preferred Shares</i> ”	the series B-3 convertible preferred shares of the Company, with a par value of US\$0.01 per share, 2,877 shares of which have been issued and are held by the Series B-3 Preferred Shareholders
“ <i>Series C Preferred Shareholders</i> ”	the holders of the Series C Preferred Shares
“ <i>Series C Preferred Shares</i> ”	the series C convertible preferred shares of the Company, with a par value of US\$0.01 per share, 71,945 shares of which have been issued and are held by the Series C Preferred Shareholders
“ <i>Series D Preferred Shareholders</i> ”	the holders of the Series D Preferred Shares
“ <i>Series D Preferred Shares</i> ”	the series D convertible preferred shares of the Company, with a par value of US\$0.01 per share, 18,804 shares of which have been issued and are held by the Series D Preferred Shareholder
“ <i>SFC</i> ”	the Securities and Futures Commission of Hong Kong
“ <i>SFO</i> ”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ <i>SFTZ</i> ”	China (Shanghai) Pilot Free Trade Zone
“ <i>Share(s)</i> ”	ordinary share(s) of US\$0.01 each in the issued share capital of our Company

DEFINITIONS

“ <i>Shareholder(s)</i> ”	holder(s) of Shares
“ <i>Shareholders’ Agreement</i> ”	the shareholders’ agreement entered into between our Company and the [REDACTED] Investors on May 29, 2013 and amended and restated on each of September 30, 2014, March 30, 2017, and May 15, 2017, and which will be terminated with effect from the [REDACTED]
“ <i>Singapore</i> ”	the Republic of Singapore
“ <i>Singapore Government</i> ”	the government of Singapore
	[REDACTED]
“ <i>Stock Borrowing Agreement</i> ”	the stock borrowing agreement expected to be entered into on or about the [REDACTED] between the [REDACTED] (or its affiliate) and [●]
“ <i>subsidiary(ies)</i> ”	has the meaning ascribed to it under the Listing Rules
“ <i>Substantial Shareholder(s)</i> ”	has the meaning ascribed to it under the Listing Rules
“ <i>Takeovers Code</i> ”	the Hong Kong Code on Takeovers and Mergers
“ <i>THX</i> ”	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
“ <i>Track Record Period</i> ”	the periods comprising the three financial years ended December 31, 2014, 2015 and 2016
	[REDACTED]
“[REDACTED]”	the International [REDACTED] and the Hong Kong [REDACTED]
“[REDACTED]”	the International [REDACTED] and the Hong Kong [REDACTED]
“ <i>United States</i> ” or “ <i>U.S.</i> ”	the United States, as defined in Regulation S
“ <i>US\$</i> ” or “ <i>U.S. dollars</i> ”	United States dollars, the lawful currency of the United States
“ <i>U.S. Securities Act</i> ”	the United States Securities Act of 1933, as amended

[REDACTED]

GLOSSARY OF TECHNICAL TERMS

This Glossary contains definitions of certain terms used in this document in connection with our 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 industries as our Company.

“active gamer”	an individual who plays games at least once a month or spends at least one hour on average per week playing games
“augmented reality” or “AR”	computer-generated sensory input that modifies in real-time the perception of real-world environments
“Baby Boomer”	individuals born between early 1940s and mid-1960s
“cloud-based”	gaming and other digital products, services and resources delivered over networks that are hosted on infrastructure operated by service providers
“connected devices”	hardware devices which can connect to a software platform and interact with other connected devices and software services
“console games”	games that are played on a console as opposed to a personal computer
“esports”	professional competitive gaming
“first-person shooter games” or “FPS”	game genre centered around other weapon-based combat in a first-person perspective
“gamers”	individuals who play games across any platform without any time or frequency qualifications
“games”	games played primarily on PCs, mobile devices and consoles
“gaming system”	PCs, both desktops and laptops, that have been purchased primarily with playing games in mind, and are branded and advertised as such
“Generation X”	individuals born between mid-1960s and early 1980s
“IoT”	internet-of-Things, system of interrelated computing devices which collect and exchange data over a network
“massively multi-player online role-playing games” or “MMORPG”	game genre that involves a large number of players who adopt roles as “characters” and interact with each other in a fictional world where the evolution of the game world is determined by the actions of the players and the storyline continuously evolves

GLOSSARY OF TECHNICAL TERMS

<i>“millennials”</i>	individuals between the ages of 12 and 35 years old
<i>“mobile games”</i>	games that can be played on mobile devices
<i>“multi-player online battle arena games” or “MOBA”</i>	video game genre where a player controls a character in team-based competition
<i>“non-millennials”</i>	individuals between the ages of 36 and 65 years old
<i>“PC”</i>	personal computer
<i>“peripherals”</i>	hardware devices, such as mice, keyboards, headsets, audio devices and controllers, used to play games in conjunction with a PC or a console
<i>“real-time strategy games” or “RTS”</i>	game genre that focuses on strategic planning and tactical thinking to achieve victory in a game
<i>“smartphone”</i>	mobile personal computer that uses an operating system with features designed for handheld use
<i>“virtual reality” or “VR”</i>	computer technology that uses headsets to generate realistic sensations to simulate physical presence in a virtual environment

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that relate to our current expectations and views of future events. These forward-looking statements are contained principally in the sections headed "Summary," "Risk Factors," "Future Plans and Use of [REDACTED]," "Financial Information," "Industry Overview" and "Business" in this document. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in the section headed "Risk Factors," in this document, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. These forward-looking statements include, among other things, statements relating to:

- our operations and business prospects, including without limitation, our projected production or capacity;
- our financial conditions and our operating results and performance;
- industry trends and competition;
- our services and products under development or planning;
- our strategies and initiatives, business plans, objectives and goals;
- our ability to attract users and further enhance our brand recognition;
- our dividend distribution plans;
- the amount and nature of, and potential for, future development of our business;
- general political and economic conditions; and
- changes to regulatory and operating conditions in the markets in which we operate.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in the section headed "Risk Factors" in this document.

The forward-looking statements made in this document relate only to events or information as of the date on which the statements are made in this document. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this document completely and with the understanding that our actual future results or performance may be materially different from what we expect.

In this document, statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any of these intentions may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this document, including the following risk factors before making an investment in relation to the [REDACTED]. Our business, financial condition, results of operations and/or prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of the [REDACTED] could decrease significantly due to any of these risks and uncertainties, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industries and (ii) risks relating to the [REDACTED]. Additional risks and uncertainties presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the risks we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRIES

We are dependent on our brand, our distinctive logo and our reputation in the gamer community and among millennials for our sales and future growth.

Our brand, our distinctive triple-headed snake logo and our signature acid green and black aesthetics are widely recognized by the gamer community. We believe our brand, logo and colors are seen as being synonymous with high performance and industry leading technology and represent the gamer lifestyle. The value of our brand and our distinctive logo could be affected by a number of factors. For example, our success depends largely on our ability to anticipate, gauge and respond to changing consumer preferences and trends in a timely manner, while maintaining the authenticity of our brand and quality and relevance of our products. As a result, our success depends on our ability to continue to introduce high-performance, industry leading products with iconic designs. Achieving market acceptance of new designs and products requires substantial marketing efforts and expenditures and is subject to uncertainty. If we introduce new products or services that do not meet the expectations of gamers and millennials or gain market acceptance, it could materially and adversely affect our brand image and our business, financial condition and results of operations. Moreover, because we believe our fan base is very passionate in their appreciation and following of our brand, any reputational harm or damage to our brand may be exacerbated, causing impassioned fans to temporarily boycott our products or cease following our brand altogether, and even to influence other fans to do the same. Our brand and reputation may also be harmed by imposters and counterfeit products. See “— We are susceptible to counterfeiting of our products, and this may harm our reputation and force us to incur expenses in enforcing our intellectual property rights.”

We believe that the fact that our brand has a strong reputation and passionate following within the gamer community has increased our sales and supports our pricing strategy. Without compromising our premium brand image and pricing, we plan to target a wider audience by, for example, increasing our spending in traditional marketing channels. However, as we continue to expand our business into new products, product categories and services, we risk losing the strength of our reputation and our followers may not be as passionate, particularly if our products are perceived to have decreased in quality or to have become commoditized. Moreover, as we transition from a private company to a [REDACTED] company, our customers may view our brand differently, which could adversely affect our reputation, brand leadership, perception of authenticity and passionate following and thereby harm our sales and ability to maintain our pricing strategy. If we lose our strong connections to the gamer community due to our attempts to broaden our appeal, our ability to successfully implement our growth strategy may be materially and adversely affected, which in turn could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

If we are unable to continue to develop innovative and popular products, demand for our products may suffer.

We are subject to rapidly changing preferences of gamers and millennials and the trends in our industry. Our success depends on our ability to anticipate, gauge and respond to these changing consumer preferences and trends in a timely manner, while maintaining the authenticity of our brand and quality and relevance of our products. Market acceptance of new designs and products is subject to uncertainties and we cannot assure you that our efforts will be successful. Achieving market acceptance for new products will also require substantial marketing efforts and expenditures to drive demand, which could challenge our management, financial and operational resources. Failure to develop new products which respond to the changing preferences of gamers and millennials and the trends in our industry could materially and adversely affect our business, financial condition and results of operations.

In recent years we have developed new product categories, products and services. These initiatives represent new areas of growth for us and could include the offering of new products and services that may not be accepted by the market. For example, in January 2017 we acquired certain assets of San Francisco-based mobile phone manufacturer Nextbit Systems Inc. to accelerate our mobile device strategy, and in March 2017 we launched our *zGold* virtual credits service to begin the monetization of our software platform, which allows gamers to purchase *zGold* and exchange it for digital content and items across various partner platforms. We plan to continue to introduce new products and services to further diversify our revenue streams, including those with which we have little or no prior development or operating experience. There can be, however, no assurance that such developments or introductions will be successful.

The markets we operate in and others we may decide to enter into are intensively competitive and are dependent on consumer demand, over which we have little or no control. If any new business in which we invest or attempt to develop does not progress as planned, we may be adversely affected by investment expenses that have not led to the anticipated results, by write-downs of our equity investments, by the distraction of management from our core businesses or by damage to our brand or reputation. In addition, as we continue to build an ecosystem to better serve our users, we plan to implement multiple growth strategies, some of which are still at the inception or trial stage and may not prove successful. If our current or future strategies do not succeed as we anticipate, we may not be able to maintain or increase our revenue, generate profits or achieve positive operating cash flows. Furthermore, we may not be able to identify suitable business partners for our new initiatives. If these new products and services fail to engage users, or if our intended strategies for any of our current or future endeavors are ineffective or fail to meet our expectations and forecasts, we may fail to generate sufficient revenue and profit to justify our investments, and our business, financial condition and results of operations may suffer as a result. Moreover, if our strategies fail, the costs associated with implementing these strategies could materially and adversely affect our business, financial condition and results of operations.

We have incurred losses in the past and may incur losses in the future or be unable to achieve or maintain profitability.

We have incurred operating losses in the past and expect to incur operating losses in the future. For the years ended December 31, 2015 and 2016, we experienced losses of US\$20.4 million and US\$59.6 million, respectively, due to increases over the Track Record Period in operating expenses in connection with the expansion of our product offerings and an initial grant of RSUs to our employees, among other reasons. Our losses may continue as we incur additional costs and expenses related to expansion of operations, development of new products and services, development of relationships with strategic business partners, acquisitions, branding and marketing and other activities. If our operating expenses exceed our expectations, our financial performance will be adversely affected. Furthermore, as a public company, we will incur additional legal, accounting, and other expenses that we did not incur as a private company. We plan to continue to introduce new products and services to further diversify our revenue streams, including those with which we have little or no prior development or operating experience. For example, we currently plan to launch our

RISK FACTORS

first mobile device in late 2017 or early 2018 though this date may change subject to design and engineering changes. If these new products and services fail to engage users or business partners, we may fail to generate sufficient revenue and profit and achieve an investment return to justify our investments, and our business and operating results may suffer as a result. We may also encounter unforeseen expenses, operating delays, or other unknown factors (some of which may be beyond our control) that may result in losses in future periods. Our ability to achieve or maintain profitability is also affected by market developments and competition. If we do achieve profitability, we may not be able to sustain or increase such profitability.

Our revenue, gross margins and profitability can vary significantly depending on multiple factors, which can result in unanticipated fluctuations in our operating results.

Our revenue, gross margins and profitability can vary due to user demand, competition, product life cycle, new product introductions, unit volumes, product mix, prices of components and raw materials, supply chain costs, geographic sales mix, foreign currency exchange rates and the complexity and functionality of new product innovations. In particular, when a new product is first introduced, we may experience lower gross margins and lower profit until we achieve economies of scale. In addition, revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of estimated product returns, and expected payments for cooperative marketing arrangements and pricing programs (if any). We recognize revenue when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continual managerial involvement with the goods and the amount of resources can be measured reliably. Any materially inaccurate estimation may adversely affect our financial results.

In addition, our gross margins may vary significantly by product category, sales geography and user type. If the product mix sold shifts from higher margin product categories to lower margin product categories or from higher margin sales geographies to lower margin sales geographies, our overall revenue and gross margins may be adversely affected.

As we further expand into other new categories, our gross margins may decrease as these products may have lower gross margins than our existing products. User demand in these consumer product categories, based on style, color and other factors, tends to be less predictable and tends to vary more across geographic markets. As a result, we may face higher up-front investments and inventory costs associated. If we are unable to offset these potentially lower margins by enhancing the margins in existing products, this could materially and adversely affect our business, financial condition and results of operations.

We may not be able to continue or manage our rapid growth. If we are unable to continue or manage our growth, our corporate culture may deteriorate and our business, financial condition and results of operations may be materially and adversely affected.

We have experienced rapid growth since our inception. We will not be able to sustain this rapid growth rate as our scale increases. Our past growth rate should not be taken as an indicator of future growth rates. Our future growth will depend upon various factors, including the continued strength of our brand image, broad market acceptance of our current and future products, competitive conditions, our ability to manage increased revenue, the implementation of our growth strategy and our ability to manage our anticipated growth.

We plan to significantly expand our infrastructure and our geographical presence and add personnel, particularly in research and development and sales. We also expect to increase our marketing spend as we continue to grow our brand. Our management team may not possess sufficient experience to manage this increasing scale, including the increasing complexity of our business, new and distinct business models and our global expansion. Our future success will depend substantially on our ability to manage our anticipated growth. If we are unable to manage our growth effectively, we may not be able to maximize the benefits of our corporate culture, which could materially and adversely affect our business, financial condition and results of operations.

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If the games industry does not grow as expected or declines, our ability to expand our business and generate positive operating results could be materially and adversely affected.

Over the past two decades, games has grown from a relatively niche industry to a significant segment of the global entertainment industry with a wide following across various demographic groups globally. However, the continued growth of the games industry will depend on numerous factors, many of which are beyond our control, including but not limited to:

- the rate of growth of PCs or the migration of gamers to mobile devices or consoles away from PCs, which historically have been the core focus of our business;
- general economic conditions, particularly economic conditions adversely affecting discretionary consumer spending;
- social perceptions of gaming, especially those related to the impact of gaming on health and social development;
- the relative availability and popularity of other forms of entertainment; and
- changes in consumer demographics, tastes and preferences.

A significant portion of our revenue is generated from gaming-related products. As a result, any decline or slowdown in the growth of the games industry or the declining popularity of the games industry could materially and adversely affect our ability to expand our business and generate positive operating results. In addition, there is no assurance that millennials as a whole will continue to buy into and drive the growth in gamer culture and the games industry overall. If millennials lose interest in gaming, this could materially and adversely affect our business, financial condition and results of operations.

We are subject to government regulation across our business, and the implementation of laws and regulations which negatively impact our business and gaming may cause us to incur substantial costs or require us to change our business practices.

Our business is impacted by laws and regulations across many jurisdictions that affect the markets our business operates in, and their scope has increased significantly in recent years. We are subject to a variety of regulations, including those related to games, privacy and data protection, labor laws, intellectual property, virtual credits services and electronic payment services regulation. These laws vary significantly from jurisdiction to jurisdiction and are often evolving, unclear or inconsistent with other applicable laws. Future expansion in terms of products and services and geographic coverage could subject us to additional regulatory requirements and other risks that may be costly or difficult to comply with. This may require us to devote substantial resources or require us to change our business practices, which could materially and adversely affect our business, financial condition and results of operations.

Our business, financial condition and results of operations are directly impacted by laws and regulations which may discourage gaming, reduce access to gaming or prohibit gaming. Various countries, including the United States, South Korea and China, have implemented or have attempted to implement laws and regulations designed to limit access to games or reduce the amount of time spent playing games due to perceived harm caused by video games, especially to minors. Compliance with such laws and regulations may cause us to incur substantial costs or require us to change our business practices in a manner that could materially and adversely affect our business, financial condition and results of operations. The impact of such laws and regulations on third parties, such as game developers, could also adversely affect our business, financial condition and results of operations, to the extent that it adversely impacts the games industry as a whole.

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For example, the Chinese government has adopted a number of policies which may negatively impact gaming as a result of adverse public reaction to perceived addiction to online games. In 2007, the Chinese government issued a notice requiring all Chinese online game operators to adopt an “anti-fatigue system” in an effort to curb perceived addiction to online games by minors. China further restricts the establishment of Internet cafes by implementing Regulations on Administration of Business Premises for Internet Access Services (“the Internet Cafés Regulation”), imposing higher capital and facility requirements, and license or permit requirements for the establishment of Internet cafes. Business license for internet culture is required for such Internet cafes. In 2016, the Internet cafes Regulation was amended to require, among others, the establishment of the credit monitoring system to further regulate Internet cafes. Internet cafes are a major venue for gaming in China and their regulation could negatively impact our expansion into the Chinese market. Any negative impact on our expansion into the Chinese market could materially and adversely affect our business, financial condition and results of operations.

Any changes to the regulatory landscape or any unforeseen regulatory regime related to our new products and services or any litigation related to unknown or unforeseen risks with the use of our products and services could materially and adversely affect our business, financial condition and results of operations.

As we develop new products, product categories and services in a rapidly-changing industry, not all of the products and services we develop fall under a defined legal or regulatory regime. Our products and services, may be subjected to unexpected and unforeseen regulatory regimes, such as regulations related to, but not limited to, health and safety, hazardous materials usage, product-related energy consumption, packaging, recycling and environmental matters. In addition, some of our untested products may carry with them unknown or unforeseen risks to consumers’ health and safety, which could expose us to future litigation. For example, virtual reality technology’s long-term effect on users’ health is unknown. If we were to enter the virtual reality space in a more significant way, and if it were proven that virtual reality had an adverse effect on consumers’ health, we could be liable for significant damages and be forced to halt sales of virtual reality devices. Any long-term, adverse effect of our products on health and safety would be difficult to foresee.

Our success depends in part on our strategy to sell products through our online store, www.razerzone.com, both on computers and mobile devices. In addition, we recently launched *zGold*, and we plan to expand our software and services offerings in the future. These business activities are subject to regulations related to electronic payment services and data privacy, which have increased in recent years and are currently in a state of flux and uncertainty worldwide. Regulatory regimes for these businesses vary significantly from jurisdiction to jurisdiction, adding to the complexity of compliance with these laws and regulations. For example, we are subject to a variety of regulations aimed at preventing money laundering and financing criminal activity and terrorism, financial services regulations, electronic payment services regulations, consumer protection laws, currency control regulations, and privacy and data protection laws. Throughout the many territories and jurisdictions in which we operate, we may be required to implement various measures such as Know Your Customer (KYC) procedures and ongoing customer due diligence to facilitate the prevention of money laundering and terrorism financing offences and to comply with consumer protection laws, which imply certain statutory guarantees as to the quality of services provided and prohibit misleading and deceptive trade practices and the imposition of unfair contract terms.

zGold is available in a number of jurisdictions, and the regulatory regimes in any such jurisdictions remain uncertain. It is possible that authorities in certain jurisdictions may take the position that we are required to obtain licenses or otherwise comply with laws and regulations which we believe are not required or applicable to our business activities and therefore we may be subject to penalties, fines and sanctions. This problem could be exacerbated as we increase the offerings within our *Razer Software Platform* (including with respect to the number of jurisdictions in which our services are offered) and expand our service offerings more generally. As a result, we may be required to change the activities that we conduct in such markets, obtain licenses or otherwise comply with regulations. Compliance with these laws may be costly, and there is no guarantee that costs associated with ongoing compliance will not further increase in the future. See “Business — Regulation.”

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In certain jurisdictions, governments have not yet issued relevant regulations or implementation guidelines to relevant regulations, but may issue new regulations or implementation guidelines in the future. In other jurisdictions, the application of existing laws to our business activities may not be entirely clear. The implementation of new regulations or guidelines could require us to change the way we conduct our business, incur new expenses or retain legal counsel or additional staff to ensure compliance with such regulations, which may be significant given the global nature of our business. Any of the foregoing could have a material and adverse effect on our business, financial condition, results of operations and growth prospects. As we further expand internationally, the geographical scope and complexity of the regulation frameworks to which we are subject will increase.

In addition, we receive, store and process personal information and other data. The regulatory framework for privacy issues worldwide is currently in a state of flux and uncertainty and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the internet and mobile platforms have recently come under increased public scrutiny. Various government and consumer agencies have called for new regulation and changes in industry practices. It is possible that obligations imposed under applicable laws may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to our users or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of information or other data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause our users to lose trust in us, which could have an adverse effect on our business. Furthermore, if third parties with whom we work, such as individual users, distribution partners, content providers and online merchants, violate applicable laws or our policies, such as sharing our customers' data without our permission or falling short of required data privacy controls and then suffering a data breach, leak or cyber-attack, such violations may reflect on our own business and could result in sanctions or penalties against us or have an adverse effect on our reputation and business. See "— Risks Relating to our Business and Industries — Any security and privacy breaches may damage our customer relations, our reputation and expose us to liability."

Technological developments or other changes in our industry could render our products and services less competitive or obsolete, which would negatively impact our business, our financial condition and results of operations.

Our industry is characterized by rapidly evolving technology and standards. These technological developments require us to integrate new technology and standards into our products and services, create new and relevant product categories and adapt to changing business models in a timely manner. Our competitors may develop or acquire alternative and competing technologies and standards that could allow them to create new and disruptive products and produce similar competitive products at lower costs of production. In addition, advances in the development of gaming, computing and audio-visual technology could render our products and services less competitive or obsolete. As a result, we may need to invest significant resources in research and development to maintain our market position, keep pace with technological changes and compete effectively. Our research and development expenses were US\$23.6 million, US\$29.8 million, US\$52.2 million in the years ended December 31, 2014, 2015 and 2016, respectively, representing 7.5%, 9.3% and 13.3% of our revenue, respectively. Our failure to improve our products and services, create new and relevant product categories and adapt to changing business models in a timely manner could materially and adversely affect our business, financial condition and results of operations.

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A significant portion of our revenue is derived from the peripherals category.

We depend on the hardware category, and in particular, our peripherals, to generate the majority of our revenue. For the years ended December 31, 2014, 2015 and 2016, approximately 87.1%, 88.3% and 76.2% of our revenue, respectively, was derived from the sale of peripherals (which includes gaming mice, gaming keyboards, audio devices and other peripheral devices). Although we expect the portion of our revenue derived from our non-peripherals segments and our software and services offerings to increase over time, our peripherals are expected to continue to account for a significant portion of our revenue for the foreseeable future. We cannot assure you that these peripherals categories will continue to enjoy market acceptance or that we will be able to grow or sustain their historical level of sales. A decrease in customer demand for these product categories could result in a material decrease in our revenue. Moreover, demand for peripherals may be adversely impacted to the extent that gamers migrate from PCs to mobile gaming platforms. Furthermore, we may not be able to quickly diversify our product categories. For example, we recently launched *zGold* in March 2017, in an attempt to further monetize our software platform base. If we are unable to develop new product or service categories or maintain the current sales levels for our products or replace them with equally successful ones in a timely manner, we will not be able to maintain or grow our revenue, and this could materially and adversely affect our business, financial condition and results of operations.

Acquisitions, investments and strategic alliances and partnerships could adversely affect our business and results of operations.

In recent years, we have acquired and invested in a number of businesses. We may in the future acquire or invest in technologies, businesses or assets that are complementary to our business or enter into strategic alliances. We cannot assure you that we will be able to continue identifying suitable acquisition or investment targets in the future. In addition, any transactions that we enter into could be material to our financial condition and results of operations. The process of integrating an acquired company, business, asset or technology may create unexpected operating difficulties and expenditures. The areas where we face risk include:

- significant costs of identifying and consummating acquisitions;
- diversion of management time and focus from operating our business to acquisition integration challenges;
- difficulties in integrating management, technologies and employees of the acquired businesses. In particular, assimilation and retention of personnel may be made more difficult by the fact that our employees are dispersed throughout various locations worldwide, thus requiring the coordination of operations separated by geography and time zones and the integration of personnel with disparate business backgrounds, cultures and languages;
- implementation or remediation of controls, procedures and policies at the acquired businesses;
- coordination of products and services, engineering and sales and marketing functions;
- retention of employees from the acquired businesses;
- liabilities for activities of the acquired businesses before the acquisition;
- potential significant impairment losses related to goodwill and other intangible assets acquired;
- significant expenses in obtaining approvals for the transactions from shareholders and relevant government authorities;
- the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries;
- litigation, whether or not we are directly involved in a lawsuit; and
- failure to achieve the intended objectives, benefits or revenue-enhancing opportunities.

RISK FACTORS

Our failure to address these risks or other issues encountered in connection with our future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and harm our business generally. If we use our equity securities to pay for acquisitions, we may dilute the value of our Shares. If we borrow funds to finance acquisitions, such debt instruments may contain restrictive covenants that could, among other things, restrict us from distributing dividends. Such acquisitions may also generate significant amortization expenses.

For example, in 2016 our subsidiary acquired certain assets from Slot Speaker Technologies, Inc. Our subsidiary, THX, is now operated independently as a subsidiary of Razer, and our chief executive officer Mr. Tan acts as the chief executive officer of THX. Our chief executive officer may be substantially involved with the management and day-to-day operations of THX and relevant work associated with post-acquisition growth of THX. The time commitment and focus required by THX may materially and adversely affect our chief executive officer's ability to focus on the Company.

Negative publicity about the games industry, our directors, management, shareholders, employees, strategic partners and other third parties, such as our service providers, may materially and adversely affect our business, financial condition and results of operations.

Any negative development in the games and gaming-related industries, such as recent controversies related to online bullying and harassment within the gaming community stemming from claims of lack of diversity and sexism in certain game publishers' offerings, could harm our reputation.

Negative publicity about our directors, management, shareholders and employees, whether related to work or otherwise, could harm our reputation.

We may in the future enter into strategic alliances with various third parties to further our business. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparties, reputation risk, regulatory risk and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. To the extent the third parties suffer negative publicity or harm to their reputations from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties. Negative publicity or harm to our reputation could materially and adversely affect our business, financial condition and results of operations.

In addition, negative publicity about our service providers or counterparties, such as a failure to comply with applicable laws and regulations or to otherwise meet certain quality and service standards, could compromise our image, undermine the trust and credibility we have established and harm our reputation.

We depend on key personnel to operate our business, and if we are unable to retain, attract and integrate qualified key personnel, our ability to develop and successfully grow our business could be harmed.

Our future success will depend substantially on the continued service of our senior management team. In particular, our co-founder and chief executive officer, Mr. Tan, has been instrumental to the vision and creativity of our business, and continues to be intimately involved in the development and design of our products. Mr. Tan, together with our senior management team and key personnel, are the main drivers of our innovative and creative corporate culture. In the event that Mr. Tan or another key member of our senior management becomes unavailable for any reason, our business may be adversely affected. We do not maintain key-man life insurance on our senior management. In addition, our continued success will depend in large part on our ability to attract and retain qualified and highly skilled personnel, particularly research and development and sales and marketing personnel. Competition for such key personnel is intense and is expected to remain so for the foreseeable future. Failure to retain, hire and motivate key management team members and qualified personnel could impair our ability to grow our business. Such failure could also materially and adversely affect our financial condition and results of operations.

RISK FACTORS

If we are unable to attract, assimilate and retain new personnel, including managers and software and hardware engineers, we may not be able to grow or successfully operate our business.

Our success has in part been the result of significant contributions by our employees, not limited to the members of our current senior management and product design teams. However, to be successful in continuing to grow our business, we will need to continue to attract, assimilate, retain and motivate highly talented employees with a range of skills and experience, especially managers, employees trained in software development and coding and engineers for research and development purposes. Competition for employees in our industry is intense and we have from time to time experienced difficulty in attracting the personnel necessary to support the growth of our business and to ensure the levels of innovation consumers and the industry have come to expect from us as a company. We expect competition for our personnel with other companies to remain intense for the foreseeable future, particularly for those with relevant technical expertise. In addition, we must carefully balance the size of our employee base with our current infrastructure, management resources and anticipated operating cash flows. If we are unable to manage the size of our employee base, particularly engineers, we may fail to develop and introduce new products successfully and in a cost-effective and timely manner. Volatility or lack of positive performance in our share price, including any potential declines in our share prices, may also affect our ability to retain key employees, particularly those positions and personnel granted equity incentives.

These problems could be exacerbated as we attempt to execute our strategy of expanding our hardware, software and services offerings and as we attempt to grow by acquisition or strategic investments. The acquisition of other companies in the past has greatly increased the number and diversity of our employee base, and there is no guarantee that we can maintain the morale and satisfaction of our growing employee base. Further, varying demands and expectations from our office personnel across regions could increase our chances of litigation. If we are unable to attract, assimilate and retain additional employees with the necessary skills to meet our strategy, or if we are not able to maintain employee morale, we may not be able to grow or successfully operate our business. Such failure could also materially and adversely affect our business, financial condition and results of operations.

Our operating results are difficult to predict and fluctuations in results may cause volatility in the price of our Shares.

Our operating results have historically fluctuated and may continue to fluctuate from period to period, and we expect that this trend will continue as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including:

- the volume and timing of orders received during the period, which are difficult to forecast;
- our ability to forecast inventory needs and place orders with our third-party manufacturers in advance of firm orders from retailers and distributors;
- our third-party manufacturers' ability to meet our specifications and demand;
- shortages or interruptions in the supply of components used in our products;
- pricing pressure as a result of competition or otherwise;
- political, social or economic instability, including but not limited to, in the United States, the EU, Singapore and the People's Republic of China, excluding, for purposes of this document, Hong Kong, Macau and Taiwan, where we have manufacturing operations, distribution centers or offices or other jurisdictions which are relevant to our business;
- our relationships with suppliers, retailers, distributors and users;
- seasonal variations;
- our ability to adapt to changing consumer preferences and industry trends;
- general economic conditions, both locally in the markets in which we operate and globally;
- fluctuations in foreign currency exchange rates and interest rates;

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- the cost of and potential outcomes of existing and future claims or litigation, which could have a material adverse effect on our business;
- class action lawsuits;
- changes in laws that affect our business and operations;
- cash collection/receivables; and
- future accounting pronouncements and changes in our accounting policies.

Any one of the factors above or the cumulative effect of multiple of the factors referred to above may result in significant fluctuations in our operating results. This variability and unpredictability could result in our failure to meet our revenue or other operating result expectations or those of investors for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our Shares could fall substantially, and we could face costly lawsuits, including securities class action suits. Any such result could materially and adversely affect our business, financial condition and results of operations.

Our RazerStores have required and will continue to require a substantial investment and commitment of resources and are subject to numerous risks and uncertainties.

Our *RazerStores* operated by us have required substantial investment in equipment and leasehold improvements, information systems, inventory, personnel and management time. We have entered into substantial operating lease commitments for retail space. Our retail locations are "experience stores" with a dual-focus on both marketing and promotion brand awareness, as well as serving as effective direct channels for sales of goods. Because these stores often contain unique design elements, premium locations and larger retail spaces than would otherwise be required for a company in our line of business, these stores require a substantial amount of investment. Due to the high cost structure associated with our stores, a decline in sales or the closure or poor performance of individual or multiple stores could result in significant lease termination costs, write-offs of equipment and leasehold improvements and severance costs.

Many factors unique to retail operations, some of which are beyond our control, pose risks and uncertainties. These risks and uncertainties include, but are not limited to, macro-economic factors that could have an adverse effect on general retail activity, as well as our inability to manage costs associated with store construction and operation, our failure to manage relationships with its existing retail partners such as those partners operating as third-party *RazerStores*, challenging environments in varied retail environments across many regions, increased liability to patrons who visit our stores (through so-called "premises" or "slip-and-fall" liability), costs associated with unanticipated fluctuations in the value of on-site retail inventory and the Company's inability to obtain and renew leases in quality retail locations at a reasonable cost. Any inability to manage or effectively address these risks could materially and adversely affect our business, financial condition and results of operations.

We may face challenges in meeting target product launch timelines and production quantities because of our unique product design process.

We have a holistic design approach that prioritizes the ergonomic and functional needs of gamers, while incorporating the distinctive look and feel of our products. Each product has a unique design and is subject to custom manufacturing processes. As a result of this approach, we may face delays in the design process and our third-party manufacturers could face challenges in meeting our specifications and quality requirements. Consequently, we may face challenges in bringing our products to the market in a timely manner or in quantities sufficient to avoid shortages. Our ability to meet target launch timelines or production quantities for our products is further subject to the risk and uncertainty that we must complete any necessary adjustments to our designs or third-party manufacturing processes in a timely manner that meets the requirements of our third-party manufacturers and adheres to our holistic design approach. Launch delays or product shortages could materially and adversely affect our business, financial condition and results of operations.

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If we are unable to obtain and adequately protect our intellectual property rights, our business could suffer.

We rely on various intellectual property rights arising throughout the world, including trademarks, trade dress, trade secrets, copyright, designs and patents to protect our brand name, reputation, product appearance and technology. If we fail to obtain, maintain or enforce the intellectual property rights used in or necessary to our business, our competitors and others may be able to copy our designs, or use our brand name, trademarks or technology. As a result, if we are unable to successfully protect, maintain or enforce our intellectual property rights throughout the world, or obtain any intellectual property rights necessary to our business, or resolve any intellectual property-related conflicts or disputes effectively or at a reasonable cost, our business, financial condition and results of operations may be materially and adversely affected. Effective intellectual property protection is expensive to develop and maintain, and the costs of defending and maintaining our rights may be significant. The scope of the intellectual property rights we obtain may not be sufficient to provide us with a competitive advantage, and may be successfully challenged, narrowed, invalidated, circumvented, misappropriated or infringed. Our competitors may also be able to independently develop products that are substantially equivalent or superior to our products or design around our patents, which could have a material adverse impact on our business and operations.

Moreover, our products are sold internationally, and we are dependent on the laws of a wide range of countries to protect, maintain and enforce our intellectual property rights throughout the world. We have not sought intellectual property protection in all jurisdictions where our products are ultimately sold, and we may significantly expand our business into jurisdictions in which we have not yet sought intellectual property protections. The laws of these jurisdictions may not be sufficient to protect our intellectual property rights to the same extent or in the same manner as the laws of the jurisdictions in which we currently have sought intellectual property protections or of the jurisdictions where investors may be located. In addition, many companies have encountered significant problems in protecting, obtaining and defending intellectual property rights in certain foreign jurisdictions. In particular, the legal systems of certain developing countries do not favor or consistently enforce patents, trade secrets, trademarks and other forms of intellectual property protection, which could make it difficult and time-consuming to stop the infringement, misappropriation or other violation of our intellectual property rights. Competitors may be able to use our proprietary technology and other intellectual property rights in jurisdictions where intellectual property protection is disfavored to import or export otherwise infringing products into territories in which we operate, which could materially and adversely affect our business, financial condition and results of operations.

While we seek to protect the trademarks we use in the United States and in other countries where we operate throughout the world, we may be unsuccessful in obtaining trademark registrations and/or otherwise protecting these trademarks. In this respect, we have faced objections in certain jurisdictions with respect to our applications for trademarks with respect to our marks. Moreover, we may find that third parties, including competitors, own or use similar trademarks with greater priority than our own marks in certain jurisdictions. If that were to happen, we may be prevented from using our names, logos, brands and trademarks unless we enter into appropriate royalty, license or coexistence agreements. Moreover, we may not be able to obtain such royalty, license or coexistence agreements on terms acceptable to us (if at all) or may be restricted under such agreements from using our names, brands and trademarks in certain territories or in connection with certain products or activities. Any such restrictions on the use of our names, brands and trademarks in the United States or other countries could substantially limit our ability to continue to sell our existing products in certain jurisdictions, or to expand our business into new products or activities which could materially and adversely affect our business, financial condition and results of operations. For example, pursuant to a trademark settlement and co-existence agreement, followed by a royalty agreement, with Razor USA LLC, we have agreed not to register or use the “RAZER” mark and other related marks in connection with certain goods. See “Business — Intellectual Property — Razor Trademark Settlement and Co-Existence Agreement” for more information. Moreover, if we fail to comply with the terms and conditions of any such royalty, license or

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coexistence agreement, we may be subject to breach of contract or infringement claims which could be costly to defend, subject us to substantial damages and prevent us from using our names, brands and trademarks in certain territories or in connection with certain products or activities.

We own patents and have made patent applications in the United States, Japan, China, Singapore, France, South Korea, the United Kingdom, Brazil, Germany, France and India, among others, that cover the proprietary technology and designs contained within many of our products and software. There can be no assurance as to the degree and scope of protection which our existing or future patents may afford us over our current product offerings. Likewise, there can be no assurance that any of our current or future patent applications will result in issued patents, that competitors will not develop similar or superior products outside the protection of our patents, that competitors will not infringe on our patents, that we will have adequate resources to enforce our patents, or that we will obtain sufficient remedies in the case of infringement, misappropriation, or other violations of our patents. Even if we do obtain issued patents that purport to provide adequate protection for our products, the issuance of a patent is not conclusive as to its ownership, scope, validity or enforceability, and as such, our patents may be challenged in courts and patent offices throughout the world. Such challenges may result in our patents being narrowed in scope, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar or identical technology and products.

If we are unable to successfully obtain, protect, maintain and enforce our intellectual property rights throughout the world, this could materially and adversely affect our business, financial condition and results of operations.

We may be subject to intellectual property infringement or misappropriation claims or other legal challenges, which could cause us to incur significant expenses, pay substantial damages and prevent us from selling our products.

Our success depends, in part, upon our intellectual property, products and operations not infringing, misappropriating or violating the intellectual property rights owned by others and being able to resolve claims of intellectual property infringement and/or misappropriation expeditiously without major financial expenditures or adverse consequences. We have in the past been, are presently and may in the future be, subject to claims in various jurisdictions where we operate and where our products are sold that we have infringed, misappropriated or otherwise violated the intellectual property rights of others. Patent and trademark infringement, trade secret misappropriation and other intellectual property claims and proceedings brought against us, whether successful or not, can be complex and time-consuming and could result in substantial costs and harm to our reputation. Such claims and proceedings can also distract and divert our management and key personnel from other tasks important to the success of our business. Moreover, the legal threshold for initiating such claims and proceedings is low, so that even claims with a low probability of success could be initiated and require significant resources and attention to defend. We could also be subject to intellectual property claims related to alleged infringements by our manufacturers and components suppliers. In addition, intellectual property litigation or disputes could force us to do one or more of the following:

- cease developing, manufacturing or selling products that incorporate the challenged intellectual property;
- cease the use and registration of certain names, domain names, brands or trademarks in connection with some or all of our products and business activities in some or all jurisdictions throughout the world;
- obtain and pay for licenses from the holder of the infringed intellectual property right, which licenses may not be available on reasonable terms, or at all;
- redesign or reengineer products;
- change our business processes; and
- pay substantial damages, court costs and attorneys' fees, including potentially increased damages for any infringement or violation found to be willful.

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For example, in order to resolve a number of pending trademark opposition proceedings and disputes throughout the world with Razor USA LLC, or Razor USA, over the use and registration of the “RAZER” trademark, on May 8, 2015, we and Razor USA entered into a worldwide Trademark Settlement and Co-Existence Agreement (“Razor Settlement Agreement”). Under the Razor Settlement Agreement, Razor expressly agreed that we can use and license the “RAZER” mark and other related marks, which we refer to collectively as the Razer marks, in connection with our products and services primarily marketed for gaming use and/or for gamers existing as of March 17, 2015, all future versions or iterations of such products, and any future products or services primarily marketed for gaming use and/or for gamers. In particular, we agreed that we would not use, license or register our Razer marks in connection with, among others, phones and phablets and their future versions or iterations.

We agreed that any such use of the Razer marks on any product packaging must also include our “triple-headed snake” logo alongside such marks. In addition, Razor USA agreed not to use, license, register or apply for any mark containing the term RAZER, while we agreed not to use, license, register or apply for certain marks owned by Razor USA, including “RAZOR,” “RAZR,” “RAZER USA” and variations or equivalents thereof, which we refer to collectively as the Razor USA marks. We also agreed not to register the Razer marks for games (excluding computer and video games in Class 9 or video game apparatus in Class 28), playthings, toys, sporting goods, vehicles, televisions, phablets, phones and any goods in Class 12. Each party must also refrain from challenging, opposing or attacking any of the other party’s marks that comply with the terms of the agreement.

On June 25, 2017, we entered into a Royalty Agreement with Razor USA, effective July 1, 2017 (“Royalty Agreement”), under which Razor USA consented to our use of the Razer marks and trade name on or in connection with, firstly, phones, phablets and future versions or iterations thereof that are manufactured, distributed or sold by us or on our behalf and which are branded with a Razer mark on the device hardware or packaging, which we refer to as the “Razer phones,” and, secondly, certain other third-party phones, phablets and future versions thereof that are manufactured, distributed or sold by us or on our behalf, which we refer to as “third party phones.” In exchange we agreed to pay Razor USA the higher of either a certain minimum royalty or an earned per-unit royalty on an annual basis. The Royalty Agreement has a term of 15 years. If Razor USA abandons the Razor USA marks with respect to Class 9 goods, we may terminate the agreement. We also have the right to terminate the agreement at any time and for any reason. The agreement may also be terminated by either party, first, for material breach (including our failure to pay any owed royalties) by the other party that is not cured within 30 days, or, second, if the other party permanently and fully discontinues the operation of its business. See “Business — Intellectual Property — Razor Trademark Settlement and Co-Existence Agreement” for more information.

In addition, in order to resolve a number of pending trademark opposition proceedings and disputes throughout Europe with a third party over the use and registration of the “RAZER” trademark, on December 22, 2008, we entered into a License Agreement with the third party. Under this agreement, we agreed not to use our RAZER marks on, and to limit our applications and registrations for the RAZER marks such that they exclude computers and notebooks in Germany, Austria, Benelux, France and Great Britain in view of the third party’s earlier rights. We further agreed to restrict our use and registration of such RAZER marks in those territories in Class 9 to certain specified products such as game consoles, mice, keyboards, headphones, control pads and microphones, which were referred to as the permitted goods. On September 6, 2016, we entered a Toleration Agreement with the same third party. Under this agreement, the third party consented to us extending our use of the RAZER trademarks in Class 9 to gaming notebooks and ultraportable notebooks in Europe, Switzerland and Norway. See “Business — Intellectual Property — License Agreement and Toleration Agreement” for more information.

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Any intellectual property-related disputes or litigation, regardless of outcome or merit, could result in substantial costs and expenses, adverse publicity or diversion of management resources, any of which could materially and adversely affect our business, financial condition and results of operations.

Our products and components are manufactured by a limited number of third-party manufacturers, which may limit our control of the manufacturing process. Manufacturing disruptions may adversely affect our customer demand and satisfaction.

Our products and components are manufactured for us by a limited number of third-party manufacturers in a limited number of facilities. For the years ended December 31, 2014, 2015 and 2016, approximately 32.4%, 37.2% and 22.0%, respectively, of our revenue was generated by products produced by our top manufacturer and approximately 72.0%, 85.6% and 89.8%, respectively, of our revenue was generated by products produced by our top five manufacturers. We depend on our manufacturers to deliver products and components that comply with our specifications and meet our delivery requirements at competitive costs in a timely manner. If our manufacturers fail to do so, the reliability and reputation of our products may suffer, and we and our manufacturers may be exposed to returns, product liability or regulatory enforcement actions. Moreover, although we generally engage multiple manufacturers for certain product categories, we may engage a single manufacturer in certain circumstances. Although we believe there are alternative manufacturers readily accessible in the market in such cases, there can be no assurance that we will be able to find an alternative manufacturer quickly or at all. Our dependence on a limited number of manufacturers may also impede our ability to grow rapidly if our manufacturers cannot meet additional demand generated by increasing sales or new product launches.

If we fail to manage our relationships with our third-party manufacturers effectively or ensure the quality of our manufacturers, we may be unable to fulfill our customers' requirements, damaging customer demand and satisfaction and harming our reputation and brand. The process of identifying and qualifying acceptable alternative manufacturers is likely to disrupt our business and there can be no assurance that we will be able to secure alternative manufacturers that comply with our specifications and meet our delivery requirements on acceptable terms or in a timely manner, which could materially and adversely affect our business, financial condition and results of operations.

We rely on a limited number of suppliers for certain key components. Any supplier shortage could impair our ability to ship orders of our products or could cause us to miss the delivery requirements of our retailers or distributors.

We currently purchase certain key components used in the manufacturing of our products from a limited number of suppliers. Lead times for materials and components ordered by us or our third-party manufacturers can vary significantly and depend on factors such as the supply and demand for a component at a given time. We face competition for materials and components supplies which may drive up prices and increase lead times. There can be no assurance that shortages or interruptions in the supply of components will not occur as a result of adverse events, such as natural disasters or disruptions in the labor market, in which case we would need to explore alternative sourcing options.

If our growth outpaces our ability to source new suppliers and key components, we may experience difficulty in meeting our delivery requirements. Furthermore, we do not have back-up suppliers for some of our key components and we cannot guarantee that we will have the ability to procure key components or products from alternative sources at commercially reasonable prices in a timely manner. Our competitors may establish exclusive arrangements with our components suppliers, which could lead to significant manufacturing disruptions for us. Shortages or interruptions in the supply of such components could cause disruptions in our business and could also materially and adversely affect our business, financial condition and results of operations.

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An increase in the market price of our raw materials and components used by our manufacturers may materially and adversely affect our business, financial condition and results of operations.

Manufacturing our products requires substantial amounts of raw materials and components. Some raw materials and components, such as petroleum-based plastics and rare earth metals, have been susceptible to fluctuations in price and availability. We are not able to control these price and availability fluctuations. Significant increases in raw material and component prices may affect the prices that our manufacturers charge us and have a direct and negative impact on our gross margins, and may also lead to component shortages. We may need to raise our product prices to recover the higher raw material and component costs and maintain our gross margins, which may lead to lower demand for our products. See "Industry Overview — Peripherals Components and Materials" and "Industry Overview — Systems Components and Materials." This, in turn, could materially and adversely affect our business, financial condition and results of operations.

Our business and reputation could suffer if any of our manufacturers fails to use acceptable labor practices or is subject to labor disruptions.

We do not control our manufacturers or their labor practices. The violation of labor or other laws, or the divergence of our manufacturers' labor practices from those generally accepted as ethical or legal in the United States and other countries, could damage our reputation or disrupt the shipment of our products. In addition, our manufacturers may experience disagreements with unions or labor disputes. Such disagreements or labor disputes could lead to work slowdowns or stoppages and make it difficult or impossible for us to meet scheduled delivery times for product shipments to our customers, which could result in loss of business. In addition, disagreements with unions or labor disputes could result in higher labor costs for our manufacturers, which may in turn cause our manufacturers to pass the increased costs on to us.

We rely on manufacturing operations concentrated in China and Taiwan.

We rely on manufacturing operations concentrated in China and Taiwan. These operations could be severely impacted by national or regional political or social trends or instabilities in the greater China region, by evolving interpretation and enforcement of legal standards and contractual disagreements, by strains on transportation, communications, trade and other infrastructures, by labor unrest, by natural disasters, by competition for the available labor pool or manufacturing capacity, by embargoes, increased tensions or escalation of hostilities between China and Taiwan or with other countries, by local trade customs and practices and by import export issues and currency transfer restrictions.

Inflation in China, coupled with rising prevailing wage levels and new legislation and government policies designed to increase social welfare, could lead to increasing labor costs for our manufacturers, which may in turn cause our manufacturers to pass the increased costs on to us. Further, we may be exposed to fluctuations in the value of Chinese and Taiwanese currencies and appreciation of local currencies and increased wage rates could increase our component and other raw material costs which, in turn, could materially and adversely affect our business, financial condition and results of operations.

If we are unable to successfully establish and maintain relationships with other games industry participants and technology providers, our continued growth may be materially and adversely affected.

Our relationships with other members of the games industry such as game content developers and technology providers are vital to our business, financial condition and results of operations. We have established relationships with game content developers in North America, Europe and Asia. We intend to broaden our ability to reach customers and enhance customer preference for our products by closely collaborating with game content developers in designing high-quality licensed products and engaging in co-marketing campaigns. We have also established relationships with technology providers that supply us with critical components and technology which we aggregate into our products. However, reaching agreements with industry participants can be difficult and time consuming. Furthermore, we compete with other companies for desirable collaborative

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arrangements with industry participants. If we are not successful in maintaining existing relationships or creating new relationships, or if industry participants decide to cooperate with our competitors, our ability to grow our business could be materially and adversely affected. Our existing agreements with game content developers generally do not obligate a game content developer to launch new games that fully support or utilize our products or grant exclusivity to us. We may not be able to sell licensed products if the relevant licenses expire or are terminated and we are unable to renew them. Our agreements with technology providers generally do not obligate a provider to design or continue to produce technology or components that are suitable or appropriate to our products. If our industry participants do not continue to collaborate with us or are unwilling to do so on terms acceptable to us, this could materially and adversely affect our business, financial condition and results of operations.

We rely on a limited number of key retailers and distributors. The loss or reduction of purchases from these or other retailers and distributors could have a material adverse effect on our business.

Our top five retailers and distributors accounted for approximately 35.2%, 38.9% and 34.8% of our revenue in the years ended December 31, 2014, 2015 and 2016, respectively. There is no guarantee that we will be able to maintain our relationships with these major retailers and distributors in the future. As our existing retail and distribution agreements expire, we may be unable to renew these agreements. We may also be unable to replace an underperforming retailer or distributor easily or at all. In addition, in some markets we work with only one or two distributors, including in China. If a distributor in one or more of these markets cannot effectively distribute our products or if our relationship with any such distributor is disrupted or terminated, we may not be able to successfully find a suitable replacement in a timely manner or at all. If our relationships with our retailers and distributors deteriorate, our resources may be diverted and our business may be harmed.

In addition, competition for retailers and distributors is intense. We compete for retailers and distributors with other companies that may have higher visibility, greater name recognition and financial resources, and broader product selection than us. We do not have exclusivity provisions in the substantial majority of our contracts that prevent our retailers and distributors from selling the products of our competitors. Such retailers and distributors may dedicate more resources to selling competing products and fail to adequately promote our products or provide sales services. Our competitors may also restrict quality retailers and distributors from selling competing products such as ours, limiting our ability to expand our reach and compete effectively.

As a result, these distributors and retailers generally may, with little or no notice or penalty, cease ordering and selling our products or materially reduce their orders. Moreover, we rely on certain prominent retailers to sell our products. These retailers may enjoy disproportional bargaining power with us, which could potentially cause us to accept unfavorable commercial or legal terms. If certain retailers, individually or in the aggregate, choose to no longer sell our products, reduce the number of products they purchase or reduce the shelf space allocated to us, this could materially and adversely affect our business, financial condition and results of operations.

If we do not effectively manage our network of retailers and distributors, our business, financial condition and results of operations may be materially and adversely affected.

We have limited ability to manage the activities of our retailers and distributors, who are independent from us. Our retailers or distributors may violate our agreements with them or engage in activities which may negatively impact us. They may in turn be unable to control activities taken by sub-distributors. Such activities may include, among other things:

- selling or leaking our products outside their designated territories, possibly in violation of the rights of our other retailers, distributors or other third parties;
- selling our products at discounted prices by arbitraging geographical pricing differences between distribution territories;
- failing to maintain the requisite licenses or comply with regulatory and legal requirements when selling our products;

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- failing to maintain healthy inventory levels in our sales and distribution channels;
- failing to provide high quality services to our end-users; and
- failing to adequately promote our products.

Failure to adequately manage our network of retailers and distributors, or non-compliance by retailers, distributors or sub-distributors with our agreements could disrupt our sales and harm our brand. Our brand and reputation could be adversely affected if we become the target of any negative publicity as a result of actions taken by our retailers, distributors or sub-distributors. If we are not able to effectively manage our network of retailers and distributors, this could materially and adversely affect our business, financial condition and results of operations.

We may be adversely affected by the financial condition of our retailers and distributors.

Some of our retailers and distributors have experienced financial difficulties from time to time. Such financial difficulties may occur rapidly and without warning. A retailer or distributor experiencing such difficulties will generally not purchase and sell as many of our products as it would under normal circumstances and may cancel orders. In addition, a retailer or distributor experiencing financial difficulties generally increases our exposure to uncollectible receivables. We extend credit to our retailers and distributors based on our assessment of their financial condition, generally without requiring collateral. While such credit losses have historically been met by our reserves for credit losses, and while such credit losses have been insured, we cannot assure you that this will continue to be the case. Financial difficulties on the part of our retailers or distributors could materially and adversely affect our business, financial condition and results of operations.

Our results of operations could be materially harmed if we are unable to accurately forecast demand for our products.

To ensure adequate inventory supply, we must forecast inventory needs and place orders with our manufacturers before firm orders are placed by our customers. If we fail to accurately forecast demand, we may experience excess inventory levels or a shortage of products.

Factors that could affect our ability to accurately forecast demand for our products include:

- changes in consumer demand;
- lack of consumer acceptance of our new products;
- changes in the competitive landscape;
- changes in general market conditions or other factors;
- weakening of economic conditions or consumer confidence in future economic conditions; and
- terrorism or acts of war, or the threat thereof, which could adversely affect consumer confidence and spending.

Inventory levels in excess of demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would have an adverse effect on our profitability. In addition, if we underestimate the demand for our products, our manufacturers may not be able to produce a sufficient number of products to meet such unanticipated demand, and this could result in delays in the shipment of our products and damage to our reputation and retailer and/or distributor relationships.

The difficulty in forecasting demand also makes it difficult to estimate our future results of operations and financial condition from period to period. A failure to accurately predict the level of demand for our products could materially and adversely affect our business, financial condition and results of operations.

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Disruption in logistics may prevent us from meeting customer demand and our business, financial condition and results of operations may suffer as a result.

We support our customers through third-party logistics facilities located in Hong Kong, the United States and Germany. A serious disruption, such as a natural disaster, or impediments such as increases in transportation or fuel costs or labor unrest at any of these logistics facilities could damage our inventory and could materially impair our ability to distribute our products to customers, including distributors and retailers, in a timely manner or at a reasonable cost. We could incur significantly higher costs and experience longer lead times associated with distributing our products during the time that it takes for us to procure the services of a replacement facility or wait for such facility to reopen or replace a logistics facility. We are also susceptible to any problems which may impact international delivery, freight and shipping such as Acts of God, wars, political instability and terrorist attacks. Any such disruption to our logistics could materially and adversely affect our business, financial condition and results of operations.

Our management team and most of our directors have limited experience in managing and overseeing a public company.

Our management team has limited experience managing a [REDACTED] or complying with the increasingly complex laws pertaining to public companies. Neither our chief executive officer nor our chief financial officer has previously managed a publicly listed company. In addition, some of our current directors have limited experience serving on the boards of public companies and several of our directors have recently joined our board of directors. In addition, some of our directors may not be familiar with our industry or the markets we operate in. In order to have an effective board, these new directors and any other directors that join our board after the consummation of this [REDACTED] will need to integrate with our other directors and management and become familiar with our operations and growth strategies. Any failure of directors to successfully and effectively engage with other directors and management could materially and adversely affect our business, financial condition and results of operations.

Our sponsorship of individuals, teams and events with other personalities are subject to numerous risks that could materially and adversely affect our business, financial condition and results of operations.

We interact with the gaming community in numerous ways, including through the sponsorship of esports events, tournaments, esports athletes and teams, as well as Internet personalities and celebrities related to movies, music and the global entertainment industry generally. These sponsored events and individuals are associated with our brand and represent our commitment to the gamer community. We cannot assure you that we will be able to maintain our existing relationships with any of our sponsored individuals or teams in the future or that we will be able to attract new highly visible gamers to endorse our products. Additionally, certain individuals or teams with greater access to capital may increase the cost of certain sponsorships to levels we may choose not to match. If this were to occur, our sponsored individuals, teams or events may terminate their relationships with us and endorse our competitors' products, and we may be unable to obtain endorsements from other comparable alternatives. In addition, if any of our sponsored individuals or teams become unpopular or engage in activities perceived negatively in the gamer community or more broadly, our sponsorship expenditures could be wasted and our brand reputation could be damaged which, in turn, could materially and adversely affect our business, financial condition and results of operations.

We are unable to independently verify the accuracy of the metrics related to our presence in social media communities.

In this document, we refer to metrics related to our presence in social media communities, such as the number of "Likes" on our Facebook page, the number of times videos on our YouTube page have been viewed, the number of subscribers we have to our YouTube page and the number of followers or subscribers we have on our Twitter, Instagram, YouTube, WeChat and Weibo accounts, respectively. These social media communities generally have policies in place to discourage duplicative user accounts or artificial activity designed to inflate such metrics. However, we are

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unable to independently verify the metrics provided by these social media services. We are also unable to determine whether these figures include individuals with multiple accounts, deactivated or inactive accounts, or multiple views, "Likes" or similar actions by the same user. If the metrics related to our presence in social media communities are significantly lower than we have disclosed in this document, then our global gamer community may not be as expansive as it appears based on such metrics and our brand may not have achieved as strong a reputation, brand leadership and passionate following among gamers as we believe.

We use open source software in our products that may subject our technology to general release or require us to re-engineer some of our technologies, which may cause harm to our business.

We use open source software in connection with our products. From time to time, companies that incorporate open source software into their products have faced claims challenging the ownership of open source software and/or compliance with open source license terms. Therefore, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software or noncompliance with open source licensing terms. Some open source software licenses require users who distribute or make available open source software as part of their software to publicly disclose all or part of the source code to such software and/or make available any derivative works of the open source code on unfavorable terms or at no cost. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose the source code or that would otherwise breach the terms of an open source agreement, such use could nevertheless occur and we may be required to release our proprietary source code, pay damages for breach of contract, re-engineer our applications, discontinue sales in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts. As a result, this could materially and adversely affect our business, financial condition and results of operations.

We are susceptible to counterfeiting of our products, and this may harm our reputation and force us to incur expenses in enforcing our intellectual property rights.

As we are recognized as a premium gaming brand and enjoy a strong reputation and passionate following within the gamer community, we sometimes encounter counterfeiting of our products, such as unauthorized imitation or replication of our designs, products, packaging, trademarks and/or labeling by third parties.

Counterfeit copies of our hardware and software may harm our business. Counterfeits may provide consumers a way to benefit from our brand's reputation without providing us the revenue for those products. In addition, some purchasers of counterfeit copies of Razer products may have otherwise purchased a legitimate Razer product, which would damage our revenue, gross profit and profit. The availability of counterfeits may negatively impact the appeal of our brand and also reduce market demand and consumer willingness to pay for our products, which could place undue price pressure on our products. These effects individually or in the aggregate could materially and adversely affect our business, financial condition and results of operations.

Also, the presence of counterfeit Razer products or pirated Razer software in the market could have a negative impact on, and dilute, the value and image of our brand and result in a loss of consumer confidence in our brand. This could in turn materially and adversely affect our business, financial condition and results of operations.

Although we are and have been actively taking actions to combat counterfeiting of our products, counterfeiters may continue to violate our intellectual property rights by using our trademarks or imitating or copying our products, and the actions we take may not be adequate to protect the full scope of our product offerings. Our trademark applications may fail to result in registered trademarks or provide the scope of coverage necessary to protect all of our products, and others may seek to invalidate, cancel or narrow the scope of our trademarks based on their prior rights in similar trademarks. Moreover, if certain of our applications for trademark registration in the United States are ultimately unsuccessful, we will be unable to register such trademarks with the U.S. Customs

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and Border Protection to help prevent the importation of counterfeit products. We also have expended and will continue to expend significant resources developing software to enhance our product-user experience and face the risk of current or new competitors pirating such software and thus reducing its value. Actions to combat counterfeiting and piracy can be expensive and complicated to resolve, require substantial management time and resources, and may not provide a satisfactory or timely result. Furthermore, certain countries may not protect and enforce trademarks and other intellectual property rights to the same extent as the laws of the United States and other similar jurisdictions. See "Risk Factors — If we are unable to obtain and adequately protect our intellectual property rights, our business could suffer" for more information.

Any expenses related to combating counterfeiting and piracy, and any unsatisfactory results of our efforts could materially and adversely affect our business, financial condition and results of operations.

We are susceptible to the copycatting of our products, and this may harm our reputation, increase price pressures and make it more difficult to generate returns on our investments.

As we are recognized as a premium gaming brand, we may encounter companies who seek to copy our products and services. Other companies may be able to mimic the hardware, software or services by reverse engineering or otherwise copycatting the results of our research and development at a lower or negligible cost than what it cost us to design or develop them. These companies could also copy the design, color and look of our products so that they have a very similar look and feel to our products. These companies could also mimic our marketing and advertising methods to create the impression that they are offering a Razer product. While we intend to vigorously protect our intellectual property and trademarks by taking action against copycat products, we may not be able to successfully stop copycat products from being sold unless we can establish that they have infringed on our intellectual property. In this case, these companies may then be able to offer these copycat products and services at a significant discount to what we would have been able to charge with no copycats in the market. Copycat products could create downward price pressure on our products while at the same time detracting from our brand, which may be related to our ability to offer unique products to our users. This could in turn materially and adversely affect our business, financial condition and results of operations.

We may not be able to protect know-how, confidential information and trade secrets from unauthorized copying, use or disclosure.

We take significant measures to protect the value and secrecy of our know-how, confidential information and trade secrets, including our designs, prototypes and proprietary source code. However, if unauthorized disclosure of our confidential information and trade secrets occurs through security breach, cyber-attack, malicious software (malware) or by any other means, it could materially and adversely affect our business, financial condition and results of operations. Even if the measures we take to safeguard the confidential information on our information technology systems are adequate to protect against direct external threats and attacks by third parties, our employees may be susceptible to phishing, keyloggers and other similar efforts by third parties by which such parties may be able to gain access to the confidential information and trade secrets on our systems. Any advanced disclosure of confidential information about our designs and prototypes negatively impacts our marketing efforts and decreases the impact of our product launches. Our competitors could acquire confidential information about our current and future products through such disclosures and copy such products' functionality and designs, which would harm our competitive position.

In addition, we seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, manufacturers, consultants, advisers and other third parties. Despite these efforts, any of these parties may breach such agreements, intentionally or unintentionally, and disclose our proprietary information, including our trade secrets, and we may not be aware of, or able to obtain, adequate remedies for such breaches. Detecting the disclosure and/or misappropriation of a trade secret is difficult to prove, and as such, trade secret misappropriation claims can be difficult, expensive and time-consuming, with no guarantee of success or adequate remedies.

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Such disclosures could also lead to a loss of trade secret protection, which could materially and adversely affect our business, competitive position, financial condition and results of operations.

We may not be able to obtain rights to intellectual property developed by our employees or third parties engaged by us, which may harm our business.

We rely on confidentiality agreements with our employees, that provide that all confidential information developed by or made known to the individual during the individual's relationship with us is to be kept confidential and not disclosed to third parties before it becomes public. In addition, our management team and research and development employees have entered into intellectual property, confidentiality and non-compete agreements with us, which provide that all of the technologies conceived by the relevant individuals arising from their performance of duties or use of our materials or technologies are our exclusive property. We have also entered into agreements with confidentiality provisions with our consultants and other advisers. However, these agreements may not be honored, may not effectively assign intellectual property rights to us, and may not provide adequate remedies if there were to be a breach. Moreover, enforcing a claim that a party illegally obtained intellectual property rights is difficult, expensive and time consuming and the outcome is unpredictable. We may fail to obtain such rights or prevent others from obtaining such rights, which would harm our business and future product development and could also materially and adversely affect our business, financial condition and results of operations.

We may incur increased costs and liabilities as a result of product liability claims.

Although we currently maintain product liability insurance coverage, we may not be able to obtain such insurance on acceptable terms in the future, if at all, or obtain insurance that will provide adequate coverage against potential claims. Product liability can arise for any number of issues with products, including defective components (such as batteries in products which may unexpectedly ignite), marketing or "failure-to-warn" liability (including warning related to radioactive emission from portable electronic device), design defects or faulty manufacturing claims. Product liability claims can be expensive to defend and can divert the attention of management and other personnel for long periods of time, regardless of the ultimate outcome. An unsuccessful product liability defense could materially and adversely affect our business, financial condition and results of operations. Product liability claims could also damage our brand and our reputation for quality premium products, regardless of the ultimate outcome.

In the event of product liability claims regarding defective components or faulty manufacturing, we can attempt to seek compensation from the relevant suppliers or manufacturers. However, warranties provided by suppliers and manufacturers may be for periods shorter than the warranty periods we provide to our customers and warranty claims against suppliers and manufacturers may be subject to certain conditions precedent which may not be satisfied. While we have indemnification arrangements with most of our suppliers and manufacturers, these indemnification arrangements may not cover the types of claims made against us or may be limited in amount, or the manufacturer may not be credit worthy/able to pay.

If we are subject to product liability claims or we attempt to enforce indemnification arrangements, we may incur increased litigation costs and our management's attention may be diverted. This, in turn, could materially and adversely affect our business, financial condition and results of operations.

We have granted restricted stock units (RSUs) under the 2016 Equity Incentive Plan, and may grant other share-based awards under the 2016 Equity Incentive Plan which may result in increased share-based compensation expense and dilution to the shareholding of existing Shareholders.

We adopted an Equity Incentive Plan in 2016 for the purpose of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. As of December 31, 2016, RSUs in respect of 61,190 Shares remain outstanding, which following the completion of the [REDACTED] will represent [REDACTED] Shares. We

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incurred share-based compensation expense of US\$38.5 million in 2016 (and will incur expenses in connection therewith over the next three years), and we may grant additional share-based awards under the 2016 Equity Incentive Plan. See "Financial Information — Critical Accounting Policies, Estimates and Judgments — Share-based Compensation." Any additional grant of share-based awards, including options, by us will further increase our share-based compensation expense, and dilute existing shareholders' shareholdings.

Our revenue and operating income fluctuate on a seasonal basis and decreases in sales or margins during our peak seasons could have a disproportionate effect on our results of operations.

Historically, we have experienced greater revenue in the second half of the year, which we believe is primarily due to a concentration of shopping during the fall and holiday seasons. Given the seasonal nature of our sales, accurate forecasting is critical to our operations. We anticipate that this seasonal impact on our revenue is likely to continue and any shortfall in expected sales during the holiday buying season would cause our results of operations to suffer significantly.

We operate in intensely competitive markets.

The market for our products is intensely competitive and rapidly changing. With the emergence of new technologies and market entrants, competition is likely to intensify in the future. Many of our current and potential competitors have significant competitive advantages, including greater financial, distribution, marketing and other resources, longer operating histories, better name recognition among certain groups of consumers, greater economies of scale and more established relationships with many of our larger retailers and distributors than us. As a result, these competitors may be better equipped to influence consumer preferences or otherwise increase their market share by:

- quickly adapting to changes in consumer preferences;
- readily taking advantage of acquisition and other investment opportunities;
- adopting aggressive pricing policies, including discounting;
- devoting greater resources to the marketing and sale of their products, including significant advertising, media placement and product endorsement; and
- engaging in lengthy and costly intellectual property and other disputes.

If we are unable to protect our brand image and reputation, we may be unable to effectively compete. As a result, our market share, sales of our products and gross margins could be materially and adversely affected and our future growth may be harmed. See "Business — Competition" for more information.

Our insurance coverage may be inadequate to cover all significant risk exposures.

We maintain limited third-party insurance policies covering certain potential liabilities including product liability, property, commercial liability and director and officer insurance. There can be no assurance that such coverage will be available or sufficient to cover all our risk exposures. If insurance coverage is unavailable or insufficient to cover any such exposures, we may incur substantial costs which, in turn, could materially and adversely affect our business, financial condition and results of operations.

We are subject to governmental import and export controls and economic sanctions laws that could subject us to liability and impair our ability to compete in international markets.

The United States and various foreign governments have imposed controls, export license requirements and restrictions on the import or export of some technologies. Our products are subject to U.S. export controls, including the U.S. Commerce Department's Export Administration Regulations, and various economic and trade sanctions regulations established by the U.S. Treasury Department's Office of Foreign Assets Controls, and exports of our platform must be made in compliance with these laws. Furthermore, U.S. export control laws and economic sanctions prohibit

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the provision of products and services to countries, governments and persons targeted by U.S. sanctions. Our products could be provided to U.S. sanctioned targets, including by our distributors and retailers. Any such provision could have negative consequences, including government investigations, penalties and reputational harm. Our failure to obtain required import or export approval (if any) for our products could harm our international and domestic sales and adversely affect our revenue. In addition, failure to comply with such regulations could result in penalties, costs and restrictions on export privileges, which could materially and adversely affect our business, financial condition and results of operations.

Our online operations are subject to numerous risks that could materially and adversely affect our business, financial condition and results of operations.

Our online operations subject us to certain risks that could have a material adverse effect on our business, financial condition and results of operations. The operation and expansion of our online store may harm our relationships with our retailers and distributors. In addition, certain risks beyond our control, such as government regulation of the Internet and economic conditions specific to the Internet and online commerce could materially and adversely affect our business, financial condition and results of operations. We can provide no assurance that our online operations will meet our sales and profitability plans and the failure to do so could materially and adversely affect our business, financial condition and results of operations. In addition, our online store is partially handled by a third-party ecommerce service provider. We rely on this service provider to handle, among other things, payment and processing of online sales. If the service provider does not perform these functions satisfactorily, we may find another third-party service provider or undertake such operations ourselves, but we may not be able to successfully do either. In either case, our online sales and our customer service reputation could be adversely affected which, in turn, could materially and adversely affect our business, financial condition and results of operations.

We rely on our information technology systems to help ensure uninterrupted business operations. If our information technology systems fail to adequately perform these functions, or if we experience an interruption in their operation, our operating results could be adversely affected.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems, policies, processes and controls to effectively manage materials planning, financial control and financial reporting, inventory management and customer relationship management. The failure of our information technology systems to perform as we anticipate could disrupt our business and product development and could result in decreased sales and increased overhead costs. In addition, our information technology systems are vulnerable to damage or interruption from:

- earthquake, fire, flood and other natural disasters;
- attacks by computer viruses or hackers;
- power loss; and
- computer systems, Internet, telecommunications or data network failure.

Any such interruption could result in reputational harm, lengthy service downtime, an inability to meet customer expectations, ineffective inventory management, losses of critical data and data security breaches, all of which could have an adverse effect on our operating results. Moreover, there can be no assurance that any data backup systems will work. If we suffer interruptions and our data backup systems fail to work as we expect, this could have significant adverse effects on our operating results and could materially and adversely affect our business, financial condition and results of operations.

Our business could be harmed by a failure of our commercial cloud service providers.

We rely on the services of commercial cloud service providers, such as Amazon Web Services, for most of our content delivery network (CDN) needs, and for most of our computing, storage, server hosting and bandwidth needs to run our Internet-based applications. These commercial cloud

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service providers could be vulnerable to damage or interruption from circumstances beyond our control and we might be subject to disruptions in accessing our data, loss of our data software failures or computer viruses. Cyber-attacks and other malicious Internet-based activities continue to increase in frequency and magnitude and may target cloud-based storage. There is no assurance that our service providers will be able to implement adequate preventive measures and our information might be lost or subject to unauthorised access and misappropriation. Any interruption, loss of information or misappropriation of information from our information technology systems and cloud-based storage systems could materially and adversely affect our business, financial condition and results of operations.

Our business could be adversely affected if our software contains bugs.

Our website, our online store and our software could contain undetected errors or "bugs" that could adversely affect their performance, cause loss or corruption of data, damage software, hardware or other computer equipment, cause the inadvertent transmission of computer viruses or expose our users to increased risk of cyber-attacks, malicious software (malware) or security breaches. The occurrence of errors in any of these may damage our reputation and brand name and result in liability claims which, in turn, could materially and adversely affect our business, financial condition and results of operations.

Any security and privacy breaches may damage our customer relations, our reputation and expose us to liability.

We electronically collect and store sensitive personal information. We process that data and deliver our products and services by using computer systems and telecommunications networks operated by both us and by third-party service providers. If we are unable to protect, or our users perceive that we are unable to protect, the security and privacy of this information:

- our users may lose confidence in our services;
- our reputation may be harmed;
- we may be subject to litigation or claims under applicable data security and privacy laws, which could be complex, expensive and time-consuming to defend and may ultimately carry monetary or other penalties;
- we may be exposed to unbudgeted or uninsured financial liability;
- we may be subject to increased regulatory scrutiny; and
- our expenses may increase as a result of potential remediation costs.

While we believe we use secure applications and processes designed for data security, there can be no assurance that our use of these applications and processes will be sufficient to counter all current and emerging technology threats designed to breach our systems in order to gain access to confidential client information. Moreover, despite using such applications and processes for data security, such measures may not address all internal threats, whether inadvertent or not, such as through employee error, malfeasance, faulty password management and other irregularities. Additionally, if third parties with whom we work, such as our online platform suppliers, advertisers, vendors or developers, violate applicable laws or our policies, such violations may also put our users' information at risk. The risk of these types of events is likely to increase as we expand our network of suppliers, advertisers, vendors and other third parties and begin operations in additional markets. Any of the foregoing and/or any other failures or inadequacies in our security and privacy measures could adversely affect our reputation and brand and the market's acceptance of our products, which could materially and adversely affect our business, financial condition and results of operations.

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We may fail to make timely filings related to financial and regulatory reporting.

We have, in the past, failed to make certain immaterial financial and regulatory filings within the prescribed time. Because of the number of jurisdictions we operate in and the large number of different regulatory regimes applicable to our business, we cannot guarantee that we will make regulatory filings or reports in a timely manner or that the consequence of such failure will be immaterial. We may be required to pay certain fines, and our reputation, cash flow and results of operations may be adversely affected.

We face business, political, operational, financial and economic risks as an international company.

As an international company, we face business, political, operational, financial and economic risks inherent in international business, many of which are beyond our control, including:

- difficulties in us or our manufacturers obtaining export, import and other governmental approvals, permits and licenses, and compliance with laws, which could halt, interrupt or delay our operations if we or our manufacturers cannot obtain such approvals, permits and licenses;
- difficulties encountered by our international distributors or us in staffing and managing global operations or international sales, including higher labor costs;
- longer payment cycles for, and greater difficulty collecting, accounts receivable;
- trade restrictions, higher tariffs, currency fluctuations or the imposition of additional regulations relating to import or export of our products, especially in China, where substantially all of our products are manufactured, which could force us to seek alternate manufacturing sources or increase our expenses;
- political and economic instability, including wars, terrorism, political unrest, boycotts, curtailment of trade and other business restrictions; and
- natural disasters and epidemics.

Any of these factors could limit the future growth of our business, which could materially and adversely affect our business, financial condition and results of operations.

The impact of worldwide economic conditions may materially and adversely affect our business, financial condition and results of operations.

Our results of operations are subject to worldwide economic conditions and their impact on game content developers' investments in new game developments and consumer spending on gaming products. If the worldwide economic conditions materially deteriorate, game content developers may elect to reduce investments in developing new games. This in turn could affect our plans to introduce new products or new generations of existing products. In addition, a worldwide economic downturn may cause gamers to reduce spending on gaming products. Consumer purchases of discretionary items generally decline during recessionary periods and other periods in which disposable income is adversely affected. In particular, purchasing new generations of existing products or new gaming products may be viewed by some of our existing and potential customers as a low priority. Both reductions in investments by game content developers and customer spending on gaming products could materially and adversely affect our business, financial condition and results of operations.

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We are exposed to exchange rate fluctuation risk, and fluctuations in exchange rates could result in foreign currency exchange losses.

Fluctuations in exchange rates can occur due to governmental policies and depend to a large extent on domestic and international economic and political developments as well as supply and demand across the jurisdictions in which we operate. We usually fix the sales prices for our products in U.S. dollars as the primary currency when the products are introduced and where relevant, a fixed local currency equivalent to our U.S. dollar prices. If there is a significant weakening of the local currency in which the revenue is generated prior to the sale and subsequent to our fixing of local currency prices, then our eventual collection in U.S. dollars after foreign currency exchange and expected margins may be reduced. Furthermore, many of our distribution contracts are denominated in U.S. dollars. If local currencies such as the Euro weaken significantly against the U.S. dollar, our distributors may be negatively impacted and may attempt to discontinue or renegotiate their contracts with us.

We enter into forward contracts as a hedging mechanism to manage our foreign currency risks in order to minimize any negative effects caused by exchange rate fluctuations, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. There can be no assurance that we will be able to do so successfully, and fluctuations in exchange rates could materially and adversely affect our business, financial condition and results of operations, and such fluctuations could reduce the value of, and dividends payable on, our Shares.

If we fail to maintain and observe a robust system of internal controls, we may not be able to adequately address business control failures or accurately report our financial results in a timely manner, which could cause current and potential shareholders to lose confidence in our financial reporting and in turn affect the trading price of our Shares.

Ensuring that we have adequate internal controls to oversee our employees, systems, policies and processes allows us to anticipate and contain internal control failures which may adversely affect our business operations and brand reputation. Having adequate internal financial and accounting reporting controls and procedures in place to enable us to produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently.

We have and will continue to incur significant expenses and management resources to comply with the requirements for adequate internal controls on an ongoing basis. We cannot be certain that the measures we have taken to assess, document, improve, remediate and validate through testing the adequacy of our internal control processes will ensure that we maintain such adequate controls over our business and financial reporting processes in the future. Implementing the necessary changes to our internal controls may require additional IT investments, personnel, specific compliance training of our directors, officers and employees, entail substantial costs in order to modify our existing accounting systems and require a significant period of time to complete. Failure to implement required new controls could cause us to fail to meet our governance and reporting obligations, which in turn could cause current and potential shareholders to lose confidence in our ability to manage the business as well as meeting our financial reporting obligations. Inferior internal controls or the determination that our internal control over financial reporting is not effective might cause investors to lose confidence in our reported financial information, which could cause volatility in or otherwise adversely affect the market price of our shares.

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The production and sale of gaming consoles in China is highly regulated and we may not be able to meet all of the requirements should we decide to enter the market.

In September 2013, China established the China (Shanghai) Pilot Free Trade Zone (SFTZ), which, among other things, allows foreign-invested companies, including wholly foreign owned companies established in the SFTZ, to engage in the production and sale of gaming and entertainment devices within the SFTZ and to sell gaming and entertainment devices in China's domestic market after passing a content review conducted by the Shanghai cultural authorities. Such review requires that gaming and entertainment devices to be sold in China cannot contain content that, among other things, violates Chinese laws and regulations, impairs the national dignity of China or is reactionary, obscene, superstitious, fraudulent or defamatory. Additionally, the devices' outer appearances, content and gaming instructions must use languages generally accepted in China. In June 2015, China issued a notice which permits production and sale of gaming devices by foreign-invested and domestic companies in China after passing a content review conducted by the local cultural authorities. Such review requires that gaming and entertainment devices to be sold in China cannot contain gambling content. Additionally, the gaming devices production and sales companies must establish self-examination system of the content and submit report annually to cultural authorities at provincial level.

We do not currently sell any gaming consoles in China. However, it is possible we, either alone or with a partner, may in the future develop, produce and sell gaming consoles. If any of our products are deemed to be gaming console-related accessories, are deemed to be accessories of gaming devices in China or we decide to sell gaming consoles in China in the future, we must meet all the legal requirements before we are able to sell these products in China, including passing required content review before we sell them in China. We cannot ensure that we will be able to meet all such requirements if and when we decide to enter into China's domestic gaming console-related market. Any failure to meet all such requirements could materially and adversely affect our business, financial condition and results of operations.

We may be subject to fines for failing to register and file lease agreements with the relevant government authorities in the PRC.

According to the Administrative Measures for Commodity Housing Tenancy 《商品房屋租賃管理辦法》 promulgated by the Ministry of Housing and Urban-Rural Development, all leases are to be registered and filed with the relevant real estate administration bureaus in the PRC. As of the Latest Practicable Date four of the lease agreements with respect to four out of our six leased properties in the PRC had not been registered and filed with the relevant land and real estate administration bureaus in the PRC.

Our PRC legal advisers, Grandall Law Firm, have advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in our being required to vacate the leased properties. However, the relevant government authorities may impose a fine ranging from RMB1,000 (approximately US\$146) to RMB10,000 (approximately US\$1,462) for each non-registered lease. If such fines are imposed, the maximum penalty we may be required to pay would be approximately RMB40,000 in aggregate. See "Business — Properties."

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.

Prior to completion of the [REDACTED], there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or, if it does develop, that it will be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be traded following completion of the [REDACTED]. The market price of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

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The market price for our Shares may be volatile, which could result in substantial losses to you.

The market price for our Shares may be volatile and subject to wide fluctuations in response to factors such as actual or anticipated fluctuations in our periodic results of operations, short sellers changes in financial estimates by securities research analysts, negative publicity, studies or reports, changes in the economic performance or market valuations of other companies operating in our industry, announcements by us or our competitors of material acquisitions, investments, strategic relationships, joint ventures or capital commitments, fluctuations of exchange rates, intellectual property litigation, release of [REDACTED] or other transfer restrictions on our outstanding Shares, and economic or political conditions of the countries where we primarily operate our business, such as Singapore, China, the United States and Germany. Volatility in global capital markets, as was experienced during the global financial crisis and the European debt crisis, could also have an adverse effect on the market price of our Shares. Furthermore, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Shares.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the [REDACTED] of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and Controlling Shareholders or other substantial Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain [REDACTED] periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the [REDACTED] periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

Our Controlling Shareholders may exert substantial influence over us and may not act in the best interests of our independent Shareholders.

Immediately following completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares), our Controlling Shareholders will beneficially own approximately [REDACTED]% of our issued Shares. Our Controlling Shareholders will be in a position to exert significant influence over the affairs of our Company and will be able to influence the outcome of any Shareholders' ordinary resolutions, irrespective of how other shareholders vote. The interests of our Controlling Shareholders may not necessarily be aligned with the interests of our Shareholders as a whole, and this concentration of ownership may also have the effect of delaying, deferring or preventing a change in control of our Company.

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We have no plans to pay regular dividends, so you may not receive funds without selling your Shares.

We have no plans to pay regular dividends on our Shares, and have not declared or paid any dividends since our incorporation. We generally intend to invest our future earnings, if any, to fund our growth. Any payment of future dividends will be at the discretion of our board of directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our board of directors deems relevant. Accordingly, you may have to sell some or all of your Shares in order to generate cash flow from your investment. You may not receive a gain on your investment when you sell your Shares and you may lose the entire amount of your investment.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law.

We are an exempted company incorporated in the Cayman Islands with limited liability, and the law of the Cayman Islands differs in some respects from that of Hong Kong, the U.S. or other jurisdictions where investors may be located.

Our corporate affairs are governed by our Memorandum and Articles, the Cayman Islands Companies Law and common law of the Cayman Islands. The rights of shareholders to take legal action against our Directors and us, and actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in Hong Kong, China, the United States or other jurisdictions where investors may be located. In particular, the Cayman Islands have a less developed body of securities laws and provide significantly less protection to investors.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests through actions against our management, directors or major shareholders than would shareholders of a Hong Kong company, a United States company or companies incorporated in other jurisdictions. For example, the Cayman Islands does not have a statutory equivalent of section 724 of the Companies Ordinance, which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the section headed "Industry Overview," contains information and statistics relating to the gaming and other industries. Such information and statistics have been derived from market data providers, independent third-party sources, third-party reports commissioned by us, various government publications and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials.

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The information/facts, forecasts and other statistics have not been independently verified by us or any of the Relevant Persons, and no representation is given as to their accuracy and/or completeness. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this document being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. See “— Risks Relating to our Business and Industries — Differences in the assumptions and estimates adopted by the two industry consultants that we commissioned to prepare reports, and limitations on certain data available to them may impact the comparability of certain industry data.” In any event, you should consider carefully the importance placed on such information or statistics.

Differences in the assumptions and estimates adopted by the two industry consultants that we commissioned to prepare reports, and limitations on certain data available to them may impact the comparability of certain industry data.

In connection with the [REDACTED], we commissioned Newzoo and Frost & Sullivan to conduct market research on the global entertainment industry, certain gaming-related industries, our brand and the lifestyle of gamers. We commissioned Newzoo to conduct market research on global games, gaming peripherals and systems, esports, mobile gaming, smartphones and software, as well as virtual reality, augmented reality, virtual credits and the lifestyle of millennials. We commissioned Frost & Sullivan to conduct market research on the global entertainment industry, our competitive landscape, our brand and the lifestyle of gamers. Each of Newzoo and Frost & Sullivan uses different assumptions and estimates, and limitations on certain data available to them may impact the comparability of certain industry data.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press, media and/or research analyst coverage regarding us and the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press, media or research analyst reports and do not accept any responsibility for any such press, media or research analyst coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the [REDACTED], we have sought the following waivers and exemption from strict compliance with the relevant provisions of the Listing Rules or the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our headquarters and most of our business operations are based, managed and conducted in Singapore and the United States. Currently, all of our executive Directors are ordinarily resident in Singapore. The majority of the senior management team is based in Singapore and they manage the Group's business operations from Singapore. Historically, the Board has typically met in Singapore. As the executive Directors play very important roles in our Company's business operations, it is in our best interests for them to be based in the places where our Group has significant operations. Therefore, our Company does not, and in the foreseeable future will not, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted us], a waiver from strict compliance with the requirements under Rules 8.12 of the Listing Rules, subject to the following conditions. In order to maintain regular and effective communication with the Stock Exchange, we will put in place the following measures between the Stock Exchange and us:

- (a) We have appointed Mr. Tan and Mr. Chan Thiong Joo Edwin as our authorized representatives ("**Authorized Representatives**") for the purpose of Rules 3.05 of the Listing Rules, and have appointed Mr. Choo Wei Pin, as the alternate authorized representative. The Authorized Representatives will act as our Company's principal channel of communication with the Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matters within a reasonable period of time upon request of the Stock Exchange. Their contact details (including mobile phone numbers, office phone numbers, email addresses, facsimile numbers and correspondence addresses) have been provided to the Stock Exchange;
- (b) When the Stock Exchange wishes to contact the Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any changes in the Authorized Representatives. We have provided the Stock Exchange with the contact details (i.e. mobile phone number, office phone number, fax number (if available) and email address) of each Director to facilitate communication with the Stock Exchange;
- (c) In addition to the appointment of the Authorized Representatives, Ms. Chan Wai Ling, one of our joint company secretaries and a Hong Kong resident, will, among other things, act as our Company's additional channel of communication with the Stock Exchange and be able to answer enquiries from the Stock Exchange. Ms. Chan will maintain contact with our Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary;
- (d) Each Director who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period upon request of the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

- (e) We have appointed Anglo Chinese Corporate Finance, Limited as our compliance adviser (the "Compliance Adviser") upon [REDACTED] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED]. The Compliance Adviser will have access at all times to our Authorized Representatives, the Directors and other senior management and act as the additional channel of communication with the Stock Exchange and answer enquiries from the Stock Exchange. The contact details of the Compliance Adviser have been provided to the Stock Exchange. We will also inform the Stock Exchange promptly in respect of any change in the Compliance Adviser;
- (f) We shall ensure that there are adequate and efficient means of communication among our Company, our Authorized Representatives, our Directors, and other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange; and
- (g) In addition to the Compliance Adviser's role and responsibilities after the [REDACTED] (i) to inform us on a timely basis of any amendment or supplement to the Listing Rules and any new or amended law, regulations or codes in Hong Kong applicable to the Company, and (ii) to provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations, we will retain a Hong Kong legal adviser to advise us on compliance with the Listing Rules and other applicable Hong Kong laws and regulations after the [REDACTED].

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 8.17 and 3.28 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Our Company appointed Mr. Choo Wei Pin and Ms. Chan Wai Ling of Corporate Services of Tricor Services Limited as our joint company secretaries. Ms. Chan is a fellow of both The Hong Kong Institute of Chartered Secretaries and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Mr. Choo is currently a member of the senior management of the Company and has been primarily responsible for overseeing corporate development and legal affairs of the Company since January 2015. Mr. Choo has been our company secretary since July 2015, has more than 15 years of experience as a legal practitioner and is familiar with the internal management of our Company. Mr. Choo was also the company secretary of CapitaMalls Asia Limited from 2012 to 2013. While Mr. Choo does not possess the qualifications set out in Rule 3.28 of the Listing Rules, our Company believes that it would be in the best interest of our Company and the corporate governance of the Company to appoint Mr. Choo as our joint company secretary who possesses the relevant experience of the Company's corporate development and legal affairs.

Accordingly, while Mr. Choo does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Choo may be appointed as a joint company secretary of our Company.

The waiver was granted for [a three-year period on the condition that Ms. Chan, as a joint company secretary of our Company, will work closely with, and provide assistance to, Mr. Choo in the discharge of his duties as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. Given Ms. Chan's professional qualifications and experience, she will be able to explain to both Mr. Choo and the Company the

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

relevant requirements under the Listing Rules. She will also assist Mr. Choo in organizing board meetings and shareholders’ meetings of the Company as well as other matters of the Company which are incidental to the duties of a company secretary. Ms. Chan is expected to work closely with Mr. Choo, and will maintain regular contact with Mr. Choo and the Directors and senior management of the Company. The waiver will be revoked immediately if Ms. Chan ceases to provide assistance to Mr. Choo as the joint company secretary for the three-year period after [REDACTED]. In addition, Mr. Choo will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the [REDACTED].]

Our Company will further ensure that Mr. Choo has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. At the end of the three-year period, the qualifications and experience of Mr. Choo and the need for on-going assistance of Ms. Chan will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Mr. Choo, having benefited from the assistance of Ms. Chan for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the “relevant experience” within the meaning of Rule 3.28 Note 2 of the Listing Rules so that a further waiver will not be necessary.

Please refer to the section headed “Directors and Senior Management” in this document for further information regarding the qualifications of Mr. Choo and Ms. Chan.

EXEMPTION FROM DISCLOSURE OF THE RESIDENTIAL ADDRESS

We have applied for, and the SFC [has granted], a certificate of exemption pursuant to Section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the requirements of paragraph 6 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, in respect of the disclosure of the residential address of Mr. Tan, one of our executive Directors, our chief executive officer and chairman of the Board, on the basis that such disclosure would be unduly burdensome for Mr. Tan. Mr. Tan has a high profile in the games industry and his exposure is far wider than just the Shareholders and investors of the Company. Accordingly, the disclosure of such information may expose Mr. Tan and his family to personal safety risks. As such, the business address of Mr. Tan is disclosed in place of his residential address in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Min-Liang Tan (陳民亮)	514 Chai Chee Lane #07-05 Singapore 469029	Singaporean
Mr. Khaw Kheng Joo (許慶裕)	61 Holland Grove Drive Singapore 278889	Singaporean
Mr. Chan Thiong Joo Edwin (曾辰裕)	335 Bukit Timah Road #13-03 Singapore 259718	Singaporean
<i>Non-Executive Director</i>		
Mr. Lim Kaling (林嘉林)	30 Bin Tong Park Singapore 269811	Singaporean
<i>Independent Non-Executive Directors</i>		
Mr. Gideon Yu	50 Barry Lane Atherton, CA 94027-4022 United States	American
Mr. Chau Kwok Fun Kevin (周國勳)	52 Plantation Road, House 6 The Peak Hong Kong	Chinese
Mr. Lee Yong Sun (李鏞新)	41 Barker Road Barker Villa 6/F Flat A Hong Kong	Singaporean

Please refer to the section headed “Directors and Senior Management” in this document for further information with respect to our Directors.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

UBS Securities Hong Kong Limited
42/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal Advisers to Our Company

As to Hong Kong and United States Law:

Davis Polk & Wardwell
The Hong Kong Club Building
3A Chater Road
Hong Kong

As to Cayman Islands Law:

Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen’s Road Central
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to Singapore Law:

Pinsent Masons MPillay LLP
16 Collyer Quay
#22-00
Singapore
049318
Singapore

As to PRC Law:

Grandall Law Firm
23/F, Garden Square
968 West Beijing Road
Shanghai, China

As to German Law:

Hengeler Mueller
Partnerschaft von
Rechtsanwälten mbB
Bockenheimer Landstrasse 24
60323 Frankfurt am Main
Germany

Legal Advisers to the [REDACTED]

[REDACTED]

[REDACTED] to the Company

[REDACTED]

Reporting Accountant

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

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Compliance Adviser

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

Industry Consultants

Frost & Sullivan (S) Pte Ltd.
100 Beach Road
#29-11/01
Singapore 530420

Newzoo International B.V.
Danzigerkade 9D, 1013AP
Amsterdam
The Netherlands

CORPORATE INFORMATION

Registered office	Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Corporate headquarters	201 3rd Street, Suite 900 San Francisco, CA 94103 United States 514 Chai Chee Lane #07-05 Singapore 469029
Principal place of business in Hong Kong	Room 2008, 20/F., Fortress Tower 250 King's Road North Point Hong Kong
Company's website	<u>www.razerzone.com</u> <i>(The contents on this website do not form part of this document)</i>
Joint Company Secretaries	Mr. Choo Wei Pin (朱威炳) <i>(Advocate and solicitor of the Supreme Court of the Republic of Singapore)</i> 514 Chai Chee Lane #07-05 Singapore 469029 Ms. Chan Wai Ling (陳蕙玲) <i>(Member of The Hong Kong Institute of Chartered Secretaries, member of The Institute of Chartered Secretaries and Administrators)</i> Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit and Risk Management Committee	Mr. Chau Kwok Fun Kevin (周國勳) (Chairman) Mr. Gideon Yu Mr. Lee Yong Sun (李鏞新)
Remuneration Committee	Mr. Gideon Yu (Chairman) Mr. Min-Liang Tan (陳民亮) Mr. Chau Kwok Fun Kevin (周國勳)
Nomination Committee	Mr. Lee Yong Sun (李鏞新) (Chairman) Mr. Lim Kaling (林嘉林) Mr. Chau Kwok Fun Kevin (周國勳)
Authorized Representatives	Mr. Min-Liang Tan (陳民亮) Mr. Chan Thiong Joo Edwin (曾辰裕) Mr. Choo Wei Pin (朱威炳) <i>(Alternate Authorized Representative)</i> 514 Chai Chee Lane #07-05 Singapore 469029

CORPORATE INFORMATION

[REDACTED]

Principal bankers

DBS Bank Ltd
12 Marina Boulevard, Level 3
Marina Bay Financial Centre Tower 3
Singapore 018982

Goldman Sachs (Singapore) Pte. Ltd.
1 Raffles Link #07-01
Singapore 039393

JPMorgan Chase Bank, N.A.
168 Robinson Road #17-01
Capital Tower
Singapore 068912

Standard Chartered Bank
8 Marina Boulevard #27-01
Marina Bay Financial Centre Tower 1
Singapore 018981

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

We were founded in 2005 by Mr. Tan and Mr. Robert Krakoff, to design products for gamers, by gamers. Our dual global headquarters are located in San Francisco, California and Singapore. Our Singapore office serves as the nexus for most of our general, administration, legal and finance functions and supply chain management operations.

OUR BUSINESS MILESTONES

The following table illustrates the key milestones of our corporate and business development:

Year	Milestone
2005	<ul style="list-style-type: none">• Founding of our Company and establishment of our dual global headquarters in San Diego, California and Singapore• Launch of flagship gaming mouse
2007	<ul style="list-style-type: none">• Launch of flagship gaming keyboard
2009	<ul style="list-style-type: none">• Redesignation our global co-headquarters from San Diego, California to San Francisco, California
2010	<ul style="list-style-type: none">• Establishment of our China regional headquarters in Shanghai• Completion of the Series A Preferred Shares investments• Launch of flagship gaming headset
2011	<ul style="list-style-type: none">• Opening of R&D center in Taipei
2012	<ul style="list-style-type: none">• Launch of software platform initiative with <i>Razer Synapse</i> IoT platform• Launch of flagship gaming laptop
2014	<ul style="list-style-type: none">• Launch of <i>Razer Cortex</i>
2015	<ul style="list-style-type: none">• Completion of the Series B Preferred Shares investments• Opening of first three <i>RazerStores</i> in Taipei, Manila and Bangkok• Acquired certain assets of OUYA, Inc.• Launch of <i>Razer Music</i> initiative• Launch of <i>Razer Chroma</i>

HISTORY AND CORPORATE STRUCTURE

Year	Milestone
2016	<ul style="list-style-type: none">• Completion of the Series C Preferred Shares investments• Acquisition of certain assets from Slot Speaker Technologies, Inc.• Opening of fourth and fifth <i>RazerStores</i> in San Francisco, California and Shanghai• Launch of <i>zVentures</i>
2017	<ul style="list-style-type: none">• Acquisition of certain Nextbit Systems Inc. assets• Launch of services initiative with <i>Razer zGold</i>• Completion of the MOL Global investment• Completion of Series D Preferred Shares investments• Opening of sixth <i>RazerStore</i> in Hong Kong• Announcement of partnership with CK Hutchison’s Three Group

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The detailed information of each member of our Group that made a material contribution to our results of operations during the Track Record Period are shown below:

Name of company	Place of incorporation	Date of incorporation	Principal business activities
Razer (Asia-Pacific) Pte. Ltd.	Singapore	December 19, 2003	Design, manufacture, distribution, research and development of computer peripherals, systems and accessories
Razer USA Ltd.	United States	November 30, 2004	Trading of computer peripherals, systems and accessories
Razer (Europe) GmbH	Germany	September 20, 2007	Trading of computer peripherals and accessories

HISTORY AND CORPORATE STRUCTURE

OUR CORPORATE HISTORY AND MAJOR SHAREHOLDING CHANGES OF OUR GROUP

1. *Establishment of our Group*

On December 19, 2003, Razer (Asia-Pacific) in Singapore was incorporated, which in turn established Razer USA Ltd. in the State of Delaware, United States in 2004. Subsequently in 2005, Razer (Asia-Pacific) completed the acquisition of the “Razer” brand and relevant intellectual property rights from the original owners and commenced operations. “For Gamers. By Gamers.TM” has since been our Group’s tagline and mission statement.

For the biography of Mr. Tan, our co-founder, chairman of the Board, executive Director and chief executive officer, please refer to the section headed “Directors and Senior Management — Board of Directors — Executive Directors” in this document.

Mr. Robert Krakoff, our other co-founder, is a retired entrepreneur in the technology sector. He is our President Emeritus and does not hold any executive position with the Company but remains an adviser to the Company.

Immediately after its incorporation on December 19, 2003, Razer (Asia-Pacific) allotted and issued at the subscription price of S\$1.00 per share, 615 ordinary shares to Mr. Tan and 10 ordinary shares to a nominee, who transferred all the 10 ordinary shares to Mr. Tan on February 4, 2005 at a consideration of S\$10.00.

2. *Allotment and Issue of Ordinary Shares by Razer (Asia-Pacific)*

From 2005 to 2012, Razer (Asia-Pacific) allotted and issued ordinary shares, at an average subscription price of approximately US\$13.34, such that immediately before the restructuring of the Company on November 8, 2012, an aggregate of 656,571 ordinary shares were held by various shareholders as follows:

Name	Number of ordinary shares of Razer (Asia-Pacific)
Maverick Investments Ltd ⁽¹⁾	312,816
Primerose Ventures Inc ⁽²⁾	190,797
Lim Teck Lee Land Pte Ltd ⁽²⁾	40,105
d’Anconia Investments Ltd ⁽¹⁾	22,707
Mr. Tan	19,389
Koh Boon Hwee	14,896
Razer (Asia-Pacific) ⁽³⁾	55,861
Total	656,571

Notes:

- (1) Maverick Investments Ltd and d’Anconia Investments Ltd are companies wholly-owned by Mr. Tan.
- (2) Lim Teck Lee Land Pte Ltd and Primerose Ventures Inc are companies 92% owned and indirectly wholly-owned by Mr. Lim Kaling, respectively.
- (3) Held as treasury shares by Razer (Asia-Pacific).

HISTORY AND CORPORATE STRUCTURE

3. *Allotment and Issue of Series A Preferred Shares by Razer (Asia-Pacific)*

On May 16, 2007, Razer (Asia-Pacific) entered into a series of share subscription agreements with each of the Series A preferred shareholders, pursuant to which each of the Series A preferred shareholders agreed to subscribe for the number of Series A preferred shares of Razer (Asia-Pacific) set out below at an average price of US\$76.15 per share. On June 21, 2007, the relevant shares were allotted and issued by Razer (Asia-Pacific) to the Series A preferred shareholders as follows:

Name of Series A preferred shareholder of Razer (Asia-Pacific)	Number of Series A preferred shares of Razer (Asia-Pacific)	Consideration
Pi Holdings Limited	13,132	US\$1,000,043.82
Primerose Ventures Inc. ⁽¹⁾	11,819	US\$ 900,054.67
Sandmount Investments Limited	8,536	US\$ 650,043.72
Mr. Loh Kim Guan	6,566	US\$ 500,021.91
Mr. Loh Kim Kang David	6,566	US\$ 500,021.91
Mr. Han Seng Juan	6,566	US\$ 500,021.91
Mr. Chandra Mohan s/o Rethnam	3,283	US\$ 250,010.96
Mr. Wong Kok Hoe	3,283	US\$ 250,010.96
Mr. Low Check Kian	3,283	US\$ 250,010.96
Maverick Investments Ltd. ⁽²⁾	2,627	US\$ 200,054.46
Mr. Lee Hsien Yang	2,627	US\$ 200,054.46
Dr. Henry Tay Yun Chwan	2,627	US\$ 200,054.46
Mr. Dilhan Pillay Sandrasegara	2,627	US\$ 200,054.46
Ms. Adeline Koh Ai Ling	2,627	US\$ 200,054.46
Mr. The Lip Oei @ Suliwi	2,627	US\$ 200,054.46
Mr. Robert Tan Kah Boh	1,314	US\$ 100,065.30
Mr. Chan Whye Mun	1,314	US\$ 100,065.30
Mr. Tang Wee Loke	1,314	US\$ 100,065.30
Total	82,738	US\$6,300,763.48

Notes:

- (1) Primerose Ventures Inc. is a company indirectly wholly-owned by Mr. Lim Kaling.
- (2) Maverick Investments Ltd. is a company wholly-owned by Mr. Tan.

On October 25, 2007, Razer (Asia-Pacific) entered into share subscription agreements with Razer Employee Pte. Ltd. and Mr. Tan Chow Boon respectively, pursuant to which Razer Employee Pte. Ltd. and Mr. Tan Chow Boon agreed to subscribe for 11,160 and 3,940 Series A preferred shares (at an average price of US\$76.15 per share) at the consideration of US\$849,869.71 and US\$300,043.61 respectively. On July 11, 2008, the relevant shares were allotted and issued by Razer (Asia-Pacific) to Razer Employee Pte. Ltd. and Mr. Tan Chow Boon respectively.

HISTORY AND CORPORATE STRUCTURE

From January 2008 to September 2009, eight Series A preferred shareholders exercised their first call options under the share subscription agreements dated May 16, 2007 and October 25, 2007 respectively at an exercise price of US\$76.1532 per share, and Razer (Asia-Pacific) issued Series A preferred shares to them as follows:

Date of allotment	Name of Series A preferred shareholder of Razer (Asia-Pacific)	Number of Series A preferred shares of Razer (Asia-Pacific)	Consideration
January 31, 2008	Sandmount Investments Limited	2,035	US\$154,971.76
February 11, 2008	Mr. Dilhan Pillay Sandrasegara	657	US\$ 50,032.65
February 26, 2008	Primerose Ventures Inc. ⁽¹⁾	2,955	US\$225,032.71
April 14, 2008	Mr. Chandra Mohan s/o Rethnam	821	US\$ 62,521.78
April 14, 2008	Mr. Wong Kok Hoe	821	US\$ 62,521.78
July 30, 2008	Razer Employee Pte. Ltd.	2,790	US\$212,467.43
September 3, 2009	Mr. Lee Hsien Yang	1,314	US\$100,065.30
September 14, 2009	Mr. Robert Tan Kah Boh	658	US\$ 50,108.81
	Total	12,051	US\$917,722.22

Note:

(1) Primerose Ventures Inc. is a company indirectly wholly-owned by Mr. Lim Kaling.

On January 1, 2010, Ms. Chong Chiet Ping entered into a share subscription agreement with Razer (Asia-Pacific) pursuant to which Ms. Chong Chiet Ping agreed to subscribe for a total of 3,500 Series A preferred shares of Razer (Asia-Pacific) at an average price of US\$76.15 per share and for a total consideration of US\$266,536.20. On February 3, 2010, the relevant Series A preferred shares of Razer (Asia-Pacific) were allotted and issued by Razer (Asia-Pacific) to Ms. Chong Chiet Ping.

On July 15, 2010, Razer Employee Pte. Ltd. exercised its second call option under the share subscription agreement dated October 25, 2007 at an exercise price of US\$76.15 per share and for a total consideration of US\$424,934.86, and Razer (Asia-Pacific) allotted and issued 5,580 Series A preferred shares of Razer (Asia-Pacific) to Razer Employee Pte. Ltd..

For further details of the allotment and issue described above, please refer to the sub-section headed “[REDACTED] Investments” in this section.

4. *Transfer of Series A Preferred Shares of Razer (Asia-Pacific) and Re-designation to Series B Preferred Shares*

On October 1, 2011, Yong Xiang Capital Holdings I, Ltd. and Yong Xiang Capital Holdings II, Ltd. entered into an investment agreement with Razer (Asia-Pacific), as supplemented by a supplemental deed dated February 16, 2012, under which Yong Xiang Capital Holdings I, Ltd. and Yong Xiang Capital Holdings II, Ltd. proposed to, among others, acquire Series A preferred shares of Razer (Asia-Pacific) from the then existing Series A preferred shareholders of Razer (Asia-Pacific).

HISTORY AND CORPORATE STRUCTURE

On November 5, 2011, Yong Xiang Capital Holdings I, Ltd. and Yong Xiang Capital Holdings II, Ltd. proposed to acquire Series A preferred shares of Razer (Asia-Pacific) from the then holders of Series A preferred shares via a tender offer at the subscription price of US\$361.04 per share. Nine Series A preferred shareholders tendered their respective Series A preferred shares on November 28, 2011, and the Series A preferred shares were transferred to Yong Xiang Capital Holdings I, Ltd. and Yong Xiang Capital Holdings II, Ltd. respectively on December 9, 2011 as follows:

Name of tendering Series A preferred shareholder of Razer (Asia-Pacific)	Number of Series A preferred shares of Razer (Asia-Pacific) transferred to Yong Xiang Capital Holdings I, Ltd.	Consideration	Number of Series A preferred shares of Razer (Asia-Pacific) transferred to Yong Xiang Capital Holdings II, Ltd.	Consideration	Aggregate Number of Series A preferred shares of Razer (Asia-Pacific) transferred
Razer Employee Pte. Ltd.	12,725	US\$4,594,234	587	US\$211,930.48	13,312
Mr. Han Seng Juan	4,072	US\$1,470,154.88	188	US\$67,875.52	4,260
Mr. Tan Chow Boon	3,766	US\$1,359,676.64	174	US\$62,820.96	3,940
Sandmount Investments Limited	2,524	US\$911,264.96	116	US\$41,880.64	2,640
Mr. Loh Kim Guan	1,497	US\$540,476.88	69	US\$24,911.76	1,566
Mr. Loh Kim Kang David	1,338	US\$483,071.52	62	US\$22,384.48	1,400
Ms. Adeline Koh Ai Ling	1,268	US\$457,798.72	59	US\$21,301.36	1,327
Mr. The Lip Oei @ Suliwi	1,269	US\$458,159.76	58	US\$20,940.32	1,327
Mr. Wong Kok Hoe	627	US\$226,372.08	29	US\$10,470.16	656
Total	29,086	US\$10,501,209.44	1,342	US\$484,515.68	30,428

Immediately upon the completion of the transfers described above, the Series A preferred shares of Razer (Asia-Pacific) registered in the names of Yong Xiang Capital Holdings I, Ltd. and Yong Xiang Capital Holdings II, Ltd. were re-designated to Series B preferred shares of Razer (Asia-Pacific) on December 9, 2011.

In addition, pursuant to the investment agreement dated October 1, 2011, Razer (Asia-Pacific) allotted and issued 2 and 34 Series B preferred shares of Razer (Asia-Pacific) to Yong Xiang Capital Holdings I, Ltd. and Yong Xiang Capital Holdings II, Ltd. respectively on December 9, 2011, at the subscription price of US\$386.83 and the consideration of US\$773.66 and US\$13,152.22, respectively.

Pursuant to the share subscription agreement dated January 20, 2012, Razer (Asia-Pacific) allotted and issued 6,462 Series B preferred shares of Razer (Asia-Pacific) to Sandalwood Associates Limited on March 19, 2012 at the consideration of US\$2,499,695.46.

For further details of the transfer, allotment and issue described above, please refer to the sub-section headed "[REDACTED] Investments" in this section.

5. *Incorporation of the Company*

On May 18, 2012, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. Upon its incorporation, the Company had an authorized share capital of US\$50,000 divided into 50,000,000 Shares of par value of US\$0.001 each, issued subsequently to Conyers Trust Company (Cayman) Limited (100% equity interest) and on the same day, one share was transferred to Mr. Tan.

HISTORY AND CORPORATE STRUCTURE

6. 2012 Restructuring, Allotment and Issue of Shares, Series A Preferred Shares and Series B Preferred Shares by the Company

On November 7, 2012, the authorized share capital of the Company was changed from US\$50,000 divided into 50,000,000 Shares of par value of US\$0.001 each, to US\$50,000 divided into 4,000,000 Shares of par value of US\$0.01 each, 500,000 Series A Preferred Shares of par value of US\$0.01 each and 500,000 Series B Preferred Shares of par value of US\$0.01 each.

Immediately prior to the restructuring of the Company on November 8, 2012, an aggregate of 88,541 Series A preferred shares in Razer (Asia-Pacific) were held as follows:

Name of Series A preferred shareholder of Razer (Asia-Pacific)	Number of Series A preferred shares of Razer (Asia-Pacific)
Primerose Ventures Inc. ⁽¹⁾	14,774
Pi Holdings Limited	13,132
Sandmount Investments Limited	7,931
Razer Employee Pte. Ltd.	6,218
Mr. Loh Kim Kang David	5,166
Mr. Loh Kim Guan	5,000
Mr. Chandra Mohan s/o Rethnam	4,104
Mr. Lee Hsien Yang	3,941
Ms. Chong Chiet Ping	3,500
Mr. Wong Kok Hoe	3,448
Mr. Dilhan Pillay Sandrasegara	3,284
Mr. Low Check Kian	3,283
Maverick Investments Ltd ⁽²⁾	2,627
Dr. Henry Tay Yun Chwan	2,627
Mr. Han Seng Juan	2,306
Mr. Tan Kah Boh Robert	1,972
Mr. Tang Wee Loke	1,314
Mr. Chan Whye Mun	1,314
Ms. Koh Ai Ling Adeline	1,300
Mr. The Lip Oei @ Suliwi	1,300
Total	88,541

Notes:

- (1) Primerose Ventures Inc. is a company indirectly wholly-owned by Mr. Lim Kaling.
- (2) Maverick Investments Ltd is a company wholly-owned by Mr. Tan.

HISTORY AND CORPORATE STRUCTURE

Immediately prior to the restructuring of the Company on November 8, 2012, an aggregate of 36,926 series B preferred shares of Razer (Asia-Pacific) were held as follows:

Name of series B preferred shareholder of Razer (Asia-Pacific)	Number of series B preferred shares of Razer (Asia-Pacific)
Yong Xiang Capital Holdings I, Ltd	29,120
Yong Xiang Capital Holdings II, Ltd	1,344
Sandalwood Associates Limited	6,462
Total	36,926

The holders of an aggregate of 656,571 ordinary shares of Razer (Asia-Pacific) immediately prior to the restructuring of the Company on November 8, 2012 are described above under the heading of "2. Allotment and Issue of Ordinary Shares by Razer (Asia-Pacific)."

Pursuant to a restructuring agreement dated November 8, 2012 entered into between Razer (Asia-Pacific), the Company and the relevant shareholders of Razer (Asia-Pacific):

- each of the shareholders (except the Company itself) holding ordinary shares of Razer (Asia-Pacific) referred to in the subsection "2. Allotment and Issue of Ordinary Shares of Razer (Asia-Pacific)" above transferred their ordinary shares of Razer (Asia-Pacific) to the Company, in consideration of the Company allotting and issuing the same number of Shares to them;
- each of the Series A preferred shareholders of Razer (Asia-Pacific) referred to above transferred their Series A preferred shares of Razer (Asia-Pacific) to the Company, in consideration of the Company allotting and issuing the same number of Series A Preferred Shares of the Company to them; and
- each of the series B preferred shareholders of Razer (Asia-Pacific) referred to above transferred their Series B preferred shares of Razer (Asia-Pacific) to the Company, in consideration of the Company allotting and issuing the same number of Series B Preferred Shares of the Company to them,

such that immediately upon the completion of the restructuring on November 8, 2012, the Company held the entire issued share capital of Razer (Asia-Pacific), comprising 656,571 ordinary shares, 88,541 Series A preferred shares and 36,926 Series B preferred shares. The Company also received all the shares of Razer (Asia-Pacific) held by the latter in treasury. Accordingly, upon the completion of the restructuring, the Company became the sole shareholder of Razer (Asia-Pacific), through which we have conducted all of our business operations.

In connection with the restructuring, the Company allotted and issued an aggregate of 600,711 Shares, 88,541 Series A Preferred Shares and 36,926 Series B Preferred Shares to the parties mentioned above.

For further details of the allotment and issue of Series A and Series B Preferred Shares above, please refer to the sub-section headed "[REDACTED] Investments" in this section.

HISTORY AND CORPORATE STRUCTURE

7. *Allotment and Issue of Series B Preferred Shares by the Company*

On April 17, 2013, the Company entered into a subscription agreement with the Series B Preferred Shareholders referred to below, pursuant to which the Series B Preferred Shareholders agreed to subscribe for a total of 33,427 Series B Preferred Shares at a price of US\$511.483 per share for a total consideration of US\$17.1 million. On May 29, 2013, the Company allotted and issued an aggregate of 33,427 Series B Preferred Shares as follows:

Name of Series B Preferred Shareholder	Number of Series B Preferred Shares
Orchid Investments Pte. Ltd.	19,550
Davinia Investment Ltd	4,887
Lim Teck Lee Land Pte Ltd ⁽¹⁾	1,955
Sirius Financial Group Ltd	1,955
Mr. Gay Chee Chong	1,173
Mr. Chandra Mohan s/o Rethnam	977
Mr. George Yin Soon	977
Primerose Ventures Inc. ⁽¹⁾	977
Chen Family Limited ⁽²⁾	488
Ms. Loo Tze Lui	488
Total	33,427

Notes:

- (1) Lim Teck Lee Land Pte Ltd and Primerose Ventures Inc. are companies 92%-owned and indirectly wholly-owned by Mr. Lim Kaling, respectively.
- (2) Chen Family Limited is a company jointly controlled by Mr. Tan.

For further details of the allotment and issue of Series B Preferred Shares above, please refer to the sub-section headed "[REDACTED] Investments" in this section.

8. *Re-designation of Series B Preferred Shares to Series B-1 and Series B-2 Preferred Shares*

On September 30, 2014, the Series B Preferred Shares of the Company then in issue were re-designated to Series B-1 Preferred Shares and Series B-2 Preferred Shares so as to identify Shareholders that were granted the same rights in a single group.

The 36,926 Series B Preferred Shares which were allotted and issued on November 8, 2012, as described in the sub-section headed "6. 2012 Restructuring, Allotment and Issue of Ordinary Shares, Series A Preferred Shares and Series B Preferred Shares by the Company" above, were re-designated as Series B-1 Preferred Shares.

The 33,427 Series B Preferred Shares which were allotted and issued on May 29, 2013, as described in the sub-section headed "7. Allotment and Issue of Series B Preferred Shares by the Company" above, were re-designated as Series B-2 Preferred Shares.

9. *Allotment and Issue of Series B-3 Preferred Shares by the Company*

On September 30, 2014, the Company entered into a note purchase agreement with Middlefield Ventures, Inc. pursuant to which Middlefield Ventures, Inc. agreed to subscribe for a convertible promissory note with the principal amount of US\$5 million issued by the Company for a total consideration and principal amount of US\$5 million. On March 31, 2015, the Company allotted and issued a total of 2,877 Series B-3 Preferred Shares at an issue price of US\$1,737.92 per Share to Middlefield Ventures, Inc. as the consideration for the conversion of the convertible promissory note.

On October 1, 2014, the Company paid Mr. Tan US\$4,999,000 to repurchase 2,877 Shares held by him at US\$1,737.43 per Share.

HISTORY AND CORPORATE STRUCTURE

For further details of the allotment and issue of Series B-3 Preferred Shares above, please refer to the sub-section headed “[REDACTED] Investments” in this section.

10. *Transfer of Shares*

From March 2015 to December 2015, the following transfers of Shares were made:

Name of transferor	Name of transferee	Date of transfer	Number of Shares transferred
Mr. Tan ⁽¹⁾	Mr. Tan Kim Lee ⁽¹⁾	March 5, 2015	1,151 Shares
	Dr. Tan E-Ching ⁽¹⁾	March 5, 2015	1,151 Shares
	Ms. Tan E-Fang ⁽¹⁾	March 5, 2015	1,151 Shares
	Dr. Tan Min-Han ⁽¹⁾	March 5, 2015	1,151 Shares
	Chen Family (Hivemind) Holdings Limited ⁽¹⁾	April 23, 2015	9,029 Shares
	Mr. Chan Thiong Joo Edwin ⁽²⁾	May 6, 2015	1,151 Shares
	Mr. Khaw Kheng Joo ⁽²⁾	May 6, 2015	1,439 Shares
	Ms. Chan Cheng Mun ⁽²⁾	May 6, 2015	290 Shares
	Maverick Investments Ltd. ⁽¹⁾	April 23, 2015	312,816 Shares and 2,627 Series A Preferred Shares
d’Anconia Investments Ltd ⁽¹⁾ .	Chen Family (Hivemind) Holdings Limited ⁽¹⁾	April 23, 2015	22,707 Shares
Chen Family Limited ⁽¹⁾	Chen Family (Hivemind) Holdings Limited ⁽¹⁾	April 23, 2015	488 Series B-2 Preferred Shares
Primerose Ventures Inc. ⁽³⁾ . . .	Voyager Equity Limited ⁽³⁾	April 15, 2015	159,758 Shares
The Company ⁽⁴⁾	Mr. Koh Boon Hwee ⁽⁴⁾	December 31, 2015	1,151 Shares

Notes:

- (1) Mr. Tan made these transfers to organize his and his family’s investments in the Company. Mr. Tan Kim Lee is the father of Mr. Tan and Dr. Tan E-Ching, Ms. Tan E-Fang and Dr. Tan Min-Han are siblings of Mr. Tan. Maverick Investments Ltd. and d’Anconia Investments Ltd are companies wholly-owned by Mr. Tan. Chen Family Limited is a company jointly controlled by Mr. Tan.
Chen Family (Hivemind) Holdings Limited is an investment company incorporated in the British Virgin Islands, and is jointly controlled by Chen Family (Global) Holdings Limited and Mr. Tan. Chen Family (Global) Holdings Limited is an investment company incorporated in the British Virgin Islands, under the Chen Family Trust established by Mr. Tan, our co-founder and executive Director, as the settlor. Julius Baer Trust Company Guernsey Limited is the trustee of the Chen Family Trust, and Mr. Tan and his family members are the beneficiaries of the Chen Family Trust. Mr. Tan is also the sole director of Chen Family (Hivemind) Holdings Limited.
- (2) The transfers among these companies do not affect the ultimate beneficial ownership of the Shares by Mr. Tan and are effected as part of the shareholding restructuring for Mr. Tan.
- (2) Mr. Chan Thiong Joo Edwin has been our chief financial officer since June 2013 and was appointed as our executive Director on June 21, 2017.
Mr. Khaw Kheng Joo has been our chief operating officer since June 2012 and was appointed as our executive Director on June 21, 2017.
Ms. Chan Cheng Mun is an employee of the Company.
- (3) Primerose Ventures Inc. is a company indirectly wholly-owned by Mr. Lim Kaling. Voyager Equity Limited is wholly-owned by Excelsior Equity Limited, a company which holds its shares in the Company in trust for Mr. Lim and his family members. These transfers were effected to organize Mr. Lim Kaling’s investments in the Company.
- (4) The Company transferred 1,151 Shares previously held as treasury shares to Mr. Koh Boon Hwee in consideration of the latter’s service to the Company in his capacity as a director. Mr. Koh is no longer a Director of the Company.

HISTORY AND CORPORATE STRUCTURE

11. Entering into of Technology Services Agreement with Minus Inc.

On November 30, 2015, Razer (Asia-Pacific) entered into a technology services agreement with Minus Inc., a company incorporated in the United States which developed MeowChat, a social chat mobile application, and Mr. Carl Hu, a shareholder of Minus Inc.. Pursuant to the agreement, Minus Inc. agreed to provide services and grant licences in relation to its mobile chat and photo sharing platform to the Group, and Mr. Carl Hu agreed to provide certain consultancy services to the Group.

As consideration for the provision of the services and the grant of licences by Minus Inc. and Mr. Carl Hu, Razer (Asia-Pacific) agreed to pay Minus Inc. and Mr. Carl Hu an aggregate of approximately US\$1,400,000, of which US\$300,000 was paid in cash and approximately US\$1,100,000 was settled in the form of an issue of 633 Shares (based on an issue price of US\$1,737.43 per Share) allotted and issued by the Company to Minus Inc. on December 15, 2016.

Except for the issue of Shares as consideration for provision of services and grant of license, Minus Inc. and Mr. Carl Hu are Independent Third Parties of the Company.

12. Allotment and Issue of Series C Preferred Shares by the Company

On February 21, 2016, the Company entered into an investment agreement with Digital Grid (Hong Kong) Technology Co., Limited, pursuant to which the latter agreed to subscribe for 43,167 Series C Preferred Shares at a consideration of US\$1,737.43 per Series C Preferred Share for a total consideration of US\$75,000,000.

On March 30, 2016, the authorized share capital of the Company was changed from US\$50,000 divided into 4,000,000 Shares of par value of US\$0.01 each, 500,000 Series A Preferred Shares of par value of US\$0.01 each and 500,000 Series B Preferred Shares of par value of US\$0.01 each, to US\$55,000 divided into 4,000,000 Shares of par value of US\$0.01 each, 500,000 Series A Preferred Shares of par value of US\$0.01 each, 500,000 Series B Preferred Shares of par value of US\$0.01 each and 500,000 Series C Preferred Shares of par value of US\$0.01 each.

On March 30, 2016, the Company allotted and issued 43,167 Series C Preferred Shares to Digital Grid (Hong Kong) Technology Co., Limited.

On September 4, 2016, the Company entered into an investment agreement with HF Technology Investment Limited pursuant to which the latter agreed to subscribe for 28,778 Series C Preferred Shares at a consideration of US\$1,737.43 per Series C Preferred Share for a total consideration of US\$50,000,000. On December 1, 2016, the Company allotted and issued 28,778 Series C Preferred Shares to HF Technology Investment Limited.

The proceeds from the Series C Preferred Shares investments amounted to US\$125,000,000, which were intended to be used for research and development and the operation of the Group's business.

For further details of the allotment of the Series C Preferred Shares above, please refer to the sub-section headed "[REDACTED] Investments" in this section.

13. Acquisition of assets from Slot Speaker Technologies, Inc. (formerly known as THX Ltd.)

On October 5, 2016, in order to develop our business in the certification of quality in cinema sound systems, home theater audio and video systems, consumer electronics audio and video systems, and automotive sound systems, our Company, through our wholly-owned subsidiary, Razer Tone, Inc., entered into an asset purchase agreement with Slot Speaker Technologies, Inc. in relation to the acquisition of certain assets of Slot Speaker Technologies, Inc.. These assets included, among others, contracts, intellectual property and equipment.

HISTORY AND CORPORATE STRUCTURE

The consideration for the acquisition was comprised of (i) US\$4,539,656.14 in cash; (ii) 6,298 Shares (based on an issue price of US\$1,737.43 per Share); and (iii) 20 shares of Razer Tone, Inc., payable to Slot Speaker Technologies, Inc. and/or any parties designated by Slot Speaker Technologies, Inc.. The terms of the acquisition were negotiated on an arms' length basis. The acquisition, which was not subject to any regulatory approval, was properly and legally completed on October 5, 2016, subject to the deferred payment of the consideration of the acquisition to be satisfied by the issue of Shares as described below.

On October 5, 2016, Razer Tone, Inc. allotted and issued 20 shares to Archview Capital Ltd., as designated by Slot Speaker Technologies, Inc.. Following the allotment, Archview Capital Ltd. held a 20% shareholding in Razer Tone, Inc.

On October 26, 2016, the Company allotted and issued 5,078 Shares to Archview Capital Ltd.. The Company will further allot and issue 1,220 Shares to Archview Capital Ltd. on October 5, 2017 as part of the deferred settlement arrangement pursuant to the asset purchase agreement referred to above.

Archview Capital Ltd., a majority stockholder of Slot Speaker Technologies, Inc. at the time the asset purchase agreement was entered into, is an investment company indirectly wholly-owned by Mr. Lim Kaling, our non-executive Director.

Subsequent to this acquisition, Razer Tone, Inc. changed its name to THX Ltd. on October 19, 2016.

14. Acquisition of assets from Nextbit Systems Inc.

On December 30, 2016, in order to accelerate our mobile devices strategy, our Company, through our wholly-owned subsidiary, Razer USA Ltd., entered into an asset purchase agreement with Nextbit Systems Inc. to purchase its key assets. These assets included, among others, various intellectual property rights, contracts and customer lists.

The consideration for the acquisition was satisfied by the issue of 8,633 Shares (at an issue price of US\$1,737.43 per Share), of which (i) 1,295 Shares are holdback Shares and will be issued to Nextbit Systems Inc. within 30 days after the second anniversary of the closing date (i.e. on January 26, 2019); and (ii) 1,727 Shares will be issued to Nextbit Systems Inc. on or before January 26, 2019 upon the satisfaction of certain conditions. The terms of the asset purchase agreement were negotiated on an arms' length basis. Subject to the deferred settlement arrangement as described below, the acquisition, which was not subject to any regulatory approval, was properly and legally completed on January 26, 2017.

On January 26, 2017, the Company allotted and issued 5,611 Shares to Nextbit Systems Inc.. On March 3, 2017, Nextbit Systems Inc. transferred 2,302 of these Shares to FIH Mobile Limited, which in turn transferred the 2,302 Shares to Strength Luck Limited, its wholly-owned subsidiary, on May 16, 2017.

The Company will allot and issue 1,295 and 1,727 Shares to Nextbit Systems Inc. on January 26, 2019, and, no later than January 26, 2019 and subject to the satisfaction of certain conditions, respectively, pursuant to the asset purchase agreement.

Nextbit Systems Inc. is an investment company incorporated in Delaware, the United States, run for the benefit of its creditors. Mr. Tom Moss and Mr. Michael Chan, both of whom have become employees of the Company as a result of this acquisition, are the largest shareholders of Nextbit Systems Inc., each with a 46.5% shareholding in the company's common stock. Save for the issue of Shares as consideration for this asset purchase, Nextbit Systems Inc. is an Independent Third Party.

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15. 2016 Share Repurchase

On October 21, 2016, the Company sent a tender offer memorandum to its Shareholders in relation to a proposed tender offer to repurchase up to 28,778 Shares at an offer price of US\$1,563.69 per Share. The offer price was based on an issue price of US\$1,737.43 per Share of the Series C Preferred Shares (the proceeds of which were used to fund the repurchase) less an amount of US\$173.74 per Share, which was set aside to cover fees and expenses to be incurred by the Company in connection with the tender offer. The tender offer was completed on November 22, 2016.

On December 1, 2016, upon receiving valid acceptances of the tender offer, the Company repurchased 28,778 Shares (consisting of 9,202 Shares, 10,490 Series A Preferred Shares and 9,086 Series B Preferred Shares) from Shareholders for a total consideration of approximately US\$45.0 million as follows:

Name of Shareholder	Class of Shares	Number of Shares repurchased	Total consideration
Primerose Ventures Inc. ⁽¹⁾	Shares	8,001	US\$12,511,083.69
Orchid 1 Investments Pte. Ltd.	Series B-2 Preferred Shares	7,338	US\$11,474,357.22
Pi Holdings Limited	Series A Preferred Shares	2,557	US\$ 3,998,355.33
Mr. Loh Kim Kang David	Series A Preferred Shares	2,155	US\$ 3,369,751.95
Mr. Dilhan Pillay Sandrasegara	Series A Preferred Shares	1,370	US\$ 2,142,255.3
Mr. Lee Hsien Yang	Series A Preferred Shares	1,251	US\$ 1,956,176.19
Sandmount Investments Limited	Series A Preferred Shares	1,030	US\$ 1,610,600.7
Mr. Han Seng Juan	Series A Preferred Shares	962	US\$ 1,504,269.78
Razer Employee Pte. Ltd.	Series A Preferred Shares	956	US\$ 1,494,887.64
Sirius Financial Group Ltd	Series B-2 Preferred Shares	815	US\$ 1,274,407.35
Davinia Investment Ltd	Series B-2 Preferred Shares	666	US\$ 1,041,417.54
Mr. Khaw Kheng Joo	Shares	600	US\$ 938,214
Mr. Chan Thiong Joo Edwin	Shares	480	US\$ 750,571.2
Mr. Chandra Mohan s/o Rethnam	Series B-2 Preferred Shares	267	US\$ 417,505.23
Mr. The Lip Oei @ Suliwi	Series A Preferred Shares	209	US\$ 326,811.21
Ms. Chan Cheng Mun	Shares	121	US\$ 189,206.49
Total Shares repurchased		28,778	US\$44,999,870.82

Note:

(1) Primerose Ventures Inc. is a company indirectly wholly-owned by Mr. Lim Kaling.

HISTORY AND CORPORATE STRUCTURE

16. *Grant of RSUs under the 2016 Equity Incentive Plan*

The 2016 Equity Incentive Plan was adopted by the Board on July 25, 2016 and approved by the Shareholders on August 23, 2016 (and subsequently amended by the Board and the Shareholders on [●], 2017). As of the Latest Practicable Date, RSUs in respect of 67,116 Shares have been granted to 351 Grantees and are outstanding under the 2016 Equity Incentive Plan.

Please refer to the sub-section headed “Appendix IV — Statutory and General Information — E. 2016 Equity Incentive Plan” in this document for further details.

17. *Investment in MOL Global*

On April 26, 2017, the Company made a strategic investment, through our wholly-owned subsidiary, ZVMidas Pte. Ltd., by way of a share purchase agreement with MOL Investments Pte. Ltd. and Hotel Resort Enterprise Sdn. Bhd., to purchase 19.9% of the issued share capital of MOL Global, an investment holding company owning subsidiaries engaged in the business of internet media, computer games, e-distribution and e-payment. The investment, which was not subject to any regulatory approval, was properly and legally completed on May 12, 2017.

The consideration for the investment was US\$19,900,000, which was negotiated on an arms’ length basis, and was satisfied by the Company issuing and allotting 1,844 Shares to Hotel Resort Enterprise Sdn. Bhd. (as nominee of MOL Investments Pte. Ltd.) and 6,790 Shares to Hotel Resort Enterprise Sdn. Bhd., at an issue price of US\$2,304.80 per Share, on May 12, 2017.

Hotel Resort Enterprise Sdn. Bhd. is a Malaysian company and is owned by Mr. Tan Sri Dato’ Seri Vincent Tan Chee Yioun and Mr. Dato’ Sri Robin Tan Yeong Ching, as to 60% and 40% shareholdings, respectively. Save for the issue of Shares as consideration for this investment, Hotel Resort Enterprise Sdn. Bhd. is an Independent Third Party.

On May 12, 2017, the Company entered into the following agreements with MOL AccessPortal Sdn. Bhd., a wholly-owned Malaysian subsidiary of MOL Global:

- ***Distribution agreement for zGold-MOLPoints*** — under which the Company agreed to market the existing MOLPoints of MOL AccessPortal Sdn. Bhd. as *zGold-MOLPoints* and appointed MOL AccessPortal Sdn. Bhd. to be a master distributor to distribute, resell, promote and market *zGold-MOLPoints* on its online platform in certain territories;
- ***Technology and platform sharing agreement*** — under which MOL AccessPortal Sdn. Bhd. agreed to provide to the Company certain services in relation to, and a licence to use, the technology and service platform developed and/or utilized by MOL AccessPortal Sdn. Bhd. and its affiliates; and
- ***Channel agreement*** — under which MOL AccessPortal Sdn. Bhd. agreed to allow *zGold* to be used for content provided by MOL AccessPortal Sdn. Bhd.’s content providers or merchants.

18. *Allotment and Issue of Series D Preferred Shares by the Company*

On April 12, 2017, the Company entered into an investment agreement with Redmount Ventures Limited pursuant to which Redmount Ventures Limited agreed to subscribe for a total of 10,846 Series D Preferred Shares at a price of US\$2,304.80 per share for a total consideration of US\$25 million.

On May 15, 2017, the authorized share capital of the Company was changed from US\$55,000 divided into 4,000,000 Shares of par value of US\$0.01 each, 500,000 Series A Preferred Shares of par value of US\$0.01 each, 500,000 Series B Preferred Shares of par value of US\$0.01 each and 500,000 Series C Preferred Shares of par value of US\$0.01 each, to

HISTORY AND CORPORATE STRUCTURE

US\$60,000 divided into 4,000,000 Shares of par value of US\$0.01 each, 500,000 Series A Preferred Shares of par value of US\$0.01 each, 500,000 Series B Preferred Shares of par value of US\$0.01 each, 500,000 Series C Preferred Shares of par value of US\$0.01 each and 500,000 Series D Preferred Shares of par value of US\$0.01 each.

On May 11, 2017, Binary Capital Fund I LP and Binary Capital Fund II LP entered into joinder agreements to the investment agreement mentioned above pursuant to which they agreed to subscribe for 3,037 and 1,301 Series D Preferred Shares, respectively, at a price of US\$2,304.80 per share for a total consideration of US\$6,999,677.60 and US\$2,998,544.80, respectively.

On May 12, 2017, Mr. Chandra Mohan s/o Rethnam, Lager-Moss LLC, BYD Electronic Company Limited, Strength Luck Limited and Procurator Holdings, LLC entered into joinder agreements to the series D investment agreement pursuant to which they agreed to subscribe for 1,301, 954, 867, 433 and 65 Series D Preferred Shares, respectively, at a price of US\$2,304.80 per share for a total consideration of US\$2,998,544.80, US\$2,198,779.20, US\$1,998,261.60, US\$997,978.40 and US\$149,812.00, respectively.

The allotment and issue of Series D Preferred Shares under the Series D investment agreement was completed on May 15, 2017.

The proceeds from the Series D investments was US\$43.3 million, which was intended to be used for research and development and operations.

For further details of the allotment and issue of Series D Preferred Shares above, please refer to the sub-section headed "[REDACTED] Investments" in this section.

[REDACTED] INVESTMENTS

1. Overview

Our Company underwent six rounds of [REDACTED] Investments. For details of the allotment and issue of Series A, Series B-1, Series B-2, Series B-3, Series C and Series D Preferred Shares and the re-designation of such Preferred Shares to Shares, please refer to the sub-section headed "Our Corporate History and Major Shareholding Changes of Our Group" in this section.

The basis of determination for the consideration for the [REDACTED] Investments were arm's length negotiations between our Company and the respective [REDACTED] Investors after taking into consideration the timing of the investments and the status of our business and operating entities at the relevant time.

In connection with the [REDACTED] Investments, the [REDACTED] Investors became parties to the Shareholders' Agreement at the time of their relevant investment.

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The below table is a summary of the capitalization of the Company:

Shareholders	Shares	Series A Preferred Shares			Series B-1 Preferred Shares			Series B-2 Preferred Shares			Series B-3 Preferred Shares			Series C Preferred Shares			Series D Preferred Shares			Ownership percentage as of the date of this document ⁽¹⁾	Ownership percentage as of the date of this document ⁽²⁾
		Shares	Preferred Shares	Series A Preferred Shares	Preferred Shares	Series B-1 Preferred Shares	Preferred Shares	Series B-2 Preferred Shares	Preferred Shares	Series B-3 Preferred Shares	Preferred Shares	Series C Preferred Shares	Preferred Shares	Series D Preferred Shares	Preferred Shares	Series D Preferred Shares	Preferred Shares	Series D Preferred Shares			
Chen Family (Hivemind) Holdings Limited	344,552	2,627	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	41.26%	[REDACTED]%	
Voyager Equity Limited ⁽³⁾	159,758	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	18.96%	[REDACTED]%	
Lim Teck Lee Land Pte Ltd	40,105	—	—	—	—	—	1,955	—	—	—	—	—	—	—	—	—	—	—	4.99%	[REDACTED]%	
Primrose Ventures Inc.	23,038	14,774	—	—	—	—	977	—	—	—	—	—	—	—	—	—	—	—	4.60%	[REDACTED]%	
Mr. Koh Boon Hwee ⁽³⁾	16,047	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1.90%	[REDACTED]%	
Hotel Resort Enterprise Sdn. Bhd. ⁽³⁾	8,634	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1.02%	[REDACTED]%	
Archview Capital Ltd. ⁽³⁾⁽⁴⁾	5,078	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.60%	[REDACTED]%	
Nextbit Systems Inc. ⁽³⁾⁽⁵⁾	3,309	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.39%	[REDACTED]%	
Strength Luck Limited ⁽³⁾	2,302	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.32%	[REDACTED]%	
Mr. Tan Kim Lee ⁽³⁾	1,151	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.14%	[REDACTED]%	
Dr. Tan E-Ching ⁽³⁾	1,151	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.14%	[REDACTED]%	
Ms. Tan E-Fang ⁽³⁾	1,151	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.14%	[REDACTED]%	
Dr. Tan Min-Han ⁽³⁾	1,151	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.14%	[REDACTED]%	
Mr. Khaw Kheng Joo ⁽³⁾	839	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.10%	[REDACTED]%	
Mr. Chan Thiong Joo Edwin ⁽³⁾	671	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.08%	[REDACTED]%	
Minus Inc. ⁽³⁾	633	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.08%	[REDACTED]%	
Ms. Chan Cheng Mun ⁽³⁾	169	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.02%	[REDACTED]%	
Pi Holdings Limited	—	10,575	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1.25%	[REDACTED]%	
Sandmount Investments Limited	—	—	6,901	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.82%	[REDACTED]%	
Razer Employee Pte. Ltd.	—	—	5,262	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.62%	[REDACTED]%	
Mr. Loh Kim Guan	—	5,000	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.59%	[REDACTED]%	
Mr. Chandra Mohan s/o Rethnam	—	4,104	—	—	—	—	710	—	—	—	—	—	—	—	—	—	—	—	0.73%	[REDACTED]%	
Ms. Chong Chiet Ping	—	3,500	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.42%	[REDACTED]%	
Mr. Wong Kok Hoe	—	3,448	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.41%	[REDACTED]%	
Mr. Low Cheek Kian	—	3,283	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.39%	[REDACTED]%	
Mr. Loh Kim Kang David	—	3,011	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.36%	[REDACTED]%	
Mr. Lee Hsien Yang	—	2,690	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.32%	[REDACTED]%	
Dr. Henry Tay Yun Chwan	—	2,627	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.31%	[REDACTED]%	
Mr. Robert Tan Kah Boh	—	1,972	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.23%	[REDACTED]%	
Mr. Dilhan Pillay Sandrasegara	—	1,914	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.23%	[REDACTED]%	
Mr. Han Seng Juan	—	1,344	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.16%	[REDACTED]%	
Mr. Chan Whye Mun	—	1,314	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.16%	[REDACTED]%	

HISTORY AND CORPORATE STRUCTURE

Shareholders	Shares	Series A			Series B-1			Series B-2			Series B-3			Series C Preferred Shares	Series D Preferred Shares	Ownership percentage as of the date of this document ⁽¹⁾ [REDACTED] ⁽²⁾
		Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares			
Mr. Tang Wee Loke	—	1,314	—	—	—	—	—	—	—	—	—	—	—	—	—	0.16% [REDACTED]%
Ms. Adeline Koh Ai Ling	—	1,300	—	—	—	—	—	—	—	—	—	—	—	—	—	0.15% [REDACTED]%
Mr. The Lip Oei @ Suliwi	—	1,091	—	—	—	—	—	—	—	—	—	—	—	—	—	0.13% [REDACTED]%
Yong Xiang Capital Holdings I, Ltd.	—	—	29,120	—	—	—	—	—	—	—	—	—	—	—	—	3.46% [REDACTED]%
Sandalwood Associates Limited	—	—	6,462	—	—	—	—	—	—	—	—	—	—	—	—	0.77% [REDACTED]%
Yong Xiang Capital Holdings II, Ltd.	—	—	1,344	—	—	—	—	—	—	—	—	—	—	—	—	0.16% [REDACTED]%
Orchid I Investments Pte. Ltd.	—	—	—	12,212	—	—	—	—	—	—	—	—	—	—	—	1.45% [REDACTED]%
Davinia Investment Ltd.	—	—	—	4,221	—	—	—	—	—	—	—	—	—	—	—	0.50% [REDACTED]%
Mr. Gay Chee Cheong	—	—	—	1,173	—	—	—	—	—	—	—	—	—	—	—	0.14% [REDACTED]%
Sirius Financial Group Ltd.	—	—	—	1,140	—	—	—	—	—	—	—	—	—	—	—	0.14% [REDACTED]%
Mr. George Yin Soon	—	—	—	977	—	—	—	—	—	—	—	—	—	—	—	0.12% [REDACTED]%
Ms. Loo Tze Lui	—	—	—	488	—	—	—	—	—	—	—	—	—	—	—	0.06% [REDACTED]%
Middlefield Ventures, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.34% [REDACTED]%
Digital Grid (Hong Kong) Technology Co., Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5.12% [REDACTED]%
HF Technology Investment Limited	—	—	—	—	—	—	—	—	—	—	—	—	43,167	—	—	3.42% [REDACTED]%
Redmount Ventures Limited	—	—	—	—	—	—	—	—	—	—	—	—	28,778	—	—	1.29% [REDACTED]%
Binary Capital Fund I, L.P.	—	—	—	—	—	—	—	—	—	—	—	—	—	10,846	—	0.36% [REDACTED]%
Binary Capital Fund II, L.P.	—	—	—	—	—	—	—	—	—	—	—	—	—	3,037	—	0.15% [REDACTED]%
Lager-Moss LLC	—	—	—	—	—	—	—	—	—	—	—	—	—	1,301	—	0.11% [REDACTED]%
BYD Electronic Company Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	954	—	0.10% [REDACTED]%
Procurator Holdings, LLC	—	—	—	—	—	—	—	—	—	—	—	—	—	867	—	0.01% [REDACTED]%
RSU Trustee(s) ⁽⁶⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	65	—	— [REDACTED]%
Other public Shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	— [REDACTED]%
Total	609,739	78,051	36,926	24,341	2,877	71,945	18,804	—	—	—	—	—	—	—	—	100.00% [REDACTED]%

Notes:

- (1) Under the terms of the Preferred Shares, all Preferred Shares will automatically be converted into an equal number of Shares upon [REDACTED].
- (2) Calculated after taking into account the Shares to be issued pursuant to the [REDACTED] and the [REDACTED], assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares.
- (3) Voyager Equity Limited, Mr. Koh Boon Hwee, Hotel Resort Enterprise Sdn. Bhd., Archview Capital Ltd., Nextbit Systems Inc., Strength Luck Limited, Mr. Tan Kim Lee, Dr. Tan E-Ching, Ms. Tan E-Fang, Dr. Tan Min-Han, Mr. Khaw Kheng Joo, Mr. Chan Thiong Joo Edwin, Minus Inc. and Ms. Chan Cheng Mun are not [REDACTED] Investors.
- (4) Without taking into account the 1,220 Shares to be issued to Archview Capital Ltd. on October 5, 2017.
- (5) Without taking into account the 1,295 and 1,727 Shares to be issued to Nextbit Systems Inc. on January 26, 2019 and on or before January 26, 2019 upon the satisfaction of certain conditions, respectively.
- (6) As a result of the [REDACTED], the number of Shares underlying the RSUs will be adjusted pursuant to the terms of the 2016 Equity Incentive Plan from 67,116 Shares to [REDACTED] Shares. For the purpose of satisfying the RSU grants, the Company will allot and issue [REDACTED] Shares at par to the RSU Trustee(s) by way of the [REDACTED].

HISTORY AND CORPORATE STRUCTURE

2. Principal terms of the [REDACTED] Investments and [REDACTED] Investors’ Rights

The below table summarizes the principal terms of the [REDACTED] Investments:

	Series A Preferred Shareholders ⁽¹⁾	Series B-1 Preferred Shareholders ⁽¹⁾	Series B-2 Preferred Shareholders	Series B-3 Preferred Shareholders	Series C Preferred Shareholders	Series D Preferred Shareholders
Cost per Preferred Share paid	US\$76.1532	US\$386.83	US\$511.483	US\$1,737.43	US\$1,737.438	US\$2,304.80
Date of the agreement(s)	May 16, 2007, October 25, 2007 and January 1, 2010	October 1, 2011 and January 20, 2012	April 17, 2013	September 30, 2014	February 21, 2016 and September 4, 2016	April 12, 2017
Date on which investment was fully settled	February 3, 2010	March 19, 2012	May 29, 2013	March 31, 2015	December 1, 2016	May 15, 2017
Cost per Share paid after taking into account the effect of the [REDACTED] ⁽³⁾	HK\$0.15	HK\$0.78	HK\$1.08	HK\$3.52	HK\$3.52	HK\$4.67
Discount to the [REDACTED] ⁽²⁾	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%
[REDACTED] Period	The [REDACTED] Investors are not subject to any [REDACTED] as set out in the Shareholders’ Agreement and the respective subscription agreements.					
Use of [REDACTED] from the [REDACTED] Investments	We utilized the [REDACTED] for research and development and operations. As of the Latest Practicable Date, approximately 39.8% net [REDACTED] from the [REDACTED] Investors had been utilized.					
Strategic benefits of the [REDACTED] Investors brought to the Company	At the time of the [REDACTED] Investments, our Directors were of the view that the Company would benefit from the additional capital that would be provided by the [REDACTED] Investors’ investments in our Company.					

Notes:

- (1) These represent the preferred shares originally allotted and issued by Razer (Asia Pacific) which were exchanged for the same number of Preferred Shares that the Company allotted and issued on November 8, 2012, pursuant to the restructuring as further described in the subsection headed “History and Corporate Structure — Our Corporate History and Major Shareholding Changes of Our Group — 6. 2012 Restructuring, Allotment and Issue of Shares, Series A Preferred Shares and Series B Preferred Shares by the Company” in this section.
- (2) The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED], on the basis that [REDACTED] Shares are expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED] (including completion of the conversion of the Preferred Shares into Shares), assuming the [REDACTED] is not exercised, and without taking into account the Deferred Settlement Shares.
- (3) Cost per Share paid calculated by dividing the total consideration paid by the total number of Shares held following conversion of the relevant Preferred Shares to Shares and the [REDACTED] in respect of each series of the [REDACTED] Investments.

HISTORY AND CORPORATE STRUCTURE

In addition to the terms described above, the holders of the Preferred Shares have been granted the following special rights, all of which shall automatically terminate immediately upon [REDACTED] when the Preferred Shares are converted into Shares:

Conversion Rights

Optional conversion

At the option of the holder of a Preferred Share, a Preferred Share may be converted into fully-paid shares based on the then applicable conversion number, prior to the [REDACTED].

Automatic conversion

The Preferred Shares shall be automatically converted into fully-paid shares based on the then applicable conversion number, upon the earlier of (i) the closing of a Qualified Public Offering (as defined below) or (ii) the consummation of any merger, share purchase, share transfer, reorganization, consolidation or business combination involving the Company, as applicable.

For the purpose of this section, updated as of the time of the subscription for the Series D Preferred Shares, a "**Qualified Public Offering**" means an initial public offering of the shares or American depositary share representing shares at a post-offering Company valuation of at least US\$2,000 million and raising offering proceeds of at least US\$90 million with the shares or American depositary shares representing shares listed on one of the recognized stock exchange under the Shareholders' Agreement (including the Stock Exchange).

In addition, in the event of a transfer of any Preferred Shares to any person carrying on any business or businesses that is similar to any business that the Company or any of its subsidiaries is carrying out or planning to carry out at the time of any proposed transfer of shares, such Preferred Shares will automatically convert to Shares, and all the special rights will not apply to the transferee.

Adjustment of Conversion Number

The initial conversion number for each Preferred Share to Share shall be 1.

The conversion number shall be adjusted from time to time by events such as subdivision or consolidation of shares, capitalization issue, other dividends, reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions and dilutive issuance of new securities.

HISTORY AND CORPORATE STRUCTURE

All the Series A Preferred Shares, the Series B Preferred Shares, the Series C Preferred Shares and the Series D Preferred Shares will be converted into fully-paid Shares without the payment of any additional consideration upon completion of the [REDACTED] and the [REDACTED]. Upon the exercise of conversion rights of the Series A Preferred Shareholders, the Series B Preferred Shareholders, the Series C Preferred Shareholders and the Series D Preferred Shareholders, the Series A Preferred Shares, the Series B Preferred Shares, the Series C Preferred Shares and the Series D Preferred Shares will be converted into approximately [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]% of the issued share capital of the Company upon the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and conversion ratio of one Preferred Share to one Ordinary Share, and without taking into account the Deferred Settlement Shares).

Registration rights

If the Company intends to conduct a public offering in the United States or other jurisdictions, with respect to any securities of the Company, the Company is required to promptly enter into a registration rights agreement (the “**Registration Rights Agreement**”) with Yong Xiang Capital Holdings I, Ltd., Yong Xiang Capital Holdings II, Ltd., Orchid 1 Investments Pte. Ltd., Digital Grid (Hong Kong) Technology Co., Limited, Redmount Ventures Limited and shareholders who will hold at least 2% of the outstanding Shares after the Company’s initial public offering (collectively, the “**Principal Shareholders**”), to give them customary registration rights including demand and piggyback registration rights.

The Registration Rights Agreement may also include other shareholders and grant them piggyback registration rights so as to allow such shareholders to participate with the Company in an initial public offering and any subsequent public offerings, on a pro rata basis with the Principal Shareholders.

Dividend rights

No dividend or distribution is to be made with respect to the shares unless a dividend or distribution is likewise made with respect to the Series A Preferred Shares.

HISTORY AND CORPORATE STRUCTURE

No dividend or distribution is to be made with respect to the shares or the Series A Preferred Shares unless a dividend or distribution is likewise made with respect to the Series A Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares.

The Series A Preferred Shareholders are entitled to receive dividends, at such rate, payable out of funds or assets when and as such funds or assets become legally available on parity with each other, prior and in preference to, and satisfied before, any dividend on any shares declared by the Board.

The Series B Preferred Shareholders, Series C Preferred Shareholders and Series D Preferred Shareholders are entitled to receive dividends, at such rate, payable out of funds or assets when and as such funds or assets become legally available on parity with each other, prior and in preference to, and satisfied before, any dividend on any shares or Series A Preferred Shares declared by the Board.

Liquidation rights

First, the Series D Preferred Shareholders are entitled to receive an amount equivalent to their initial investment plus all declared but unpaid dividends in preference to the Series C Preferred Shareholders, the Series B Preferred Shareholders, the Series A Preferred Shareholders and the holders of Shares, in the event of any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.

Second, the Series B Preferred Shareholders and the Series C Preferred Shareholders are entitled to receive an amount equivalent to their initial investment plus all declared but unpaid dividends, on parity with each other and in preference to the Series A Preferred Shareholders and the holders of Shares, in the event of any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.

Third, the Series A Preferred Shareholders are entitled to receive an amount equivalent to their initial investment plus all declared but unpaid dividends in preference to the holders of Shares, in the event of any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.

HISTORY AND CORPORATE STRUCTURE

Right to elect director and participation in Board and Board committee

Some of the [REDACTED] Investors have the right to appoint directors to the Board:

- The Series A Preferred Shareholders holding a majority of the voting rights in the Series A Preferred Shares are entitled to appoint one Director (the “**Series A Director**”) to the Board;
- Mr. Lim Kaling and/or any entities under his control, including Voyager Equity Limited, Lim Teck Lee Land Pte Ltd, Primerose Ventures Inc. and Sandalwood Associates Limited (the “**Seed Investor**”) are entitled to appoint one Director (the “**Seed Investor Director**”) to the Board; and
- Digital Grid (Hong Kong) Technology Co., Ltd., for so long as it holds at least 4.00% of all issued Shares, is entitled to appoint Mr. He Zhitao, or such other person, to the Board (the “**Series C Director**”).

Moreover, a quorum of the Board is required to consist of three Directors comprising at least the Series A Director, the Seed Investor Director and one of the four Directors which Mr. Tan and/or any entities under his control are entitled to appoint (each a “**Founder Director**”).

Some of the [REDACTED] Investors also have the right to appoint a non-voting observer to the Board:

- Yong Xiang Capital Holdings I, Ltd. and Yong Xiang Capital Holdings II, Ltd., for so long as they remain Shareholders, have the right to appoint one person as an observer;
- Orchid 1 Investments Pte. Ltd., for so long as it remains a Shareholder, has the right to appoint one person as an observer;
- the Seed Investor, for so long as it remains a Shareholder, has the right to appoint one person as an observer; and
- the Series D Preferred Shareholder, for so long as it remains a Shareholder, has the right to appoint one person as an observer.

Mr. Koh Boon Hwee, being the Series A Director appointed to the Board on January 1, 2015 by the Series A Preferred Shareholders, has resigned and ceased to be a Director upon June 21, 2017.

Mr. He Zhitao, being the Series C Director appointed to the Board on March 30, 2016 by Digital Grid (Hong Kong) Technology Co., Ltd., has resigned and ceased to be a Director upon June 21, 2017.

HISTORY AND CORPORATE STRUCTURE

- Pre-emptive right** Each [REDACTED] Investor shall have the pre-emptive right to purchase up to a pro rata share of any new securities which our Company may propose to issue.
- Right of first refusal** If any Shareholder (the “**Seller**”) proposes to transfer any shares of our Company (the “**Offered Shares**”) held by it to any third party prospective buyer (the “**Offer**”), the [REDACTED] Investors have a right of first refusal to purchase all the Offered Shares on a pro rata basis on the terms and conditions stated in the transfer notice (the “**Offer Notice**”) given by the transferring Shareholders. In the event that the [REDACTED] Investors do not exercise their right of first refusal with respect to all of the Offered Shares, the [REDACTED] Investors who exercised their rights of first refusal have the right to participate in the sale of the remaining Offered Shares on the same terms and conditions as set forth in the transfer notice given by the transferring Shareholder.
- Tag-along rights** If the Seller, having first complied with the provision under the right of first refusal above, is entitled to and desires to sell the Offered Shares to the third party identified in the Offer Notice, the [REDACTED] Investors which have not accepted the Offer have a tag-along right to participate in the Offer.
- Veto rights** Certain corporate actions require the approval of (i) each of the Seed Investor, Yong Xiang Capital Holdings I, Ltd. and Yong Xiang Capital Holdings II, Ltd., Orchid 1 Investments Pte. Ltd. and Digital Grid (Hong Kong) Technology Co., Ltd., for so long as each of them holds at least 4.00% of all issued Shares; and (ii) the representative appointed by the Series A Preferred Shareholders holding a majority of the voting rights in the Series A Preferred Shares, for so long as the Series A Shares constitute at least 4.00% of all issued Shares. These corporate actions include, among others, (i) issue of new securities, options or warrants; (ii) change in share capital of the Company; (iii) any action that alters or changes the rights, preference, privilege and restrictions of any class of shares in the Company; (iv) amendment of the Memorandum or Articles of Association; (v) sale or disposal of all or substantially all of the Company’s assets; and (vi) declaration or payment of any dividends.
- Certain corporate actions require the approval of each of the Series A Director, the Seed Investor Director and at least one Founder Director. These corporate actions include, among others, (i) mortgage or other encumbrance on our Group’s assets other than in the ordinary course of business; (ii) commencement, defence or settlement of any litigation involving a liability exceeding US\$5 million; (iii) appointment or removal of any of the chief executive officer, chief financial officer, chief operating officer or chief technology officer of the Company; and (iv) any acquisition by our Group of assets, business or securities with a value in the aggregate in excess of US\$10 million.

HISTORY AND CORPORATE STRUCTURE

3. *Public Float*

Upon the completion of the [REDACTED] and the [REDACTED], the Shares held by the [REDACTED] Investors (i.e. all [REDACTED] Investors excluding Chen Family (Hivemind) Holdings Limited, Lim Teck Lee Land Pte Ltd, Primerose Ventures Inc. and Sandalwood Associates Limited) will count towards part of the public float.

4. *Information about the [REDACTED] Investors*

Mr. Loh Kim Guan, Mr. Chandra Mohan s/o Rethnam, Ms. Chong Chiet Ping, Mr. Wong Kok Hoe, Mr. Low Check Kian, Mr. Loh Kim Kang David, Mr. Lee Hsien Yang, Dr. Henry Tay Yun Chwan, Mr. Robert Tan Kah Boh, Mr. Dilhan Pillay Sandrasegara, Mr. Han Seng Juan, Mr. Chan Whye Mun, Mr. Tang Wee Loke, Ms. Adeline Koh Ai Ling, Mr. The Lip Oei @ Suliwi, Mr. Gay Chee Cheong, Mr. George Yin Soon and Ms. Loo Tze Lui are individual private investors who from time to time participate in various investment opportunities in different target companies encompassing a wide range of business sectors. Save for the [REDACTED] Investment, these individual investors do not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

Chen Family (Hivemind) Holdings Limited is an investment company incorporated in the British Virgin Islands, and is jointly controlled by Chen Family (Global) Holdings Limited and Mr. Tan. Chen Family (Global) Holdings Limited is an investment company incorporated in the British Virgin Islands, under the Chen Family Trust established by Mr. Tan, our co-founder, chief executive officer and executive Director, as the settlor. Julius Baer Trust Company Guernsey Limited is the trustee of the Chen Family Trust, and Mr. Tan and his family members are the beneficiaries of the Chen Family Trust. Mr. Tan is also the sole director of Chen Family (Hivemind) Holdings Limited.

Lim Teck Lee Land Pte Ltd, Primerose Ventures Inc. and Sandalwood Associates Limited are companies controlled by Mr. Lim Kaling, our non-executive Director and a substantial shareholder of the Company:

- Lim Teck Lee Land Pte Ltd is a company incorporated in Singapore engaged in the business of general wholesale trade and investment holding. It is 92% owned by Mr. Lim Kaling.
- Each of Primerose Ventures Inc. and Sandalwood Associates Limited are investment holding companies incorporated in the British Virgin Islands and are indirectly wholly-owned by Mr. Lim Kaling through ImmoBillari Limited.

Strength Luck Limited is an investment company incorporated in the British Virgin Islands and is indirectly 63.63% owned by Hon Hai Precision Industry Co. Ltd., which trades as Foxconn Technology Group, a Taiwanese multinational electronics contract manufacturing company whose shares are listed on the Taiwan Stock Exchange (stock code : 2317). Save for its [REDACTED] Investment and general purchase of finished goods in our ordinary course of business, neither Strength Luck Limited nor Hon Hai Precision Industry Co. Ltd has any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

Pi Holdings Limited is an investment company incorporated in the British Virgin Islands and is equally owned by 6 individuals including Mr. Koh Boon Hwee, Dr. Henry Tay Yun Chwan, Mr. Wee Ee Chao, Dr. Loo Choon Yong, Mr. Loh Kim Guan and Mr. Low Check Kian, each holding 16.67% shareholding, respectively. Pi Holdings Limited is an investment holding company which makes venture capital or private equity investments, hold shares of listed company and any other investments that its shareholders deem suitable. Save for its [REDACTED] Investment and the previous directorship of Mr. Koh Boon Hwee, one of its shareholders, in the Company, Pi Holdings Limited does not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

HISTORY AND CORPORATE STRUCTURE

Sandmount Investments Limited is an investment company incorporated in the British Virgin Islands and established for the purpose of holding interests in the Company. It is wholly-owned by Mr. Ho Lai Kui, who holds the shares in trust for 8 beneficial owners including himself. Mr. Wee Joo Yeow and Mr. Lee Kim Bock are the two beneficial owners with the largest interests, owning 17.84% and 16.45% respectively. Save for its [REDACTED] Investment, Sandmount Investments Limited does not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

Razer Employee Pte. Ltd. is a company incorporated in Singapore for the purpose of holding interests in the Company. It is owned by 15 employees of the Company. Ms. Maggie Quek is the largest shareholder with 46.35% shareholding and Mr. Michael Dilmagani, a member of the senior management, has 12.12% shareholding.

Yong Xiang Capital Holdings I, Ltd. and Yong Xiang Capital Holdings II, Ltd. are investment companies incorporated in the British Virgin Islands and are wholly owned by IDG-Accel China Capital Fund II’s main fund and side fund, respectively, which are exempted Cayman limited partnerships. IDG-Acel Capital Fund II is a Cayman limited exempted fund with a primary purpose of making growth equity type investments in expansion stage companies in China, focusing on companies in the information technology, media, healthcare, clean technology and technology-driven consumer business and services related industries, with the approximate fund size of US\$784 million. The two funds are under common control by an ultimate GP entity. Save for its [REDACTED] Investment, Yong Xiang Capital Holdings I, Ltd. and Yong Xiang Capital Holdings II, Ltd. do not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

Orchid 1 Investments Pte. Ltd. is an investment company incorporated in Singapore, managed and controlled by Heliconia Capital Management Pte Ltd. and a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Heliconia Capital Management Pte. Ltd. provides growth capital to Singapore’s leading small and medium-sized enterprises in order to help them become globally competitive companies. Heliconia Capital Management Pte Ltd. also owns another investment company, Orchid 2 Investments Pte Ltd, which participated in the acquisition of series A preferred shares in Cashshield Pte Ltd. alongside ZVF1 Pte. Ltd., the Company’s subsidiary, under the same share subscription agreement as described in the subsection headed “Our Major Subsidiaries and Operating Entities — 17. Acquisition of Shares in Cashshield” in this section. Heliconia Capital Management Pte. Ltd. is a limited partner in Credence Capital Fund II, of which Mr. Koh Boon Hwee, our former Director, is a chairman.

Davinia Investment Ltd. is an investment company incorporated in the British Virgin Islands and is indirectly owned by Mr. Robert Budi Hartono and Mr. Bambang Hartono as to 51% and 49% respectively. Save for its [REDACTED] Investment, Davinia Investment Ltd. does not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

Sirius Financial Group Ltd. is a an investment company incorporated in the British Virgin Islands with investments in technology-related companies and funds. It is wholly-owned by Mr. Dian Stefani. Save for its [REDACTED] Investment, Sirius Financial Group Ltd. does not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

Middlefield Ventures, Inc. is a company incorporated in Delaware, the United States, and is a wholly-owned subsidiary of Intel Corporation, a world leader in the design and manufacturing of essential products and technologies that power the cloud and an increasingly smart and connected world. The operation of Middlefield Venture, Inc. includes, but is not limited to, commercial financial lending making interest bearing loans to outside parties that are generally small companies whose business strategies are complementary to Intel Corporation. Save for its [REDACTED] Investment, Middlefield Ventures, Inc. does not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

HISTORY AND CORPORATE STRUCTURE

Digital Grid (Hong Kong) Technology Co., Limited is a technology company incorporated in Hong Kong, and is indirectly wholly-owned by Hangzhou Liaison Interactive Information Technology Co., Ltd, which is mainly engaged in communication technology promotion, technical development, technical services, technical consulting and technology transfer, computer technology training, wholesale of electronic products, computer, software and auxiliary equipment, and communication equipment, import and export of goods, technologies and agency. Mr. He Zhitao is the largest shareholder of Hangzhou Liaison Interactive Information Technology Co., Ltd., holding 22.42% of its shares. Mr. He Zhitao is the president, general manager and actual controller of Hangzhou Liaison Interactive Information Technology Co., Ltd, and is also a director of the Company. Save for its [REDACTED] Investment and saved as disclosed above, Digital Grid (Hong Kong) Technology Co., Limited does not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

HF Technology Investment Limited is an investment company incorporated in British Virgin Islands and is equally owned by Shanghai Yucheng Enterprise Management Center L.P. (上海宇秤企業管理中心(有限合夥)) and Shanghai Chengbian Enterprise Management Center L.P. (上海騁邊企業管理中心(有限合夥)). Hanfor Capital Management Company Limited (漢富資本管理有限公司) is the general partner of both companies. Save for its [REDACTED] Investment, HF Technology Investment Limited does not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

Redmount Ventures Limited is an investment company incorporated in British Virgin Islands and is ultimately and beneficially wholly-owned by Mr. Li Ka-shing. Mr. Li is the Chairman of CK Hutchison Holdings Limited, which is a 66.09% shareholder of Hutchison Telecommunications Hong Kong Holdings Limited (“HTHKH”), a company listed on the Stock Exchange (stock code: 215). In addition, Mr. Li indirectly beneficially owns approximately 8.38% in HTHKH through certain companies wholly-owned by him. Mr. Li’s family trust also owns approximately 0.003% in HTHKH. CK Hutchison’s Three Group has formed a global strategic alliance with Razer.

Binary Capital Fund I LP and Binary Capital Fund II LP are investment funds that invest in early stage consumer technology companies. Neither Binary Capital Fund I LP nor Binary Capital Fund II LP has any beneficiary owner with more than 30% shareholding. Save for its [REDACTED] Investment, Binary Capital Fund I LP and Binary Capital Fund II LP do not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

Lager-Moss LLC is a limited liability company incorporated in Delaware, the United States which was a special purpose vehicle established specifically for the purpose of making the [REDACTED]. It is owned by Mr. John Lagerling and Mr. Tom Moss as to 45% shareholding respectively. Mr. Tom Moss is an employee of the Company. Save for its [REDACTED] Investment, Lager-Moss LLC does not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

BYD Electronic Company Limited is a company incorporated in the Cayman Islands and is 100.00% owned by BYD Electronic (International) Company Limited whose shares are listed on the Stock Exchange (stock code: 285). BYD Electronic (International) Company Limited is primarily engaged in providing original design, components manufacturing and complete services for mobile intelligent terminals, and is controlled by BYD Company Limited, whose shares are also listed on the Stock Exchange (stock code: 1211) and the Shanghai Stock Exchange (stock code: 2594) and which is engaged in the automobile business, including new energy automobiles and traditional fuel vehicles, and handset components and assembly business, as well as rechargeable battery and photovoltaic business. BYD Precision Manufacture Co., Ltd., an indirect wholly-owned subsidiary of BYD Electronic (International) Company Limited, is a supplier of the Group. Save for the foregoing, BYD Electronic Company Limited does not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

HISTORY AND CORPORATE STRUCTURE

Procurator Holdings, LLC is an investment holding company incorporated in Delaware, the United States. Mr. Joe Lonsdale and his family's office, Tiberius Family Office are the top two largest beneficiary owners, each of whom owns 56.5% and 23.4%, respectively. Save for its [REDACTED] Investment, Procurator Holdings, LLC does not have any other relationship with our Group or any connected persons (as defined under the Listing Rules) of the Company.

5. Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors confirm that the [REDACTED] Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

[REDACTED]

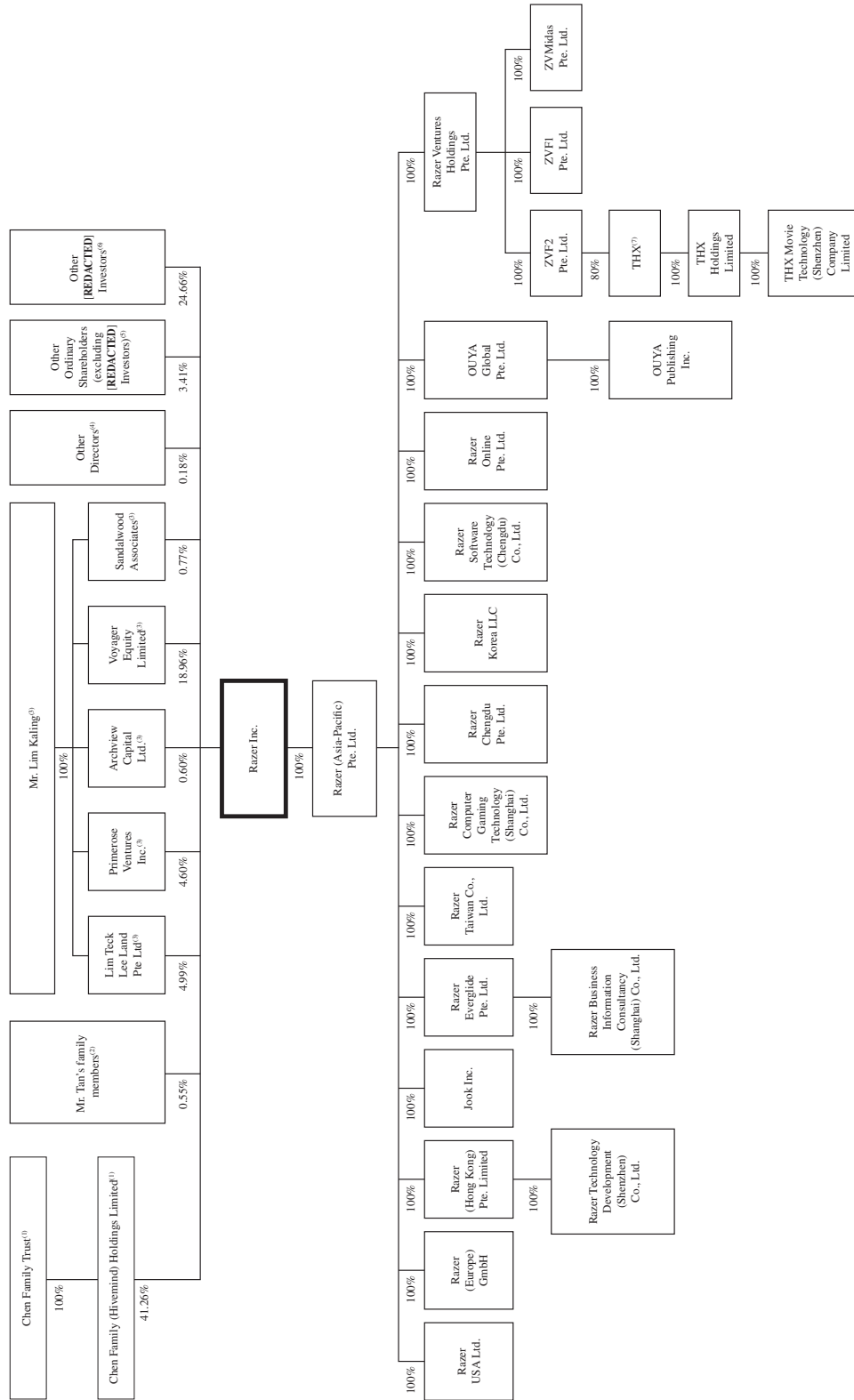
CONTEMPLATED U.S. LISTING APPLICATION

In 2014, our Company sought an initial public offering in the United States that did not proceed due to unfavorable market conditions. As part of this exercise, our Company submitted the application documents on a confidential basis, including a draft registration statement, to the U.S. Securities and Exchange Commission for its review. Feedback from the United States Securities and Exchange Commission related to clarification queries on certain parts of the Group's business had been addressed by making additional disclosures in the draft registration statement. In the second quarter of 2015, we decided, ahead of completing the regulatory review process, to suspend the contemplated listing in the United States for the reason stated above. Our Directors take the view that there is nothing in relation to the previously contemplated listing in the United States relevant to the [REDACTED] which would affect our Company's suitability for the [REDACTED].

HISTORY AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Our corporate and shareholding structure immediately before the completion of the [REDACTED] and the [REDACTED] is:



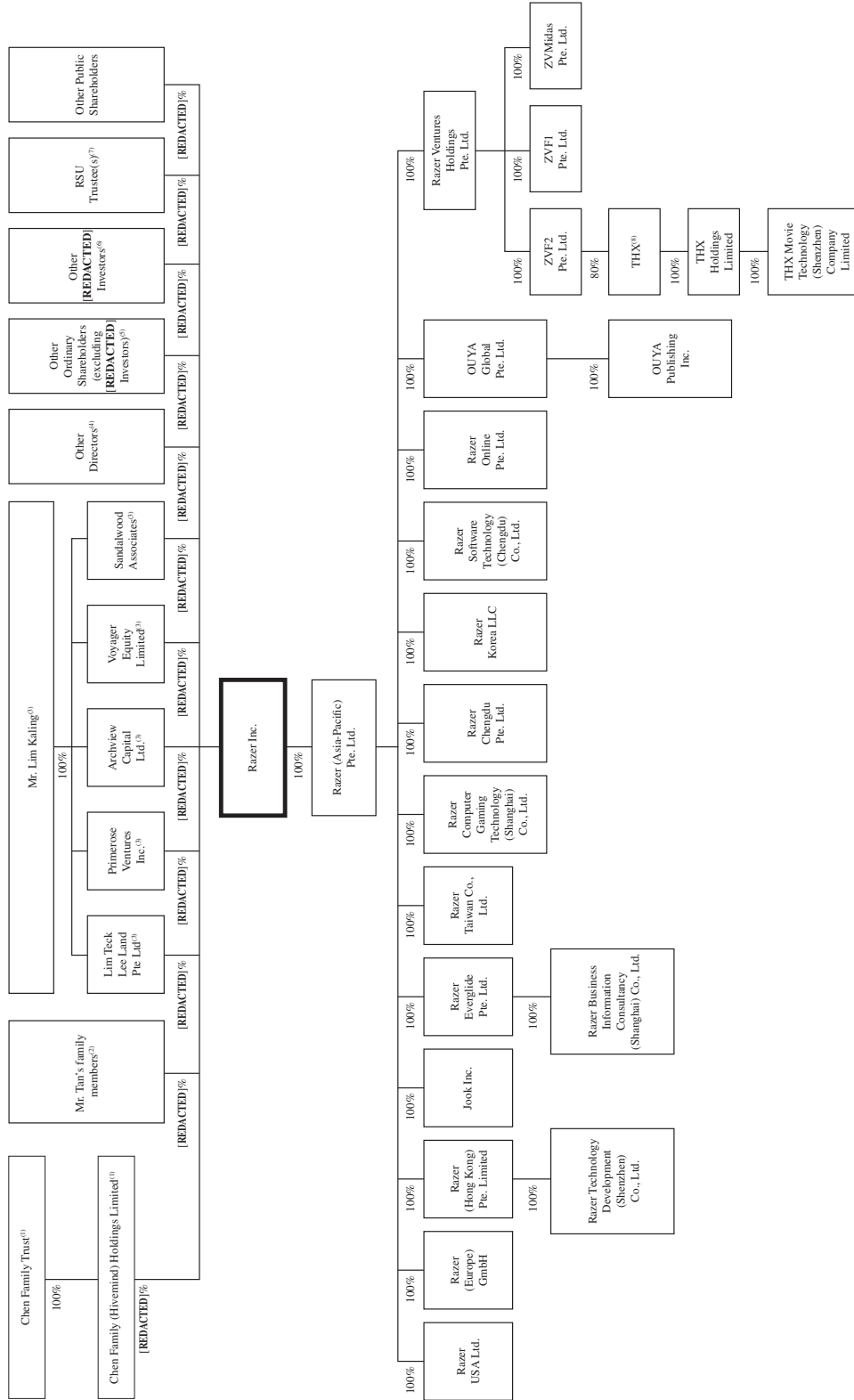
HISTORY AND CORPORATE STRUCTURE

Notes:

- (1) Chen Family (Hivemind) Holdings Limited is an investment company incorporated in the British Virgin Islands, and is jointly controlled by Chen Family (Global) Holdings Limited and Mr. Tan. Chen Family (Global) Holdings Limited is an investment company incorporated in the British Virgin Islands, under the Chen Family Trust established by Mr. Tan, our co-founder and executive Director, as the settlor. Julius Baer Trust Company Guernsey Limited is the trustee of the Chen Family Trust, and Mr. Tan and his family members are the beneficiaries of the Chen Family Trust. Mr. Tan is also the sole director of Chen Family (Hivemind) Holdings Limited.
- (2) Mr. Tan’s family members refer to Mr. Tan Kim Lee (his father), Dr. Tan Min-Han (his siblings), Mr. Tan E-Fang and Dr. Tan Min-Han (his siblings), who each holds 0.14% of our total issued share capital.
- (3) Lim Teck Lee Land Pte Ltd is a company incorporated in Singapore engaged in the business of general wholesale trade and investment holding. It is 92% owned by Mr. Lim Kaling, our non-executive Director.
Primerose Ventures Inc., Archview Capital Ltd. and Sandalwood Associates Limited are investment holding companies incorporated in the British Virgin Islands and are indirectly wholly-owned by Mr. Lim Kaling through Immobiliart Limited.
Voyager Equity Limited is a company wholly-owned by Excelstior Equity Limited, a company incorporated in the British Virgin Islands which holds its shares in the Company on trust for Mr. Lim Kaling and his family members.
- (4) Other Directors refer to our executive Directors Mr. Chan Thiong Joo Edwin and Mr. Khaw Kheng Joo, who hold 0.08% and 0.10%, respectively, of our total issued share capital.
- (5) Other Ordinary Shareholders (excluding [REDACTED] Investors) refer to Mr. Koh Boon Hwee, Hotel Resort Enterprise Sdn. Bhd., Nextbit Systems Inc., Minus Inc. and Ms. Chan Cheng Mun, who hold 1.90%, 1.02%, 0.39%, 0.08% and 0.02% of our total issued share capital, respectively.
Mr. Koh Boon Hwee is a former Director of the Company.
Hotel Resort Enterprise Sdn. Bhd. is a Malaysian company and is owned by Mr. Tan Sri Dato’ Seri Vincent Tan Chee Youn and Mr. Dato’ Sri Robin Tan Yeong Ching, as to 60% and 40% shareholdings respectively. It is an Independent Third Party.
Nextbit Systems Inc. is an investment company incorporated in Delaware, the United States, run for the benefit of its creditors. Mr. Tom Moss and Mr. Michael Chan, both of which have become employees of the Company as a result of the acquisition of Nextbit Systems Inc. assets on December 30, 2016, are the largest shareholders of Nextbit Systems Inc., each with a 46.5% shareholding in the company’s common stock. Save for the issue of shares as consideration for the acquisition of Nextbit Systems Inc. assets, Nextbit Systems Inc. is an Independent Third Party.
Minus Inc. is a company which developed MeowChat, a social chat mobile application. Its largest shareholders are Mr. Carl Hu, IDG and SIG. It is an Independent Third Party.
Ms. Chan Cheng Mun is an employee of the Company.
- (6) Other [REDACTED] Investors refer to Hotel Resort Enterprise Sdn. Bhd., Archview Capital Ltd., Strength Luck Limited, Pi Holdings Limited, Sandmount Investments Limited, Razer Employee Pte. Ltd., Yong Xiang Capital Holdings I, Ltd., Yong Xiang Capital Holdings II, Ltd., Orchid 1 Investments Pte. Ltd., Davinia Investment Ltd., Sirius Financial Group Ltd., Middlefield Ventures, Inc., Digital Grid (Hong Kong) Technology Co., Limited, HF Technology Investment Limited, Redmont Ventures Limited, Binary Capital Fund I LP, Binary Capital Fund II LP, Lager-Moss LLC, BYD Electronic Company Limited, Procurator Holdings, LLC, Mr. Loh Kim Guan, Mr. Chandra Mohan s/o Rethnam, Ms. Chong Chiet Ping, Mr. Wong Kok Hoe, Mr. Low Check Kian, Mr. Loh Kim Kang David, Mr. Lee Hsien Yang, Dr. Henry Tay Yun Chwan, Mr. Robert Tan Kah Boh, Mr. Dilhan Pillay Sandrasegara, Mr. Han Seng Juan, Mr. Chan Whye Mun, Mr. Tang Wee Loke, Ms. Adeline Koh Ai Ling, Mr. The Lip Oei @ Suliwi, Mr. Gay Chee Cheong, Mr. George Yin Soon and Ms. Loo Tze Lui. For further details, please refer to the sub-section headed “[REDACTED] Investments — 4. Information about the [REDACTED] Investors” in this section.
- (7) Mr. Lim Kaling, our non-executive Director, owns the remaining 20% minority interest in THX.

HISTORY AND CORPORATE STRUCTURE

Our corporate and shareholding structure immediately after the conversion of the Preferred Shares and the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares):



HISTORY AND CORPORATE STRUCTURE

Notes:

- (1) Chen Family (Hivemind) Holdings Limited is an investment company incorporated in the British Virgin Islands, and is jointly controlled by Chen Family (Global) Holdings Limited and Mr. Tan. Chen Family (Global) Holdings Limited is an investment company incorporated in the British Virgin Islands, under the Chen Family Trust established by Mr. Tan, our co-founder and executive Director, as the settlor. Julius Baer Trust Company Guernsey Limited is the trustee of the Chen Family Trust, and Mr. Tan and his family members are the beneficiaries of the Chen Family Trust. Mr. Tan is also the sole director of Chen Family (Hivemind) Holdings Limited.
- (2) Mr. Tan’s family members refer to Mr. Tan Kim Lee (his father), Dr. Tan E-Ching, Ms. Tan E-Fang and Dr. Tan Min-Han (his siblings), who each holds [REDACTED]% of our total issued share capital.
- (3) Lim Teck Lee Land Pte Ltd is a company incorporated in Singapore engaged in the business of general wholesale trade and investment holding. It is 92% owned by Mr. Lim Kaling, our non-executive Director.
Primerose Ventures Inc., Archview Capital Ltd. and Sandalwood Associates Limited are investment holding companies incorporated in the British Virgin Islands and are indirectly wholly-owned by Mr. Lim Kaling through Immobiliart Limited.
- (4) Voyager Equity Limited is a company wholly-owned by Excelstor Equity Limited, a company incorporated in the British Virgin Islands which holds its Shares in the Company on trust for Mr. Lim Kaling and his family members.
Other Directors refer to our executive Directors Mr. Chan Thiong Joo Edwin and Mr. Khaw Kheng Joo, who hold [REDACTED]% and [REDACTED]%, respectively, of our total issued Share capital.
- (5) Other Ordinary Shareholders (excluding [REDACTED] Investors) refer to Mr. Koh Boon Hwee, Hotel Resort Enterprise Sdn. Bhd., Nextbit Systems Inc., Minus Inc. and Ms. Chan Cheng Mun, who hold [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]% of our total issued share capital respectively.
Mr. Koh Boon Hwee is a former Director of the Company.
Hotel Resort Enterprise Sdn. Bhd. is a Malaysian company and is owned by Mr. Tan Sri Dato’ Seri Vincent Tan Chee Yioun and Mr. Dato’ Sri Robin Tan Yeong Ching, as to 60% and 40% shareholdings respectively. It is an Independent Third Party.
Nextbit Systems Inc. is an investment company incorporated in Delaware, the United States, run for the benefit of its creditors. Mr. Tom Moss and Mr. Michael Chan, both of which have become employees of the Company as a result of the acquisition of Nextbit Systems Inc. assets on December 30, 2016, are the largest shareholders of Nextbit Systems Inc., each with a 46.5% shareholding in the company’s common stock. Save for the issue of shares as consideration for the acquisition of Nextbit Systems Inc. assets, Nextbit Systems Inc. is an Independent Third Party.
Minus Inc. is a company which developed MeowChat, a social chat mobile application. Its largest shareholders are Mr. Carl Hu, IDG and SIG. It is an Independent Third Party.
Ms. Chan Cheng Mun is an employee of the Company.
- (6) Other [REDACTED] Investors refer to Strength Luck Limited, Pi Holdings Limited, Sandmount Investments Limited, Razer Employee Pte. Ltd., Yong Xiang Capital Holdings I, Ltd., Yong Xiang Capital Holdings II, Ltd., Orchid 1 Investments Pte. Ltd., Davinia Investment Ltd., Sirius Financial Group Ltd., Middlefield Ventures, Inc., Digital Grid (Hong Kong) Technology Co., Limited, HF Technology Investment Limited, Redmount Ventures Limited, Binary Capital Fund I LP, Binary Capital Fund II LP, Lager-Moss LLC, BYD Electronic Company Limited, Procurator Holdings, LLC, Mr. Loh Kim Guan, Mr. Chandra Mohan s/o Rethnam, Ms. Chong Chiet Ping, Mr. Wong Kok Hoe, Mr. Low Cheek Kian, Mr. Loh Kim Kang David, Mr. Lee Hsien Yang, Dr. Henry Tay Yun Chwan, Mr. Robert Tan Kah Boh, Mr. Dilhan Pillay Sandrasegara, Mr. Han Seng Juan, Mr. Chan Whye Mun, Mr. Tang Wee Loke, Ms. Adeline Koh Ai Ling, Mr. The Lip Oei @ Suliwi, Mr. Gay Chee Cheong, Mr. George Yin Soon and Ms. Loo Tze Lui. For further details, please refer to the sub-section headed “[REDACTED] Investments — 4. Information about the [REDACTED] Investors” in this section.
- (7) As of the Latest Practicable(s) Date, we have outstanding RSUs in respect of 67,116 Shares pursuant to the 2016 Equity Incentive Plan. Shares underlying such RSUs will be allotted and issued by us on the [REDACTED] to the RSU Trustee(s), an Independent Third Party, to hold on trust pending the vesting of the RSUs pursuant to the 2016 Equity Incentive Plan.
- (8) Mr. Lim Kaling, our non-executive Director, owns the remaining 20% minority interest in THX.

INDUSTRY OVERVIEW

Certain information, including statistics and estimates, set forth in this section and elsewhere in this document have been derived from two industry reports, namely the Newzoo Report and the Frost & Sullivan Report, commissioned by us in connection with the [REDACTED] and independently prepared by Newzoo and Frost & Sullivan, respectively. We believe that the sources of such information are appropriate, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. However, neither we nor any of the Relevant Persons have independently verified such information, and neither we nor any other party involved in the [REDACTED] are giving any representation as to the accuracy or completeness of such information. As such, investors are cautioned not to place any undue reliance on the information, including statistics and estimates, set forth in this section or similar information included elsewhere in this document. For a discussion of risks relating to our industries, please refer to the section headed “Risk Factors — Risks Relating to Our Business and Industries” in this document.

Sources of Information

In connection with the [REDACTED], we commissioned Newzoo and Frost & Sullivan to conduct market research on the global entertainment industry, certain gaming-related industries, our brand and the lifestyle of gamers. We commissioned Newzoo to conduct market research on global games, gaming peripherals and systems, esports, mobile gaming, smartphones and software, as well as virtual reality, augmented reality, virtual credits and the lifestyle of millennials. We commissioned Frost & Sullivan to conduct market research on the global entertainment industry, our competitive landscape, our brand and the lifestyle of gamers. Each of Newzoo and Frost & Sullivan uses different assumptions and estimates, and limitations on certain data available to them may impact the comparability of certain industry data. See “Risk Factors — Risks Relating to Our Business and Industries — Differences in the assumptions and estimates adopted by the two industry consultants that we commissioned to prepare reports and limitations on certain data available to them may impact the comparability of certain industry data.”

The Newzoo report

Newzoo is an independent provider of market research, intelligence and advice to companies in the global gaming and esports markets. We have agreed to pay a commission fee of approximately US\$200,000 for the Newzoo Report, which is dated as of June 27, 2017. In preparing the Newzoo Report, Newzoo utilized both primary and secondary research. Their primary research consists of annual surveys commissioned by Newzoo of consumers who play games and are between the ages of 10 and 65 (between 10 and 50 in certain Asian countries) in 25 countries, covering a broad range of topics across all gaming platforms and business models. Newzoo also conducts annual surveys of gamers, who play at least once a month, in relation to gaming peripherals in seven countries. Data for the Newzoo Report was based on fieldwork conducted in March, September and November of 2016. Their secondary research utilizes information and statistics published by government departments or international organizations, publications and studies by industry experts, public company annual and quarterly reports, Newzoo’s other research reports and models, online resources and data from Newzoo’s research database.

INDUSTRY OVERVIEW

Newzoo's projections on the size of each of the gaming-related markets takes into consideration various factors, including (i) historical market size, (ii) the public filings of, and other publicly available information on, companies in the games and gaming-related markets and those companies' projections of their own results of operations, (iii) the projections of other industry experts and (iv) Newzoo's views and estimates of industry developments. Newzoo's analysis on millennials is based on similar primary and secondary research as described above. The reliability of the Newzoo Report may be affected by the accuracy of the foregoing assumptions and factors.

The Frost & Sullivan report

Frost & Sullivan is an independent global consulting firm that offers industry research and market strategies covering various industries including technology, media, telecom and consumer products. We have agreed to pay a commission fee of approximately US\$83,000 for the Frost & Sullivan Report, which is dated as of June 23, 2017. In preparing the Frost & Sullivan Report, they conducted primary research, which involved discussions about the status of the global entertainment industry with industry experts and leading industry participants and a brand perception study. Frost & Sullivan conducted an online survey completed by target consumers of gaming devices from June 2, 2017 through June 6, 2017 in Australia, China, Germany, United States and the United Kingdom with 301, 500, 300, 505 and 508 survey respondents, respectively. All the respondents to the survey were between 12 and 45 years old (95% were between 12 and 35 years old), spent at least half an hour on games every day and bought gaming devices in the past year. Their secondary research utilized information and statistics published by government departments, publications and studies by industry experts, public company annual and quarterly reports, Frost & Sullivan's other research reports, online resources and data from Frost & Sullivan's research database.

Frost & Sullivan's projections on market sizes were obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers. The Frost & Sullivan Report was compiled based on certain assumptions, including (i) the steady growth of the global economy in the next decade, (ii) the stability of the global social, economic, and political environment in the forecast period and (iii) that market drivers, such as expanding Internet access, growing demand from millennials and rising income and purchasing power, are likely to drive the growth of the global entertainment industry (including the global games market). The reliability of the Frost & Sullivan Report may be affected by the accuracy of the foregoing assumptions and factors.

Directors' confirmation

After making reasonable enquiries, our Directors confirm that there has been no adverse change in the market information presented in the Newzoo Report or the Frost & Sullivan Report since the date of each report which may qualify, contradict or impact the information in this Industry Overview section.

INDUSTRY OVERVIEW

Global Entertainment Industry Overview

The global entertainment industry comprises games, cinema, TV and video, publishing, music and broadcast. Rising purchasing power, technological innovation and increasing adoption of digital content have contributed to the overall growth of the global entertainment industry. Total revenue for the global entertainment industry has increased from US\$801.0 billion in 2012 to US\$869.8 billion in 2016. Total revenue of the global entertainment industry is expected to reach US\$950.9 billion in 2021. The table below sets forth the revenue and growth of the global entertainment industry from 2012 to 2016 and the estimated revenue and growth of the industry from 2017 to 2021:

	Total Revenue of the Global Entertainment Industry (US\$ billions)										CAGR	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2017-2021
Games ¹	72.1	78.5	84.7	91.9	101.1	108.9	115.8	122.7	128.5	132.7	8.8%	5.1%
Cinema ²	33.5	34.6	35.8	37.9	39.9	41.7	43.5	45.5	46.8	48.3	4.5%	3.7%
TV & Video ³	270.5	282.2	293.6	301.7	314.3	322.6	331.1	339.1	349.6	357.9	3.8%	2.6%
Publishing ⁴	344.0	337.1	333.6	331.8	329.3	327.9	327.6	327.5	322.9	321.1	-1.1%	-0.5%
Music ⁵	44.3	46.1	46.1	47.3	48.4	49.5	50.8	51.9	52.6	53.5	2.2%	2.0%
Broadcast ⁶	36.6	37.3	36.6	36.8	36.9	37.0	37.2	37.3	37.3	37.3	0.2%	0.2%
Total	801.0	816.0	830.4	847.5	869.8	887.7	906.0	924.1	937.7	950.9	2.1%	1.7%

Source: Frost & Sullivan Report

¹ Consumer spending on mobile, PC and console games (excluding hardware)

² Box office and cinema advertising

³ TV subscriptions including cable TV, IPTV, satellite TV, Digital Terrestrial TV and Over-The-Top (such as Netflix), public license fees and consumer spending on physical video

⁴ Sales of both print and digital editions of newspapers, magazines and books and advertising spending

⁵ Physical music, digital music and live music

⁶ Radio subscriptions and radio advertising

According to Frost & Sullivan, the global entertainment industry is likely to benefit from several social, demographic and economic trends. Increased internet penetration and the technology boom in the past two decades, with new players like Netflix and Google changing consumption habits, have increased entertainment spending. From a demographics perspective, there is a growing demand for entertainment services and products from millennials who are early adopters of technology, use digital devices including PCs and smartphones more often than other generations and have a high willingness to purchase digital products and services. In addition, economic trends such as the rising per capita average income in many countries, rising purchasing power and increased propensity to spend are also likely to continue to drive demand for entertainment products and services.

INDUSTRY OVERVIEW

Global Games Market Overview

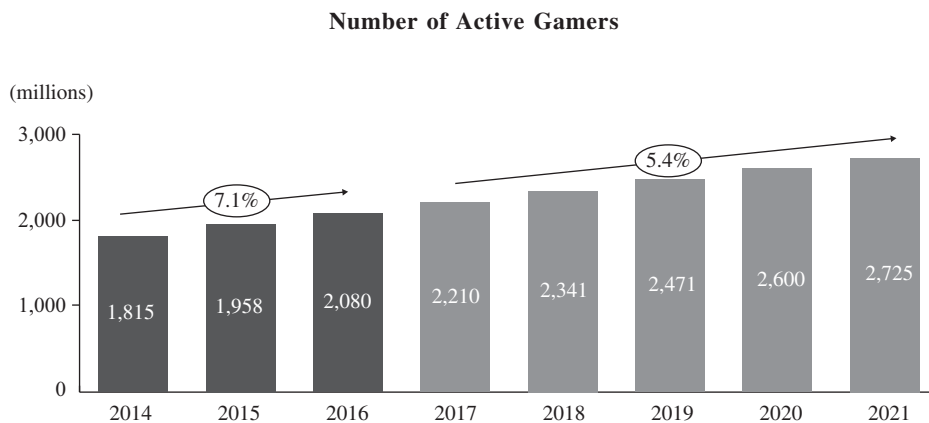
According to Frost & Sullivan, the global games market is the fastest growing segment within the global entertainment industry with a CAGR of approximately 8.8% from 2012 to 2016, and a CAGR of 5.1% from 2017 to 2021. According to Newzoo, the Americas are the largest games market globally, followed by China and Asia Pacific (ex-China). However, as these largest markets mature, growth is expected to come from developing regions such as Latin America, Middle East and Africa and Southeast Asia. These regions benefit from a healthy economic outlook, favorable demographics and strong projected growth in Internet population and smartphone penetration. The table below sets forth the revenue and growth of the global games market from 2014 to 2016 and the estimated revenue and growth of the market from 2017 to 2021:

	Total Revenue of the Global Games Market (US\$ billions)								CAGR	
	2014	2015	2016	2017	2018	2019	2020	2021	2014-2016	2017-2021
Americas	26.3	27.8	29.9	31.5	32.8	34.1	35.2	36.2	6.5%	3.6%
Asia Pacific (ex-China)	19.6	20.9	22.3	23.7	25.3	26.9	28.4	29.5	6.7%	5.6%
China	18.0	21.2	24.6	27.5	29.9	32.0	33.7	34.7	16.8%	6.0%
Europe	18.7	19.5	21.1	22.2	23.0	23.8	24.4	24.8	6.2%	2.8%
Rest of World	2.0	2.5	3.2	4.0	4.9	5.9	6.8	7.5	25.5%	17.3%
Total	84.7	91.9	101.1	108.9	115.8	122.7	128.5	132.7	9.2%	5.1%

Source: Newzoo Report

Gamers

In 2016, there were approximately 2.1 billion active gamers in the world, according to Newzoo. With the number of active gamers set to increase with a 5.4% CAGR from 2017, this number is expected to reach approximately 2.7 billion by 2021. The chart below sets forth the number and growth of active gamers globally from 2014 to 2021:



Source: Newzoo Report

INDUSTRY OVERVIEW

Due to its rapid growth in recent years, Asia Pacific (ex-China) had the largest gaming population globally, with 536 million active gamers in 2016. Active gamer numbers in this region are forecasted to increase with a 7.6% CAGR from 2017 and are expected to reach over 778 million in 2021. The table below sets forth the number and growth of global active gamers from 2014 to 2016 and the estimated number and growth of global active gamers from 2017 to 2021 by region:

	Number of Global Active Gamers (millions)								CAGR	
	2014	2015	2016	2017	2018	2019	2020	2021	2014-2016	2017-2021
Americas	355.0	364.6	374.4	386.2	396.3	404.7	411.3	416.2	2.7%	1.9%
Asia Pacific (ex-China)	421.0	490.0	535.7	580.3	627.1	675.9	726.4	778.1	12.8%	7.6%
China	485.9	506.7	529.0	564.8	599.7	633.2	664.9	694.5	4.3%	5.3%
Europe	322.6	326.8	332.7	342.9	352.3	360.7	368.3	375.1	1.6%	2.3%
Rest of World	230.1	270.2	307.8	336.3	366.0	396.7	428.6	461.4	15.7%	8.2%
Total	1,814.5	1,958.3	2,079.6	2,210.4	2,341.3	2,471.3	2,599.6	2,725.2	7.1%	5.4%

Source: Newzoo Report

Millennial vs. non-millennial gamers

According to Newzoo, 71.2% of millennials, those individuals aged 12 to 35, and 54.7% of non-millennials, those individuals aged 36 to 65, play games. According to the U.S. Department of Commerce, U.S. millennials spend on average 30 hours on gaming per month, 20 hours longer than Generation X and Baby Boomers.

Growing up in a technology-driven world has had a profound impact on millennials' behavior and spending patterns. According to Newzoo, they prefer brands that match their lifestyles, rather than the more traditional entertainment and consumer brands. As an "on demand generation," millennials view content on smartphones and laptops more frequently than on televisions and often use multiple screens. Millennials are more likely to listen to music, visit social networks and participate in online shopping. Moreover, according to Newzoo, millennials have enthusiastically embraced esports. 73.4% of esports audience are millennials.

PC vs. mobile games market

2016 marked the first year that mobile games generated more revenue than PC or console games with US\$38.6 billion or 38% of the total global games market, having grown at a CAGR of 25.6% from 2014 to 2016. In 2017, mobile games is anticipated to take 42% of the global games market, generating US\$46.1 billion in revenue, and is expected to grow at a CAGR of 10.6% from 2017, reaching US\$68.9 billion in 2021.

However, PC games have always been and will remain a very important segment of the global games market. PC games revenue is expected to represent over a quarter of the world's US\$108.9 billion games market in 2017. More than half of all active gamers play PC games. In 2016, there were almost 1.2 billion PC active gamers worldwide, and the PC segment shows relatively strong growth in active gamer numbers with a CAGR of 3.6% from 2017 to 2021, with higher growth in emerging markets. According to Newzoo, China had the largest active PC gamer population worldwide of 293 million in 2016. The PC gaming segment has also led the games market to key innovations such as game video streaming, the implementation of free-to-play business models and

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the explosive growth of esports. The table below sets forth the number and growth of active gamers who play PC, mobile or console games from 2014 to 2016 and the estimated number and growth from 2017 to 2021 by segment:

	Number of Active Gamers by Segment (millions)								CAGR	
	2014	2015	2016	2017	2018	2019	2020	2021	2014-2016	2017-2021
Active PC gamers	1,040.6	1,105.2	1,162.0	1,215.6	1,266.9	1,315.4	1,360.7	1,402.5	5.7%	3.6%
Active mobile gamers . . .	1,638.4	1,809.3	1,973.1	2,097.7	2,221.9	2,344.9	2,515.5	2,666.9	9.7%	6.2%
Active console gamers . .	544.3	586.8	629.7	638.4	644.2	645.5	661.6	676.6	7.6%	1.5%

Source: Newzoo Report

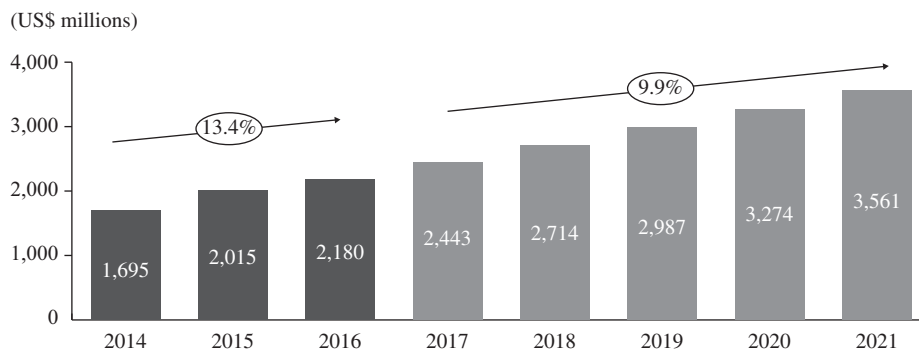
Global Gaming Hardware Market Overview

Peripherals

The global gaming peripherals market emerged with the introduction of genres like first-person shooter (FPS), real-time strategy (RTS), multi-player online battle arena (MOBA) and massively multi-player online role-playing games (MMORPG). With the evolution of competitive PC gaming, the gaming peripherals market is now focused on brand recognition, player performance, features and quality.

According to Newzoo, the global gaming peripherals market generated US\$2.2 billion in revenue in 2016, growing with a CAGR of 13.4% from 2014 to 2016. Headsets and keyboards were the fastest growing categories, but only by a small margin. The global gaming peripherals market is expected to grow with a CAGR of 9.9% from 2017 and is expected to reach US\$3.6 billion in 2021. According to Newzoo, gamers will continue to regularly upgrade their gaming peripherals because the quality and performance of gaming peripherals are important to the overall gaming experience, especially if used intensively or in a competitive setting. The chart below sets forth the revenue and growth of the global gaming peripherals market from 2014 to 2016 and the estimated revenue and growth from 2017 to 2021:

Total Revenue of the Global Gaming Peripherals Market



Source: Newzoo Report

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The table below sets forth the global revenue and market share for each category of gaming peripherals in 2016:

	Headsets	Mice	Keyboards	Others ¹	Total
Gaming peripherals					
(US\$ millions)	1,088.4	526.8	458.6	106.2	2,180.0
Market share	49.9%	24.2%	21.0%	4.9%	100.0%

Source: Newzoo Report

¹ Mainly gaming console controllers and mouse surfaces and excludes components.

The table below sets forth the revenue and market share for gaming peripherals by region in 2016, according to Newzoo:

	Americas	Asia Pacific (ex-China)	China	Europe	Rest of World	Total
Gaming peripherals						
(US\$ millions)	839	170	311	820	40	2,180
Market share	38.5%	7.8%	14.3%	37.6%	1.8%	100.0%

Source: Newzoo Report

Peripherals components and materials

The main components and materials for our gaming peripherals are optical sensors, laser sensors, mechanical switches and LEDs. According to Frost & Sullivan, the global average prices of these components and materials remained relatively stable from 2014 to 2016, as the supply and demand for these materials remained stable and there were no significant product upgrades for these materials. The global average prices for optical sensors and laser sensors have slightly increased, while the global average prices for mechanical switches and LEDs have remained unchanged. The table below sets forth the historical global average prices per unit of optical sensors, laser sensors, mechanical switches and LEDs from 2014 to 2016:

Component	2014	2015	2016
	(US\$/unit)		
Optical sensor	3.36	3.43	3.50
Laser sensor	4.17	4.22	4.27
Mechanical switch	0.14	0.14	0.14
LED	0.05	0.05	0.05

Source: Frost & Sullivan Report

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Systems

Gaming systems are defined as desktop PCs or laptops sold by companies that are predominantly focused on gaming, or sold by major PC manufacturers using a gaming-specific sub-brand, or systems that are positioned or advertised to appeal to gamers. PC gamers prefer high-performance PCs that allow for an optimal gaming experience, with top-of-the-range components that are critical for playing complex and immersive games. This consumer base prompted the emergence of a number of hardware manufacturers that focus solely on gamers. With gaming systems as one of the few areas of significant growth for many large PC manufacturers, virtually all major PC manufacturers now have a gaming product line or sub-brand.

The gaming systems market has grown steadily, reaching US\$19.3 billion in 2016 with a CAGR between 2012 and 2016 of 8.6%, according to Newzoo. The total market is expected to grow with a CAGR of 8.1% from 2017, reaching US\$28.7 billion in 2021. Gaming laptops, which are sufficiently powerful to compete with desktops but have the advantage of portability, are forecasted to be the main driver of overall growth. The table below sets forth the revenue and growth of the global gaming systems market from 2012 to 2016 and the estimated revenue and growth of the market from 2017 to 2021:

	Total Revenue of the Global Gaming Systems Market (US\$ billions)										CAGR	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2017-2021
Americas	4.5	4.7	4.9	5.5	6.1	6.8	7.4	8.0	8.5	8.9	7.6%	7.2%
Asia Pacific (ex-China) .	0.7	0.8	1.0	1.1	1.2	1.4	1.6	1.8	2.0	2.2	14.6%	11.1%
China	3.8	4.3	4.6	4.9	5.2	5.2	5.7	6.2	6.7	7.1	8.2%	7.9%
Europe	4.4	4.5	4.8	5.4	6.0	6.7	7.4	8.1	8.7	9.3	7.9%	8.3%
Rest of World	0.3	0.4	0.5	0.6	0.7	0.8	0.9	1.0	1.1	1.2	20.5%	10.8%
Total	13.9	14.7	15.8	17.5	19.3	21.0	23.1	25.1	26.9	28.7	8.6%	8.1%

Source: Newzoo Report

Systems components and materials

The main components and materials for our gaming systems are CPUs and graphics cards. According to Frost & Sullivan, the global average prices of these components and materials remained relatively stable from 2014 to 2016. The global average prices for graphics cards have slightly increased, while the average prices for CPUs have remained unchanged. Generally, the prices of older models will drop over time but producers of gaming systems will also replace the older model with an updated model, the price of which is usually similar to the launch price of the older model, once available. As a result, for the producers of gaming systems, the global average prices of CPUs and graphics cards, still remained relatively stable from 2014 to 2016. The table below sets forth the historical global average prices per unit of CPUs and graphics cards from 2014 to 2016:

Component	2014	2015	2016
	(US\$/unit)		
CPU	225.0	225.0	225.0
Graphics card	146.3	148.5	153.0

Source: Frost & Sullivan Report

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Mobile

In recent years, the global smartphones market has grown rapidly. In 2017, there are expected to be 2.6 billion smartphone users and 3.2 billion smartphone devices in use worldwide, according to Newzoo. The table below sets forth the number and growth of smartphone devices in use globally from 2015 to 2016 and the estimated number and growth of smartphone devices in use globally from 2017 to 2021:

	Smartphone Devices in Use (millions)							Growth Rate	CAGR
	2015	2016	2017	2018	2019	2020	2021	2015-2016	2017-2021
Americas	479.4	521.8	569.1	618.9	669.5	718.9	758.2	8.8%	7.4%
Asia Pacific (ex-China)	551.5	646.5	764.1	905.3	1,069.2	1,242.7	1,182.7	17.2%	11.5%
China	801.3	874.8	944.0	1,009.7	1,070.4	1,125.5	1,184.1	9.2%	5.8%
Europe	469.0	495.9	523.6	550.5	576.3	600.6	618.5	5.7%	4.3%
Rest of World	265.5	309.9	361.5	419.8	482.4	549.5	613.0	16.7%	14.1%
Total smartphone devices in use	2,566.8	2,848.9	3,162.3	3,504.3	3,867.8	4,237.2	4,356.4	11.0%	8.3%

Source: Newzoo Report

According to Newzoo, 20.3% of all active smartphones were high-end smartphones, as of December 2016. High-end smartphones are defined as smartphones released in 2015 or later and have a screen size smaller than seven inches, a minimum resolution of 720p, two gigabytes of ram, a minimum of a dual core CPU, near field communication, fingerprint scanning and 4G compatibility. These devices are more suited to playing games with advanced graphics typical of immersive games.

Global Gaming Software and Services Market Overview

Software

The emergence of independent, third-party software applications is closely connected to the growing popularity of desktop and laptop PC gaming and competitive gaming. The main types of software applications that are generally used while gaming, but are independent of the games themselves, include the following:

- **Game launchers:** Game launchers are independent or publisher-owned digital game distribution platforms, such as *Razer Cortex*, one of the world's largest independent game launchers. Some game launchers allow consumers to download entire games online, saving time and offering more convenience compared to going to a physical store. *Razer Deals*, part of *Razer Cortex*, may well be the world's leading international price comparison engine for PC gaming titles.
- **Game-related cloud software:** Game-related cloud software, such as *Razer Synapse* and *Razer Chroma*, allows users to access game settings from various locations or stream rather than download entire games.
- **Game video recording:** Game video recording, publishing and live-streaming tools have become very popular after the huge growth in popularity of online video content sharing and of live game-streaming through platforms such as Facebook, Twitch and YouTube. *Razer Cortex* includes a free video recording and streaming service called the Gamecaster.
- **Communication software:** These text, voice and video applications facilitate communication within games or across multiple games.

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Virtual credits

Game developers across console, PC, and mobile have increasingly focused on the sale of downloadable digital content that allow gamers to purchase digital content and items within the game or “in-game.” Games have evolved from products to continuous services. By offering players options such as buying extra levels, acquiring cosmetic items or new avatars, lucky dip “loot boxes” or speeding passage through the game, developers and publishers are monetizing content in many new ways.

In-game digital spending and digital content distribution have already generated the majority of games industry revenues and are expected to continue to take an increasing share of the global market, according to Newzoo. Players purchase digital content and items in-game either via direct online payment transactions or by using virtual credits purchased on a platform via a credit card or bank transfer, amongst other methods. Virtual credits make it easier for consumers to buy entertainment content.

Some gaming companies have their own virtual credits service. Notably, there is no single virtual credits service that is widely adopted by all game publishers globally. According to Newzoo, *Razer zGold* is in a strong position to become the largest virtual credits service in Southeast Asia.

Global Esports Market Overview

Esports has turned into a standalone industry, generating around US\$500 million in sponsorships, advertising, fees from game publishers, media rights, merchandise and tickets in 2016. Global esports revenue is forecasted to increase with a 24.1% CAGR from 2017, reaching US\$1.65 billion in 2021, more than triple the total revenue in 2016. Brands, media and sports companies across the globe are increasingly investing in this space.

The global esports audience totaled 322 million in 2016, an increase of 117 million people since 2014, according to Newzoo. The global esports audience is expected to grow to 665 million in 2021, with a 14.6% CAGR from 2017. China has the largest esports audience with 106 million people in 2016 and is expected to remain the largest in 2021, reaching a total of 218 million at a CAGR of 14.6% from 2017, but the Asia Pacific (ex-China)’s esports audience is growing at a faster rate, with a 20.2% CAGR (not taking into account the Rest of World). The table below sets forth the size and growth of the global esports audience from 2014 to 2016 and the estimated size and growth from 2017 to 2021:

	Global Esports Audience (millions)								CAGR	
	2014	2015	2016	2017	2018	2019	2020	2021	2014-2016	2017-2021
Americas	50.3	63.8	84.8	102.3	116.3	128.4	145.8	162.9	29.8%	12.3%
Asia Pacific (ex-China) .	22.3	33.5	47.8	59.5	72.9	88.3	105.1	124.4	46.4%	20.2%
China	90.1	73.4	106.2	126.1	147.5	170.2	193.7	217.6	8.6%	14.6%
Europe	34.1	56.8	67.2	76.9	86.6	96.2	105.3	113.7	40.3%	10.3%
Rest of World	8.7	8.4	16.2	20.8	26.1	32.2	39.1	46.8	36.5%	22.5%
Total	205.5	235.9	322.2	385.5	449.5	515.2	588.9	665.3	25.2%	14.6%

Source: Newzoo Report

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Virtual Reality and Augmented Reality

Virtual reality (VR) and augmented reality (AR) are two relatively new trends in the global entertainment industry. VR has not yet gained significant commercial traction, and hardware manufacturers are taking steps to make VR more affordable and have been actively putting their products in the hands of consumers. AR had its breakout in 2016 with the success of the AR-enabled Pokémon GO. Consumers are likely to experience AR through interactive, location-based and personalized advertising.

Competitive Landscape

We are the leading global lifestyle brand for gamers, according to Newzoo, that offers an integrated portfolio of gaming hardware, software and services. Furthermore, while Razer has different gamer-focused competitors in the various markets it serves, there is no single gamer-focused brand that has the same breadth and strength in terms of products and services across the combination of gaming hardware, software and services in these markets, according to Newzoo.

Branding

According to Frost & Sullivan, Razer is one of the top gamer lifestyle brands, in terms of “top of mind” brand awareness, and one of the “most satisfying” gamer lifestyle brands in several major gaming markets across the world. The table below sets forth Razer’s rankings in “top of mind” brand awareness and “most satisfying” gamer lifestyle brands in Australia, China, Germany, the United Kingdom and the United States based on surveys conducted between June 2, 2017 and June 6, 2017:

	Australia	China	Germany	United Kingdom	United States
“Top of mind” brand awareness¹	1st	1st	1st	3rd	3rd
“Most satisfying” gamer lifestyle brand²	1st	1st	3rd	1st	4th

Source: Frost & Sullivan Report

¹ Question: Which is the first brand that comes to mind when talking about gamer lifestyle brands?

² Question: Which of the gamer lifestyle brands are you most satisfied with?

Razer also ranks high in gamer lifestyle brand awareness. The table below sets forth Razer’s rankings in non-aided and aided brand awareness in Australia, China, Germany, the United Kingdom and the United States based on surveys conducted between June 2, 2017 and June 6, 2017:

	Australia	China	Germany	United Kingdom	United States
Non-aided brand awareness¹	3rd	1st	2nd	5th	4th
Aided brand awareness²	4th	1st	3rd	5th	5th

Source: Frost & Sullivan Report

¹ Non-aided brand awareness refers to the result of a non-aided brand survey where the respondent is presented with the category of gamer lifestyle brands and asked to nominate as many brands as possible. No clues or cues are provided to respondents. Respondents came back with brands that included major PC, mobile and console brands.

² Aided brand awareness refers to the result of an aided brand survey where the respondent is prompted with a set of brand names and asked a series of questions around those brand names. Respondents were prompted with brands that included major PC, mobile and console brands.

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In China, Razer is the top gamer lifestyle brand, gaming device brand and esports brand, ranking first in “top of mind” brand awareness, “most satisfying” gamer lifestyle brand, non-aided brand awareness, aided brand awareness and most authentic gamer lifestyle brand, according to Frost & Sullivan. In China, Razer is also ranked the number one global gaming peripherals brand in terms of both awareness and preference, according to Newzoo: 39.5% of gamers in China name Razer as their preferred global brand in gaming peripherals, 10% more gamers than any other brand. China had the largest active PC gamer population worldwide and largest esports audience, according to Newzoo.

Razer is a global leader in esports, with one of the longest histories in esports sponsorship. According to Newzoo, 69% of active PC and console gamers aware of Razer and view Razer as one of the leading brands in esports with 76% of gamers sharing the same view in China.

Hardware

Based on surveys conducted from November 2016, Razer is the leading global brand in terms of ownership across each of the peripherals categories based on an aggregate of China, Europe and the United States, according to Newzoo. Our mice and keyboards each hold the largest market share in their respective categories across China, Europe and the United States. In China, Razer is the top global gaming peripherals brand in terms of ownership of gaming mice, keyboards, headsets and console controllers, according to Newzoo. The table below sets forth Razer’s ranking and market share based on surveys conducted by Newzoo in terms of ownership of each Razer gaming peripheral in China, Europe and United States as of November 2016:

Gaming Peripherals Categories	China	Europe	United States
Gaming mice ownership	1st (25.2%)	1st (10.7%)	2nd (10.3%)
Gaming keyboards ownership	1st (21.9%)	2nd (8.5%)	1st (10.2%)
Gaming headsets ownership¹	1st (13.8%)	2nd (5.1%)	3rd (4.3%)
Gaming console controllers ownership¹	1st (20.9%)	2nd (5.2%)	2nd (4.6%)

Source: Newzoo Report

Note:

¹ Figures do not include Microsoft Xbox and Sony PlayStation branded headsets and console controllers.

Market share based on responses to surveys conducted by Newzoo during November 2016.

Question: “Of which of the following brands do you currently own a gaming [*insert peripheral category*]? Choose as many as applied.”

The competitive landscape for gaming systems is very diverse with both gamer-focused specialists and large manufacturers. Razer is the third most popular gaming system brand among gamer-focused brands, according to Newzoo, behind companies which offer broader product portfolios.

Software and services

The market for game-related software is nascent and is currently served by many different companies with different products, services and business models, according to Newzoo. As a result, Newzoo believes the market will offer significant growth opportunities in the form of further revenue potential and the strengthening of ties between a brand and its users through software-based products and services. Newzoo also expects that the most successful companies in this market will need to be highly innovative and have a deep understanding of what is important to gamers.

BUSINESS

Overview

For Gamers. By Gamers.[™] We are the leading global lifestyle brand for gamers, according to Newzoo, that offers an integrated portfolio of gaming hardware, software and services. The Razer ecosystem delivers gamers a competitive edge, immersive gaming experiences and access to a comprehensive catalogue of digital entertainment.

We operate in a large and growing addressable market of hardware, software and services for gamers. Games are a pervasive element of popular culture and integral to the modern way of life of the world's approximately 2.1 billion active gamers in 2016, the number of which is estimated to grow to approximately 2.7 billion in 2021, according to Newzoo. According to Frost & Sullivan, the global games market is the fastest growing segment within the global entertainment industry. In 2016, the global games market revenue of US\$101.1 billion exceeded both the global cinema and global music markets, which according to Frost & Sullivan, generated US\$39.9 billion and US\$48.4 billion respectively. As an early mover in professional competitive games, also known as esports, we are strategically positioned to capitalize on the opportunities in this segment which has grown rapidly in the past few years and has emerged as a standalone industry.

The Razer brand

Razer was founded by gamers. Our passion for gaming and focus on creating premium gaming products that cater to the demanding requirements of gamers have propelled us to become a lifestyle brand for gamers. Our brand is recognized for its authenticity and we have built an intensely devoted fan base. Razer has become an aspirational brand for gamers and millennials who we believe recognize our brand as one synonymous with high-performance and industry leading technology. Our users include early adopters of technology, millennials and some of the most prominent trendsetters, such as top esports athletes, movie stars, leading music artists and social media celebrities. Our most loyal fans have demonstrated their passion for our brand by getting tattoos of the Razer logo, creating Razer-themed personal gaming environments, wearing Razer-branded gear and creating videos featuring our products. Our active participation in the gamer community, our deep understanding of gamers' needs and our portfolio of category-defining products have all contributed to strengthening our brand and growing our committed fan base.

Online social networks play a key role for us to attract and engage gamers. We partner with social media celebrities who promote our products to their millions of fans, and we sponsor top esports athletes who promote our brand at professional gaming events. We have one of the largest online social media followings globally among games and esports brands. As of December 31, 2016, we had approximately 7.5 million "Likes" on Facebook, 2.7 million followers on Twitter, 1.2 million followers on Instagram, 1.2 million subscribers on YouTube, 250,000 followers on WeChat and 140,000 followers on Weibo.

We are a leading brand in esports and have sponsored top esports athletes for over 12 years. As of December 31, 2016, *Team Razer*, our esports brand, comprised 160 top esports athletes from 22 different countries.

We believe we stand to benefit from the overlap in gaming and millennial culture, as more than 71.2% of millennials play games, according to Newzoo. Through our loyal fan base, video streaming, strong social media presence and viral marketing, and as one of the pioneers of esports, we believe we are in a prime position to market to the growing gamer market worldwide. We have created an integrated hardware, software and services ecosystem for gamers driven by the Razer brand. Our strong brand and ecosystem positions us well to address market opportunities across the different entertainment verticals, including movies and music.

BUSINESS

The Razer ecosystem

We believe we have one of the largest integrated gaming ecosystems in the world. The Razer ecosystem consists of gaming hardware, software and services designed and developed to integrate seamlessly and enhance personalized user experiences across different entertainment genres.

There is no single game focused brand that has the same breadth and strength as Razer in terms of products and services across the combination of gaming hardware, softwares and services, according to Newzoo. We believe our robust brand-centric ecosystem continually contributes to the successful launches of new hardware, software and services, creating a virtuous cycle.

Hardware

Since our founding, we have been able to continually innovate, develop and sell category-defining hardware. Our hardware, which includes premium gaming peripherals and systems, allows our users to play different genres of games on multiple platforms with other gamers in an advanced and customizable environment. We design gaming peripherals that empower competitive gamers at the highest levels, including high-precision mice, fully customizable keyboards, audio devices, mouse mats and gaming console controllers. Razer is the leading global brand in terms of ownership across each of the peripherals categories based on an aggregate of China, Europe and the United States, according to Newzoo. Our systems consist of laptops that combine performance, portability and exceptional gamer user interface and are designed to provide seamless integration and enhanced mobility for gamers. Razer is the third most popular gaming system brand among gamer-focused brands, according to Newzoo, behind companies which offer broader product portfolios. The majority of our hardware products are “connected devices”, which can connect through software to our ecosystem including other Razer connected devices and to the spectrum of software and services we offer. Among many other awards, our hardware have won the official “Best of CES” Award at the Consumer Electronics Show, the world’s largest consumer technology show, for an unprecedented seven years in a row. During the Track Record Period, we have sold over US\$1 billion worth of hardware.

Software

At the core of our ecosystem is our *Razer Software Platform*, which had over 35 million registered users as of May 31, 2017. Our platform comprises *Razer Synapse*, an IoT platform, which allows users to access our software platform via our hardware devices; *Razer Chroma*, our proprietary RGB lighting technology system; and *Razer Cortex*, an all-in-one game launcher, game optimizer, game aggregator and price comparison engine. We believe these software offerings draw users to our ecosystem, keep them engaged and allow us to offer additional services to users. Our *Razer Software Platform* also allows us to collect data through analytics and to make suggestions and recommendations to gamers to improve user experience and to influence the design of future products.

Services

We have just begun to monetize our *Razer Software Platform* by offering services to our users. In March 2017, we launched our *zGold* virtual credits service, which allows gamers to purchase *zGold* and exchange it for digital content and items from various content providers. We have recently entered into an agreement with MOL Global, which has a wide distribution network for virtual credits in Southeast Asia, whereby their virtual credits, *MOLPoints*, will be rebranded as “*zGold-MOLPoints*.” At the same time, we have announced a partnership with Three Group, the mobile telecommunications division of CK Hutchison, to distribute *zGold* in Hong Kong and Europe. We intend to further expand the reach of *zGold* and our services offerings through more partnerships.

BUSINESS

Global leadership

We are a market leader in premium gaming products worldwide. Razer is the leading global brand in terms of ownership, across each of the peripheral categories based on an aggregate of China, Europe and the United States, according to Newzoo. Razer is also the third most popular gaming system brand among gamer-focused brands, behind companies which offer broader product portfolios.

We are currently the number one global gaming peripherals brand in China in terms of both awareness and preference, according to Newzoo. 39.5% of gamers in China name Razer as their preferred global brand in gaming peripherals, 10% more gamers than any other brand, according to Newzoo. In addition, according to Frost & Sullivan, the Razer brand is considered more authentic than any other gamer lifestyle brand in China. On November 11, 2016’s “Singles’ Day,” also known as 11/11 (which has become a well-known online shopping day in China), we were the top seller in our categories on JD.com and Tmall. Although we are already recognized as having the leading gamer lifestyle brand in the China market, we believe a significant expansion opportunity still exists in that market, as China only accounted for 12.7% of our revenue in 2016 while the China games market is expected to grow at a CAGR of 6.0% from US\$27.5 billion in 2017 to US\$34.7 billion in 2021, according to Newzoo.

We have established a global footprint in the games industry. We have a geographically diverse revenue base, generating 50.1% of our revenue from the Americas, 27.0% from EMEA and 22.9% from Asia Pacific, including 12.7% in China, in 2016. As of December 31, 2016, our products were sold in 76 countries through 105 online platforms and through more than 21,000 offline retail outlets.

Financial performance during the Track Record Period

During the Track Record Period, our revenue increased from US\$315.2 million in 2014 to US\$392.1 million in 2016, representing a CAGR of 11.5%. From 2014 to 2016, our revenue increased from US\$135.2 million to US\$196.7 million in the Americas, from US\$96.6 million to US\$105.7 million in EMEA and from US\$83.5 million to US\$89.7 million in Asia Pacific including China. In 2016, we generated 76.2% of our revenue from gaming peripherals and 23.1% from systems. Software and services revenue was immaterial during the Track Record Period.

We had a profit of US\$20.3 million in 2014, and our losses were US\$20.4 million and US\$59.6 million in 2015 and 2016, respectively. Excluding the impact of share-based payments, a one-time settlement payment in 2015, expenses related to a contemplated securities offering incurred in 2015 and impairment of acquisition-related intangible assets in 2016, we had an adjusted profit of US\$20.3 million in 2014, and our adjusted losses were US\$6.2 million and US\$20.3 million in 2015 and 2016, respectively. See “Financial Information — Non-IFRS Measure: Adjusted Profit/(Loss).”

Our Strengths

We believe the following strengths create a unique and leading position for us within the global games industry:

Leading global lifestyle brand for gamers

We are the leading global lifestyle brand for gamers, according to Newzoo, that offers an integrated portfolio of gaming hardware, software and services. We have built an authentic brand in the games industry in line with our philosophy of “For Gamers. By Gamers.” with innovative product designs crafted specifically for gamers. This has helped us to create an integrated hardware, software and services ecosystem, driven by the Razer brand.

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We believe we are the first gamer-focused company offering integrated product solutions across all of gaming hardware, software and services. With over 35 million registered users and more than 25 million connected devices sold globally to date, we believe we are also one of the largest platforms in the games industry. Our authenticity and deep roots in gaming culture are critical to our status as a leading global lifestyle brand for gamers. The growth of our brand will benefit from the growth of the global games market, which is, according to Frost & Sullivan, the fastest growing segment within the global entertainment industry. According to Newzoo there were approximately 2.1 billion active gamers in 2016, the number of which is estimated to grow to approximately 2.7 billion active gamers by 2021.

Our most loyal fans have demonstrated their passion for our brand by getting tattoos of the Razer logo, creating Razer-themed personal gaming environments, wearing Razer-branded gear and creating videos featuring our products. Our brand is further bolstered by our active presence in the gaming community, which we maintain through multiple channels including social media, video streaming and esports sponsorships. We believe we are widely recognized in the esports community as a pioneer in esports, through our sponsorship of numerous top esports athletes and teams under *Team Razer*, which comprised 160 top esports athletes from 22 different countries.

As of December 31, 2016, we had approximately 7.5 million “Likes” on Facebook, 2.7 million followers on Twitter, 1.2 million followers on Instagram, 1.2 million subscribers on YouTube, 250,000 followers on WeChat and 140,000 followers on Weibo.

Global footprint

We are a market leader in premium gaming products worldwide. Razer is the leading global brand in terms of ownership, across each of the peripheral categories based on an aggregate of China, Europe and the United States, according to Newzoo. Razer is also the third most popular gaming system brand among gamer-focused brands, behind companies which offer broader product portfolios. We are also a global leader in esports, with one of the longest histories in esports sponsorship. According to Newzoo, 69% of active PC and console gamers aware of Razer view us as one of the leading brands in esports with 76% of gamers sharing the same view in China, according to Newzoo.

Our software platform can be accessed worldwide and as of December 31, 2016, our products were sold in 76 countries with a focus on the Americas, EMEA and Asia Pacific (including China), which contributed approximately 50.1%, 27.0% and 22.9% of our revenue in 2016, respectively; China contributed 12.7% in 2016. According to Newzoo, our gaming mice, keyboards, headsets and gaming console controllers were the most owned of any brand in China; in the United States our keyboards ranked first, our mice and gaming console controllers ranked second and our headsets third; in Europe, our mice ranked first and our keyboards, headsets and gaming console controllers ranked second. Our products are sold at large global online and offline retailers, such as Amazon, Best Buy and Walmart in North America; Fnac, MediaMarkt and Saturn in Europe; and JD.com and Tmall in China. On November 11, 2016’s “Singles’ Day,” also known as 11/11 (which has become a well-known online shopping day in China), we were the top seller in our categories on JD.com and Tmall.

As part of our online to offline or O2O strategy, our *RazerStores* complement our online store www.razerzone.com, and allow consumers to experience the latest in gaming technology, get their hands on the full spectrum of Razer products and participate in esports, which we believe will bring more customers to our online stores. There are currently six *RazerStores* which are located in Bangkok, Hong Kong, Manila, San Francisco, Shanghai and Taipei.

Our global reach through our strong sales and distribution network ensures our products are readily available to gamers worldwide. We expect to continue to leverage our global scale in the future to bring new products and services to our user base.

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Leading position in a large and growing addressable market

We are a global market leader in a large addressable market of hardware, software and services for gamers. Razer is the leading global brand in terms of ownership, across each of the peripheral categories based on an aggregate of China, Europe and the United States, according to Newzoo. Technological advances in the games industry have increased the sophistication of games, and the market for premium gaming products is growing. The increasing demand for high performance gaming products and services, especially from top esports athletes and esports enthusiasts, reinforces our position as the gaming brand of choice for gamers, given our innovative and comprehensive product offerings and research and development capabilities.

Given that gaming is a pervasive element of popular culture and an integral element of a modern lifestyle, the influence of our brand has extended beyond our initial focus on hardcore gamers. There are approximately 2.1 billion active gamers globally in 2016, with the number expected to grow to approximately 2.7 billion by 2021, according to Newzoo.

Leveraging on our passion and expertise for gaming, we believe we have a strong potential to grow our market share in the various categories of the games industry, through continually creating new categories of products and services, as well as increasing our appeal among millennials who may not currently be gamers but are increasingly interested in and influenced by gaming and high-performance technology.

Superior gaming and entertainment experience enabled by our integrated ecosystem

Razer empowers competitive gamers at the highest levels of performance (including esports) through our integrated ecosystem of category-defining product lines and services built around winning, collaborating and having fun. Our focus on performance has enabled us to build our loyal user base of gaming enthusiasts. We created the *Razer Software Platform* which connects gamers and facilitates immersive interaction with leading proprietary, cloud-based product and service offerings. These products include *Razer Synapse*, an IoT platform which allows users to access our software platform across devices and operating systems; *Razer Chroma*, our proprietary RGB lighting system; and *Razer Cortex*, an all-in-one game launcher, game optimizer, game aggregator and price comparison engine with screen-casting features and with utilities to improve PC gaming performance. By analyzing the data collected through our *Razer Software Platform* (including user gaming performance metrics, user behavior data and gameplay preferences among others), we are able to gain an in-depth understanding of our user base. Information gleaned from the data allows us to make suggestions and recommendations to gamers, improve user experience and influence the design of future products. This software adds value to our consumers by integrating their Razer devices, which we believe gives us an advantage over competitors in terms of customer loyalty. Building upon the success of our *Razer Software Platform*, in March 2017 we launched *zGold*. We have entered into an agreement with MOL Global, which has a wide distribution network for virtual credits in Southeast Asia, whereby their virtual credits, MOLPoints, will be rebranded as "*zGold-MOLPoints*." At the same time, we have announced a partnership with CK Hutchison's Three Group to distribute *zGold* in Hong Kong and Europe. We intend to further expand the reach of *zGold* and our services offerings directly and through more partnerships.

We believe that we are currently the only company in the games industry to offer the entire spectrum of hardware, software and services. As a result, we believe our robust brand-centric ecosystem contributes to the successful launches of new hardware, software and services, creating a virtuous cycle. We are now in a position to further expand the ecosystem by growing our software and services offerings.

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Strong track record of innovation and creation of category-defining experiences

We have a strong track record of launching category-defining products and services. We have won the official "Best of CES" Award at the Consumer Electronics Show, the world's largest consumer technology show, for an unprecedented seven years in a row, among many other accolades.

Since developing our first gaming mouse in 2005, we have become a leader in gaming peripherals. We were first movers in designing gaming-grade wireless mice and gaming mechanical keyboards. According to Newzoo, Razer is the leading global brand in terms of ownership across each of the peripherals categories based on an aggregate of China, Europe and the United States. We also believe we were pioneers in creating the modern gaming laptop's thin and powerful design, and our gaming laptops have been recognized for the powerful performance and enhanced mobility they provide to gamers. For example, our Ultrabook, the *Razer Blade Stealth*, has won over 20 awards including the official "Best of CES" People's Choice Award in 2016. We are also one of the pioneers and leading influencers in the esports industry. Since our founding, we have designed products for esports that optimize performance for esports athletes and today we are one of the biggest esports brands in the world. We sponsor top esports athletes and teams through *Team Razer*, members of which have won more than US\$6.8 million in prize money and achieved 148 podium places as of December 31, 2016.

We have strong research, development and design capabilities with a dedicated global research and design team consisting of 309 personnel as of December 31, 2016 across our research and development facilities in Chengdu, San Francisco, Shenzhen, Singapore and Taiwan.

Established strategic relationships with leading players in the games and global entertainment industry

We have forged strong relationships with leading players in the games and entertainment industries, including content and proprietary technology providers. We believe our relationships with these strategic partners demonstrates that industry players trust us, recognize the authenticity and leadership in our gaming-focused brand and appreciate our large and loyal user base and our leadership in esports. Through licensing arrangements with content and proprietary technology providers, we provide developers with market access to our global user base while our ecosystem benefits from furthering our brand exposure and increasing the number of game offerings available to our users. We have maintained numerous relationships with major content providers including Activision Blizzard, Electronic Arts and Tencent.

We also collaborate with proprietary technology providers such as Intel and NVIDIA to incorporate their component products and technology into Razer designs. We produce gaming peripherals geared towards the esports market for gaming consoles such as Microsoft Xbox and Sony PlayStation. Game developers can also integrate their games with our proprietary software, which allows for a more immersive, dynamic gaming session. For example, using *Razer Chroma*, our proprietary RGB lighting technology system, game developers are able to integrate lighting effects directly into the games. This creates more intuitive tutorials and real-time in-game alerts, including displaying cooldowns and health bars directly across all *Razer Chroma*-enabled devices. *Razer Chroma* is natively supported by some of the top games in the market, including Activision Blizzard's *Overwatch* and *Call of Duty: Black Ops III*. As an example of *Razer Chroma*'s capabilities, when *Overwatch* is played, certain special lighting effects on the devices are triggered by in-game events. Outside of the games industry, we work with brands and technology providers to help them tap into the gamer market, while also gaining association with our brand.

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We build relationships with celebrity gamers, furthering our reach and status within the games industry. We also collaborate with social media celebrities, in addition to our sponsoring them. This includes top YouTuber PewDiePie (Felix Arvid Ulf Kjellberg), who uses Razer products in his online gameplays, and whose youtube videos have garnered more than 15.6 billion views and whose youtube channel had more than 55.9 million subscribers as of June 27, 2017, making him the most subscribed YouTuber in the world. We also work with top Twitch streamer Tom “Syndicate” Cassell, the Twitch streamer with approximately 2.4 million followers as of June 27, 2017, making him the most followed Twitch streamer in the world, and with Lee “Faker” Sang-Hyeok, the South Korean professional gamer, who is consistently ranked the best League of Legends player in the world and who has won the League of Legends World Championships three times while using Razer products. These social media and esports celebrities, who drive public opinion among our core users, work with us to raise our brand recognition and increase demand for our products.

We also expand our reach through strategic partnerships and acquisitions. We have recently entered into an arrangement with MOL Global, which has a wide distribution network for virtual credits in Southeast Asia, whereby their virtual credits, MOLPoints, will be rebranded as “zGold-MOLPoints.” We believe this is an important step to increase awareness of zGold in Southeast Asia and that our partnership with MOL Global will serve as a successful model for partnerships moving forward.

Visionary management team with deep industry experience and a strong gaming-focused culture

Our success is in part due to a management team with the passion and know-how for gaming technology. Guided by our philosophy, “For Gamers. By Gamers.”, our management team shares a passion for our category-defining products and immersive entertainment. In particular, our co-founder, chairman of the Board and chief executive officer, Mr. Tan, has been instrumental to the vision and creativity of our business, and continues to be intimately involved in the development and design of our products. Mr. Tan has been named “The 25 Most Creative People in Tech” by Business Insider, and “Top 10 Most Influential Leaders in Tech” by Juniper Research. Our management team understands what gamers want and need, and share gamers’ demanding standards for top-notch innovation and quality. Our team is committed to creating products with a winning edge and curating an authentic, world-class brand, true to our gaming roots.

In addition to understanding our core constituencies, our Board and management come with deep experience globally and across the technology, media and telecommunications (TMT) sector. It is through their understanding of the market and strong business background that the management team has been able to successfully build a leading company in the global games industry over the last decade.

Our Strategy

Since our founding, we have focused on enhancing the gamer experience through an integrated ecosystem of gaming hardware, software and services. The authenticity of the Razer brand and our deep roots in gaming culture have been critical to our status as a leading global lifestyle brand for gamers and millennials. We intend to continue this focus and broaden the appeal of our brand and ecosystem to include verticals appealing to gamers and millennials by pursuing the following strategies:

Broaden the appeal of our brand

We are the leading global lifestyle brand for gamers, according to Newzoo, that offers an integrated portfolio of gaming hardware, software and services. We believe this puts us in a strong position to leverage our brand to further increase market share among gamers, to expand the appeal of our brand beyond the hardcore gamers and to further expand our brand into other verticals which complement our core gaming expertise. Key to our success in expanding the appeal of the Razer brand is staying authentic to the gamer lifestyle which has defined Razer since our founding. At the core of this strategy is our ongoing commitment to invest in esports, an industry in which we believe we are viewed as a pioneer and a leading influencer. We design products for esports that optimize

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the performance of esports athletes and today we are one of the biggest esports brands in the world, sponsoring top esports athletes and teams. We plan to continue to market and grow the Razer brand by promoting gamer culture and supporting esports through sponsorship of esports athletes through *Team Razer*. The esports audience is expected to grow at a CAGR of 14.6% from 2017 to 665 million people by 2021, and esports revenues are expected to grow at a CAGR from 2017 of 24.1% to US\$1.65 billion during the same period, according to Newzoo. We believe our continued investment in esports will not only reinforce the Razer brand among competitive gamers, but also among the expanding gaming and esports communities.

More than 70% of millennials play games, according to Newzoo, and the verticals which interest them are primary markets for us going forward because of the overlap among gamers and millennials. We believe millennials enjoy a number of online and high-tech experiences, which offer opportunities for us to expand into other verticals going forward. For example, millennials are more likely to listen to music, visit social networks and participate in online shopping, according to Newzoo. This increases the value of our gaming-focused brand by allowing us the opportunity to expand to non-gaming peripherals where a premium, high-tech brand is an asset. Moreover, according to Newzoo, millennials have enthusiastically embraced esports, 73.4% of esports audience are millennials. Appealing to gamers and the many millennials who consider themselves gamers, we believe we are well-positioned to expand to provide immersive gaming experiences complementary to our gaming brand in the broader entertainment space, including for example, hardware and software for music and video.

We are committed to expanding Razer's impact in the broader gaming market and other verticals. One such effort is demonstrated by our recent foray into the music industry with the *Razer Music* initiative which complements our audio devices offering. In 2015, we began partnering with internationally known DJs and music artists, such as deadmau5, Metro Boomin, the indie-pop duo Purity Ring, Noisia and Anderson .Paak. The *Razer Music* initiative provides a forum for artists to inspire each other, showcasing their processes, creations and experiences in music production, including exclusive content.

We are also committed to expanding the appeal of our brand via social media and marketing. We have developed strategic partnerships with social media celebrities and have to date relied on viral and word-of-mouth marketing campaigns, as well as our loyal following, to expand the reach of our brand and products through a grassroots effort. We intend to continue pursuing these avenues to maintain our core fan base as a foundation for our brand, and future marketing endeavors may include other forms of advertising, including digital and traditional advertising.

In addition, we aim to further develop our strategic relationships within and outside the gaming ecosystem. Within the gaming ecosystem, we collaborate with leading international content developers and publishers to develop licensed products for their game titles, in-game content and customized designs. For example, we recently partnered with Activision Blizzard to create Overwatch-themed products with native *Razer Chroma* support in the game.

Continue to introduce innovative, category-defining experiences

We leverage the strength of our sales and operations of our existing segments to invest in new product categories and the development of new service offerings as part of our software monetization strategy. We believe Razer's distinct combination of brand, ecosystem and global footprint puts us in a strong position to address future market opportunities across many entertainment and lifestyle verticals. We achieve truly holistic design by controlling the entire design process in-house from product development to software coding to final packaging. We believe that there are still many undefined or underdeveloped market opportunities, including software and lifestyle categories that gamers and millennials may desire. We believe we have identified specific, under-addressed gamer and millennial needs and will continue to introduce new products and services that optimize performance, design and other attributes desired by gamers.

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Hardware. Leveraging our passion and expertise for gaming, we aim to grow our market share by introducing new product offerings, which can redefine the standards within each of our existing hardware segments, and by increasing our appeal among gamers and millennials through the introduction of new product offerings that cater to their gaming as well as general entertainment needs such as lifestyle audio. We plan to continue to develop high-quality and high-performance connected devices, as well as introduce new categories of devices targeted at gamers and millennials.

We believe our current line of hardware products demonstrates a level of knowledge and expertise that will allow us to expand into adjacent hardware verticals, including mobile devices. According to Newzoo, 2016 marked the first year that mobile games generated more revenue than PC or console games with US\$38.6 billion, or 38% of the total market, having grown at a CAGR of 25.6% from 2014 to 2016. In 2017, mobile games are anticipated to take 42% of the global market, generating US\$46.1 billion in revenue, and the market is expected to grow at a CAGR of 10.6% from 2017 to 2021. As gamers are increasingly playing games on mobile devices and given the increase in mobile screen-time, we see the opportunity to elevate interaction with our target users. In early 2017, we acquired certain assets of, and hired key management and engineering personnel from, San Francisco-based mobile phone manufacturer, Nextbit Systems Inc. to accelerate our mobile device strategy. As part of this acquisition, Razer plans to continue supporting the cloud-based Robin smartphone developed by Nextbit Systems Inc.. We are currently targeting to launch our first mobile device in late 2017 or early 2018 though this date may change subject to design and engineering factors.

By focusing on design and technology (for example, THX audio technology), we seek to improve on the performance and specifications of our devices to enhance the immersiveness of user experiences and target the broader entertainment segment, given the convergence of gaming, music, mobile and video.

Having established ourselves as a leader in the gaming systems market, we believe that we will be able to leverage our early success to significantly scale our Systems business and expand our market share in the gaming systems market by continuing to improve on the design and development of our systems products and broadening the distribution reach of our systems significantly beyond the United States into Europe and Asia. We also plan to continue to develop custom-designed products for the esports industry, global revenue of which are expected to grow at a CAGR from 2017 of 24.1% to US\$1.65 billion by 2021.

Software. Leveraging our deep industry experience and the loyalty of our user base, we plan to continue developing our *Razer Software Platform* to increase our user base to meet the gaming and lifestyle needs of gamers. Our current software offerings connect over 35 million registered users as of May 31, 2017 to a software suite that enhances their gaming experience for Razer's products. We plan to develop new software applications to attract more users and to further engage with our existing users. The data we collect through users' purchasing behavior, from social media interactions which feed back to our Customer Relationship Management (CRM) system and regarding user habits on our software platform, will allow us to better tailor user experiences, improve recommendations for each individual user and adapt future product innovation and development to the needs of the growing gamer community.

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Services. In addition to leveraging our hardware and software offerings, we plan to build upon the successful launch of *zGold*. In May 2017, we made a strategic investment in and entered into a co-branding partnership with MOL Global, which has a wide distribution network for virtual credits in Southeast Asia, whereby their virtual credits, MOLPoints, will be rebranded as "*zGold-MOLPoints*." We expect to establish more regional partnerships thereby expanding the presence and monetization opportunities of *zGold* globally. In addition, we plan to further monetize our platform by delivering more relevant services to our users.

Others. We see opportunities to develop other products and services across our ecosystem, which may include gear, accessories, energy drinks or even toasters (if enough fans want it). We are the leading global lifestyle brand for gamers, according to Newzoo, that offers an integrated portfolio of gaming hardware, software and services, and we believe that our strategy of expanding into new verticals that appeal to gamers will further entrench the Razer brand as core to the gaming lifestyle, and create a strong brand awareness among the wider gamer and millennial populations.

Deepen global market penetration

We plan to further pursue global market opportunities in regions where we believe there are under-addressed market opportunities. In fast-growing markets such as China and Southeast Asia, we intend to increase our brand awareness through localized strategic relationships such as working with game content partners to reach out to gamer communities, sponsoring locally important social media celebrities and opinion leaders and curating new gaming events and esports opportunities within these regions.

China, in particular, represents an important market for us moving forward. Razer has the highest brand awareness and brand preference of all global gaming peripherals brands in China according to Newzoo, and we believe there is still significant growth opportunity in China. The China market only accounted for 12.7% of our revenue in 2016, but we believe we stand to increase our revenue there due to the strength of our Razer brand in the market and the significant expected growth in gaming in China. We are ranked number one global gaming peripherals brand in terms of both awareness and preference in China, according to Newzoo. 39.5% of gamers in China name Razer as their preferred global brand in gaming peripherals, 10% more gamers than any other brand, according to Newzoo. According to Frost & Sullivan, the Razer brand is considered more authentic than any other gamer lifestyle brand in China. Moreover, the China games market is expected to grow from US\$24.6 billion in 2016 to US\$34.7 billion in 2021.

We plan to expand our presence across Europe and in emerging markets including Latin America. As of December 31, 2016, our products were sold in 76 countries through 105 online platforms and through more than 21,000 offline retail outlets.

While we continue to expand our distribution network to provide more points of sale of our products, we also aim to strengthen our direct sales capabilities across geographic regions going forward by opening more *RazerStores* and by enhancing our ecommerce presence globally through our online store, www.razerstore.com, and by working with leading online retailers such as Amazon. As part of our online to offline or O2O strategy, direct sales are yet another growth opportunity to reach more consumers by increasing the number of points of sale whether through our *RazerStores* or online stores and increasing our brand awareness. *RazerStores* allow gamers, millennials and other consumers to experience the latest in gaming technology, get their hands on the full spectrum of Razer products and engage with esports and thereby offer strategic opportunities for branding, customer engagement and sales, which we believe will direct more customers to our online stores.

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We plan to continue building upon strategic relationships to create more meaningful and differentiated experiences. Our recent strategic partnerships include those with MOL Global, which has expanded access of our software and services throughout Southeast Asia and CK Hutchison’s Three Group to expand our distribution networks for our software and services to Europe and Hong Kong. We are currently targeting to launch our first mobile device in late 2017 or early 2018 though this date may change subject to design and engineering factors. We plan to work with our strategic partners and distributors such as CK Hutchison’s Three Group to distribute our mobile devices in their key markets upon launch.

Our Business

The Razer ecosystem consists of hardware, software and services, designed and developed to integrate seamlessly and enhance personalized user experiences across different entertainment genres. Our hardware, which includes premium gaming peripherals and systems, allows our users to play various types of games on multiple platforms with other gamers in an advanced and customizable interface setting. As part of our goal to provide an engaging gaming lifestyle experience, we have developed a cloud-based software platform that integrates with our connected devices. The cloud-based *Razer Software Platform*, which today includes *Razer Synapse*, *Razer Chroma* and *Razer Cortex*, creates a highly interactive user experience for gamers. In addition, we have begun to offer services on our *Razer Software Platform*, the first being the recent introduction of our *zGold* virtual credits service, which allows gamers to purchase *zGold* and exchange it for digital content and items across various partner platforms.

As of December 31, 2016, our products are sold in 76 countries through 105 online platforms and through more than 21,000 offline retail outlets. As of May 31, 2017, we had over 35 million registered users on our integrated software platform and 2 million registered *zVault* wallets in which our users store their *zGold*.

We currently operate four business segments, namely Peripherals, Systems, Software and Services and Others. The following table sets forth a breakdown of revenue contribution from the four business segments for the periods indicated:

	For the Year Ended December 31,					
	2014		2015		2016	
	US\$	%	US\$	%	US\$	%
	(in thousands, except percentages)					
Segment Revenue:						
Hardware						
Peripherals	274,560	87.1	282,392	88.3	298,626	76.2
Systems	40,624	12.9	37,085	11.6	90,697	23.1
Software and Services	63	0.0	148	0.1	95	0.0
Others	—	—	81	0.0	2,681	0.7
Total	<u>315,247</u>	<u>100.0</u>	<u>319,706</u>	<u>100.0</u>	<u>392,099</u>	<u>100.0</u>

BUSINESS

Hardware



Peripherals

We design and develop premium gaming peripherals that deliver an enhanced gaming experience and performance edge, particularly in competitive games. Our gaming peripherals include high-precision mice, fully customizable keyboards, audio devices, headsets, mouse mats and gaming console controllers. Our gaming peripherals are priced as a premium category of products in the gaming market. Razer products are built with a focus on tailored function, performance and ergonomics. The majority of our gaming peripherals are connected devices.

Mice. Our Razer mice product range includes mice for basic gaming and computing needs to premium mice for competitive gaming which are typically priced at a premium to our competitors’ products. Our high-precision mice are well known for their accuracy in gaming where utmost precision is advantageous. Our mice also incorporate ergonomic designs to accommodate extended hours of play. They come in a variety of shapes, sizes and contoured models to cater to each user’s hand size and preferred style of grip. Our mice also have specially designed buttons to trigger in-game functions, and certain mice are designed specifically for different game genres and titles. Customized settings on our mice can be stored and accessed through our *Razer Software Platform*, thereby allowing users to store personalized settings and receive software updates automatically. According to Newzoo, our mice ranked as the top gaming mice by market share among global gaming peripherals brands across China, Europe and the United States as of November 2016. Our *Razer DeathAdder* series was our best-selling mice line in the Track Record Period.



RAZER DEATHADDER

RAZER LANCEHEAD

RAZER NAGA

BUSINESS

Keyboards. Our Razer keyboards come in a variety of sizes and ergonomic options, built for long sessions of competitive gameplay. Razer keyboard users can choose from mechanical keys powered by *Razer Mechanical* switches that provide an optimized set of actuation and reset points and noticeable tactile feedback to assure users that their commands are executed precisely as intended, or membrane-based keys powered by the patent-pending *Razer Mecha-Membrane* technology providing a softer, more cushioned touch along with a crisp tactile click. Our high-performance keyboards utilize technology for accurate and rapid-response key command data transfers, and all our keyboards also come with anti-ghosting technology, which allows multiple simultaneous key commands to register at once — important for complex gaming. Many of our designs feature programmable macro buttons which allow for added in-game function and improve the function of keyboards in complex games. Macro buttons simplify gameplay by enabling users to program key command sequences. Our keyboards have achieved a leading market position among gaming keyboards. Our keyboards ranked as the top gaming keyboards by market share among global gaming peripherals brands across China, Europe and the United States, according to Newzoo as of November 2016. Similar to our gaming mice, our keyboards also allow for customized settings that can be stored and accessed through our *Razer Software Platform*. Our *Razer BlackWidow* series was our best-selling keyboard line in the Track Record Period.



RAZER BLACKWIDOW CHROMA

Audio. Our Razer audio series includes premium audio devices such as gaming headsets, headphones and speakers, designed to enhance the immersiveness of user experiences. Our audio devices come in wired and wireless forms and are used by gamers, audiophiles and professional music DJs. Our best-selling audio device line was the *Razer Kraken* series during the Track Record Period.



RAZER KRAKEN

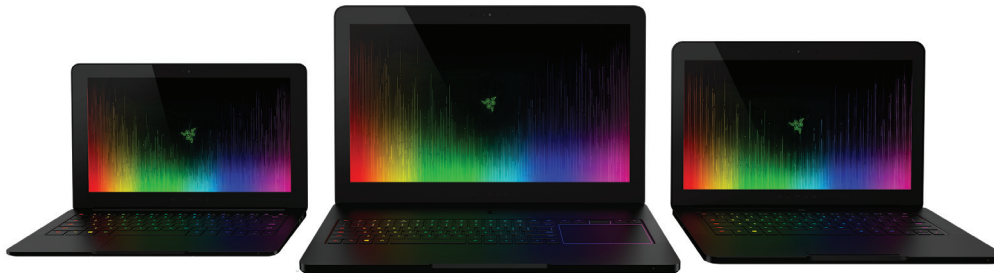
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Other peripherals. In addition to mice, keyboard and audio devices, Razer also produces gaming console controllers, mouse mats and branded lifestyle products. Although we do not make consoles, we make gaming console controllers compatible with Xbox One, PS4 and PCs, which often include branding with licensed intellectual property from our partners. Our mouse mats provide a wide range of textured surfaces in a variety of sizes providing users with varying degrees of speed and control. In addition, our lifestyle products include branded gear, including T-shirts, backpacks and other apparel.



RAZER GEAR AND ACCESSORIES

Systems



RAZER BLADE STEALTH

RAZER BLADE PRO

RAZER BLADE

Our systems primarily consist of laptops designed for gamers. Our laptops combine performance, portability and our expertise in user interfaces and are designed to provide seamless integration of these features and enhanced mobility for gamers.

Developed in partnership with some of the world’s leading technology companies, including Intel and NVIDIA, our laptops feature high-end performance without compromising design and portability. We believe we were pioneers in creating the modern gaming laptop’s thin and powerful design. In addition to Razer’s category-defining sleek design, our laptops feature the latest in keyboard and track pad ergonomics and a variety of high-definition screen resolution options including 4K UHD. After initial years of investment research and development, we recently expanded the product offering to three main lines of laptops, namely *Razer Blade Stealth*, *Razer Blade* and *Razer Blade Pro*. Our ultraportable notebook (“Ultrabook”), the *Razer Blade Stealth*, combines ultra-portability and performance and has won over 20 awards including the “Best of CES” People’s Choice (formerly People’s Voice) Award in 2016. The *Razer Blade* strikes a balance between power and portability to deliver strong gaming capabilities while on the move. The *Razer Blade Pro* is our premium offering, providing a comprehensive gaming experience as a compelling performance-focused “desktop replacement” and is the world’s first THX[®] certified laptop device.

BUSINESS

Razer Core is a *Razer Chroma*-enabled device which, when connected via a USB-C cord to an external device, upscales compatible non-gaming laptops to enable processing and graphics output on par with premium gaming laptops. For example, our *Razer Blade Stealth* Ultrabook is designed to be connected with a USB-cord to turn into a high performance-connected gaming machine.

Compared to gaming peripherals, our systems business is a relatively new product category. Nonetheless, according to a 2016 survey conducted by Newzoo, Razer is the third most popular gaming system brand among gamer-focused brands, behind companies which offer broader product portfolios.

Software

At the core of our ecosystem is our *Razer Software Platform*, which had over 35 million registered users as of May 31, 2017. Our platform comprises of *Razer Synapse*, an IoT platform, which allows users to access our software platform via our hardware devices; *Razer Chroma*, our proprietary RGB lighting technology system; and *Razer Cortex*, an all-in-one game launcher, game optimizer, game aggregator and price comparison engine. We believe these software offerings draw users to our ecosystem, keep them engaged and allow us to offer additional services to our users. Our *Razer Software Platform* also allows us to collect data through analytics and to make suggestions and recommendations to gamers to improve user experience and to influence the design of future products.

Our *Razer Synapse* IoT platform allows users to access our software platform, store personalized settings and receive software updates automatically. For example, users can store, select, reconfigure and apply user preferences for the Razer hardware they use and for each game they play. An upcoming update to *Razer Synapse 3* is the next-generation unified hardware configuration tool that provides gamers with advanced options and granular control such as rebind buttons, assigning macros and personalizing device lighting. *Razer Synapse* will also enable our users to simultaneously store multiple preference profiles on their Razer devices and in the cloud; this allows users to select from multiple preferred custom profiles — even without being connected to the Internet.

Razer Chroma is our proprietary RGB lighting technology system, launched by us in 2014, that allows users to make use of a spectrum of visual effects featuring 16.8 million customizable color options to personalize *Razer Chroma*-enabled Razer devices, taking both their play style and personal style to the next level. Most of our connected devices are *Razer Chroma*-enabled. We believe the number of devices through which *Razer Chroma* can integrate — our systems, keyboards, mice, audio devices and mouse mats — makes *Razer Chroma* unique in the market. *Razer Chroma* is natively supported by some of the top games in the market, including Activision Blizzard’s *Overwatch* and *Call of Duty: Black Ops III*. As an example of *Razer Chroma*’s capabilities, when *Overwatch* is played, certain special lighting effects on *Chroma*-enabled devices are triggered by in-game events. The *Razer Chroma* configurator present in *Razer Synapse* allows our community of active fans to specify lighting effects to the create and share custom lighting profiles.

Razer Cortex is an all-in-one game launcher, game optimizer, game aggregator and price comparison engine with screen-casting features and utilities to improve PC gaming performance and compare game title prices. *Razer Cortex* improves a gamer’s experience by automatically shutting off unnecessary processes and applications during gaming to improve game performance. *Razer Cortex* allows players to compare game title prices and directs them to other places online where they can purchase those games.

Our *Razer Software Platform* also allows us to collect data (including user gaming performance metrics, user behavior data and gameplay preferences among others) to obtain an in-depth understanding of our user base through analytics and to make suggestions and recommendations to gamers to improve user experience and to design future products.

BUSINESS

Switch between modules

Advanced keybind functions

Hybrid storage – store profiles on device memory and on the cloud

Assign keys and keep its core function with *Razer Hypershift*

RAZER SYNAPSE

Multi-device support (with position adjustments)

Cross device sync - lighting effects flow across multiple devices

New lighting effects

Advanced toolbar

Additional lighting controls

RAZER CHROMA

Earn *zSilver* rewards while playing games

Launch your game with boosted performance

Recommended games similar to this one

View prices on DLC items for this game

Play and view content recorded with Razer Cortex

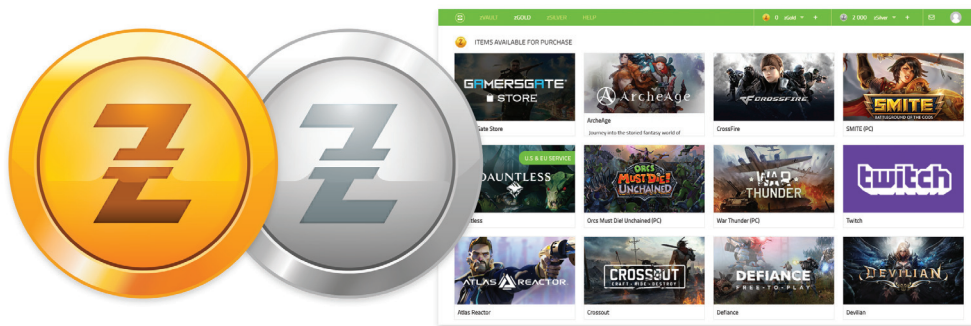
Track your system's performance with an FPS chart for each game session

RAZER CORTEX

BUSINESS

Services

We offer innovative services to our user base to further monetize our software platform, leveraging our prime position as a leading global gaming lifestyle brand. In March 2017, we launched our virtual credits service, *zGold*, which allows gamers to purchase *zGold* and exchange it for digital content and items across various partner platforms. By using *zGold*, gamers have an easy, convenient and secure method to access games from our partners and receive exclusive discounts and promotions. Gamers can also exchange *zGold* to obtain in-game items across various partner platforms and premium versions of Razer’s proprietary software. We also have launched *zSilver*, our loyalty-based rewards points. Gamers earn *zSilver* by making purchases with *zGold* and through certain user activities via the *Razer Software Platform*. Users store their *zGold* and *zSilver* in e-wallets which we call *zVault*. More than 2 million *zVault* e-wallets have been registered to date.



zGOLD AND GAME CATALOG

Users can purchase *zGold* from our online store via PayPal, credit cards (via Worldpay) or prepaid cards purchased using cash over retail outlets distributed by payment partners. *zGold* is then topped up into the user’s *zVault* e-wallet. One credit of *zGold* is the equivalent of US\$0.01 and can be purchased in denominations of 3,000 credits (US\$30), 5,000 credits (US\$50) and 10,000 credits (US\$100). A user’s e-wallet may store up to 50,000 credits (equivalent to US\$500). Upon registration and from time to time, we verify each user’s identity. On a monthly basis we settle with our partners for the amount of *zGold* users exchange for game content.

zGold partners include game publishers, game stores and game developers who sell digital content such as game downloads, game voucher codes and virtual in-game items for their free-to-play games. Our partners include Indiegala, Hi-Rez (developer of Smite) and Smilegate West (developer of Crossfire). Other *zGold* partners include Xsolla, a payment solutions provider.

zSilver can be exchanged for Razer rewards including discounts on future purchases, bonus in-game items or free games. *zSilver* cannot be converted to *zGold*, and *zGold* cannot be converted to *zSilver*. All virtual credits (both *zGold* and *zSilver*) are non-refundable, non-transferrable and cannot be exchanged for cash, except as required by applicable laws.

We have recently entered into an arrangement with MOL Global, which has a wide distribution network for virtual credits in Southeast Asia, whereby their virtual credits, MOLPoints, will be rebranded as “*zGold-MOLPoints*.” At the same time, we have announced a partnership with CK Hutchison’s Three Group to distribute *zGold* in Hong Kong and Europe. We are also looking into opportunities to expand in other markets worldwide. We intend to further expand the reach of *zGold* and our services offerings through partnerships.

BUSINESS

Others

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

In 2015, we launched the *Open-Source Virtual Reality HDK (OSVR HDK)* system which provides a virtual reality device and open-source software platform that enables programming for a variety of virtual reality technologies.

In 2016, a subsidiary of the Company acquired certain assets from Slot Speaker Technologies, Inc. (formerly known as THX Ltd.), which was founded by George Lucas in 1983. Our subsidiary, which subsequently was renamed THX, develops premium audio and visual set-ups relative to spatial design and operates an audiovisual certification business. THX certification is a globally recognized assurance of uncompromising audiovisual quality, consistency and performance. We believe the THX business will improve our ability to deliver premiere audiovisual products and allows us to extend our product offering for the broader entertainment segment, given the convergence of games, movies and music. We may adopt a share award plan involving the issue of restricted share units representing the shares of THX to incentivize certain employees of THX.

In 2016, we launched *zVentures*, through which we invest by acquiring minority stakes in a wide range of companies that have or will have a role to play within the larger Razer ecosystem. This includes areas such as advanced manufacturing and engineering, connected devices, esports, gaming software technology, robotics, software and analytics and virtual and augmented reality. *zVentures* investments typically range between US\$100,000 to US\$1.0 million. Since the launch of *zVentures*, we have made minority investments for a total investment amount of US\$1.35 million.

In 2017, we acquired certain assets including the intellectual property of San Francisco-based mobile phone manufacturer Nextbit Systems Inc., which was founded in 2013 by former members of the Android team at Google. In connection with this acquisition, we hired key management and engineering personnel from Nextbit Systems Inc. to accelerate our mobile device strategy, Razer plans to continue supporting the cloud-based Robin smartphone developed by Nextbit Systems Inc.. We are currently targeting to launch our first mobile device in late 2017 or early 2018 though this date may change subject to design and engineering changes.

Industry Relationships

We have developed relationships with key participants in the gaming and technology ecosystems, through licensing arrangements, co-branding and co-marketing with game content developers and technology providers.

We work with game content developers worldwide to design customized licensed products for some of their most popular titles. Our relationships with game content developers also allow us to further collaborate on customizing our gaming hardware to deliver a unique user experience when gamers interact with the licensed content using our licensed products. We work closely with game content developers to tailor each licensed product to achieve the appearance, design and packaging to match a game’s artwork, specifications and marketing needs. We believe these arrangements benefit content developers by enhancing the experience for their games and increase our exposure to the fan base of these games. We also conduct joint marketing arrangements with content developers globally to strengthen our outreach to the gamer community, such as joint branding activities with Activision Blizzard on Overwatch. See “— Marketing.”

BUSINESS

We also collaborate with a number of companies as part of our ecosystem. We believe these collaborations give us greater exposure of our brand, expand reach of our software and services and provide us with greater control over key components and manufacturing processes. These include partnerships with mobile services companies such as CK Hutchison's Three Group, with whom we have announced a partnership, which will help us expand our distribution networks for our software and services to Europe and Hong Kong, as well as provide a platform to distribute our mobile devices in their key markets upon launch; Microsoft and Sony for whom we make gaming console controllers for their consoles; developers such as Blizzard, with whom we partner to create limited and special edition gaming peripherals with game logos; and with Lenovo and NZXT, to whom we license our brand for systems and desktop cases and receive royalty income. We have also made a strategic investment in and entered into a co-branding partnership with MOL Global, which has a wide distribution network for virtual credits in Southeast Asia, whereby their virtual credits, MOLPoints, will be rebranded as "zGold-MOLPoints."

Research & Design

We achieve truly holistic design by controlling the entire hardware design process in-house, from product development to software coding to final packaging, because we believe in holistic design that can only be achieved by control over the entire process. Our typical hardware design process involves producing multiple design iterations once an idea is researched and conceptualized. Our design team then creates mock-ups for evaluation based on a set of criteria ranging from ergonomics testing to engineering validation. We often create multiple working prototypes for in-the-field testing and validation by professional and amateur gamers. After extensive testing, we reduce the number of concepts and prototypes to those that are carefully selected by the design team. We then go through the rigor of this process as many times as necessary to produce an uncompromisingly high-performance product with our distinctive look and feel. Upon completion of our hardware design process, we work with our manufacturers to prepare our products for mass production.

We conduct research and development of software technology in-house, from product development to user interface design, engineering development, and the development of technology components. Our software research and design processes involve product business case assessments (conceptualization) using Risk Assessment Tests (RATs), developing product requirement specifications and designing user interface specifications, software products are launched and monitored for scalability, achievement of product business objectives, continuous development/improvement and augmentation of features based on customers' feedback and needs.

Our design teams are led by Mr. Tan, our co-founder, chairman of the Board and chief executive officer. He is supported by design teams based in California, Singapore and Taiwan. We had 192, 248, and 309 in-house research and design team personnel as of December 31, 2014, 2015 and 2016, respectively. For 2016, of the research and design team, 41.4% of the personnel were dedicated exclusively to hardware, and 28.5% were dedicated exclusively to software and services, with the remaining personnel dedicated to both hardware and software research and development. In the ordinary course of business, we hire independent contractors. We plan to continue to expand our research and design team by recruiting talent from around the world. Research and development expenses were US\$23.6 million, US\$29.8 million and US\$52.2 million in 2014, 2015 and 2016, respectively, which represented 7.5%, 9.3% and 13.3% of our revenue for the respective years.

BUSINESS

Procurement and Suppliers

Our suppliers primarily include (i) contract manufacturers and suppliers for our hardware and other products, (ii) data storage and bandwidth providers, and server hosting and bandwidth leasing companies and (iii) payment channels.

Contract manufacturers and suppliers

Our products are manufactured to our specifications by independent contract manufacturers. We procure finished and packaged products from our manufacturers and do not participate in the assembly. We work closely with our manufacturers at all stages of the design-for-manufacturing process. We contract with technology providers to provide sub-components that may require additional technical expertise, and we work with our manufacturers to aggregate these components such as chipsets and sensors into finished products.

We work closely with our manufacturers to ensure a smooth production process. These manufacturers are responsible for producing mock-ups, prototypes, certain aspects of mechanical and electronic design as well as production tooling. Razer’s intellectual property which is developed and utilized in the manufacturing of our products is retained by Razer, and contract manufacturers are subject to confidentiality agreements. Our product packaging is designed by us in-house and manufactured by third parties, who coordinate with our product manufacturers.

Our contract manufacturers are primarily located in China and Taiwan. We utilized 49, 54 and 51 independent contract manufacturers as of December 31, 2014, 2015 and 2016, respectively, for our hardware products. We generally engage multiple manufacturers. For product categories where we engage only one manufacturer, we believe there are alternative manufacturers which are readily accessible in the market. For specific product lines, we plan to further diversify our manufacturing base in the future to mitigate the risk associated with having a relatively limited number of manufacturers. We regularly evaluate our manufacturers for quality, delivery, costs and compliance, and have developed our own quality control procedures.

The company typically purchases completed products from our manufacturers. We do, however, in certain cases, operate under buy-sell arrangements (arrangements whereby we purchase raw materials or certain components directly after which we sell to our contract manufacturers). We purchase these raw materials and components principally from Hong Kong, Singapore and Taiwan, as some of our suppliers for key inputs to our products prefer a direct relationship with Razer. The price of raw materials and components that we sell to our suppliers under these arrangements are offset against our purchases of finished goods from such suppliers.

We operate on a build-to-forecast model. Our forecasts are based on our own internal estimates and supplemented by retailer and distributor order and inventory information whenever possible. While we attempt to maintain healthy inventory levels, extended lead times can often cause unexpected inventory fluctuations. For example, in anticipation for launches of new products, our inventory levels increase substantially. These forecasts are not always accurate. See “Risk Factors — Risks Relating to Our Business and Industries — Our results of operations could be materially harmed if we are unable to accurately forecast demand for our products.”

The allocation of product liability for defects between us and our suppliers and manufacturers is as follows: (i) our suppliers are liable for failures or defects in the components sold to us and assembled into our finished goods; (ii) our manufacturers are liable for failures or defects relating to the manufacturing of our products; and (iii) we are liable for failures or defects relating to our specific hardware or software design.

BUSINESS

Top manufacturing and sourcing suppliers

Purchases from our five largest suppliers (including both manufacturers and service providers) for each of 2014, 2015 and 2016 accounted for approximately 80.5%, 80.9% and 77.2% of our total purchase amount during those periods, respectively. Our largest supplier for each of 2014, 2015 and 2016 accounted for approximately 31.3%, 30.9% and 27.9% of our total purchase amount during those periods, respectively. As of December 31, 2016, we had maintained business relationships with our five largest suppliers for four years on average. To the best of our knowledge, as of the Latest Practicable Date, all of our material suppliers were Independent Third Parties and none of our suppliers are controlled by employees of Razer. In general, the credit terms for these five largest suppliers is the trade date plus 90 days, and the payment method is wire transfer. For the related risks, see “Risk Factors — Risks Relating to our Business and Industries — We rely on a limited number of suppliers for certain key components. Any supplier shortage could impair our ability to ship orders of our products or could cause us to miss the delivery requirements of our retailers or distributors.” We plan to further diversify our manufacturing base in the future to mitigate the risk associated with having a relatively limited number of manufacturers.

Payment channels

We engage third-party software and service providers for our online store and *RazerStores*. We have entered or are planning to enter into payment service agreements with payment channels including PayPal, major credit cards, prepaid cards, prepaid methods and direct carrier billing companies.

Data storage and bandwidth

We employ the services of commercial cloud service providers for most of our computing, storage, server hosting, bandwidth and content deliver network (CDN) needs to run our Internet-based applications.

Marketing

To date, we have largely relied on the viral effect of our social media outreach and word-of-mouth marketing generated by our deep involvement with the gamer community and the strong popularity of our products. We intend to continue expanding the appeal of our brand via social media and marketing. We have developed strategic partnerships with social media celebrities and have to date relied on viral and word-of-mouth marketing campaigns, as well as our loyal following, to expand the reach of our brand and products. We intend to continue pursuing these avenues to maintain our core fan base as a foundation for our brand, and future marketing endeavors may include other forms of advertising, including digital and traditional advertising.

Sponsorships

We actively promote gaming and reinforce our position as a voice for the gamer community through support of grassroots and gaming events, games industry influencers and professional gamers.

We support a variety of gaming events such as the DreamHack Open in 2016. DreamHack Open consisted of multiple events worldwide and saw approximately 250,000 live attendees and 16 million online viewers in more than 16 countries, consuming approximately 989 million minutes of content. We also support smaller grassroots amateur events where communities bond. Moreover, we are a leading brand associated with professional gaming events, the growing esports phenomenon. As of December 31, 2016, our *Team Razer*, comprised 160 top esports athletes from 22 different countries, competes professionally in popular game titles. As of December 31, 2016, *Team Razer* gamers had won more than US\$6.8 million in prize money and achieved 148 podium places. Our sponsored players use our products to compete at the highest levels of esports. These players and teams also actively promote Razer products through product demonstrations and endorsements on their websites. As many top esports athletes are trend-setters and key opinion leaders within the gamer community, their endorsements reinforce the authenticity of our brand and the high-performance capabilities of our products.

BUSINESS

As part of our social media marketing efforts, we sponsor and partner up with the most influential online personalities — from celebrities to top esports athletes. These celebrities include PewDiePie (Felix Kjellberg) with whom we signed a gaming headset branding agreement, top YouTuber and Twitch streamer Tom “Syndicate” Cassell, the first gamer to reach one million followers on Twitch and Lee ‘Faker’ Sang-Hyeok, a South Korean professional gamer who has been consistently ranked as the best League of Legends player in the world with three World Championship wins under his belt. These personalities collectively allow us to access millions of gamers around the world through logo and product exposure on their social networks. The reach these influencers command are as follows (as of June 27, 2017):

- Felix ‘PewDiePie’ Kjellberg, whose youtube videos have generated more than 15.6 billion views and whose youtube channel had more than 55.9 million subscribers, making him the most subscribed YouTuber in the world
- Tom ‘Syndicate’ Cassell, a live streamer on Twitch with, approximately 2.4 million followers, making him the most followed Twitch streamer in the world

Additionally, our influence and brand strength has attracted non-sponsored personalities and brands to work with us for product seeding, event coverage, and other social media engagement. Some of these non-sponsored personalities and brands include Monster, JINX, Adam Kovic and Major Nelson.

Direct community engagement

We engage heavily with our community through a wide variety of content, most of which are produced in-house and tailored for gamers via our social media channels. As of December 31, 2016, we had approximately 7.5 million “Likes” on Facebook, 2.7 million followers on Twitter, 1.2 million followers on Instagram, 1.2 million subscribers on YouTube, 250,000 followers on WeChat and 140,000 followers on Weibo.

To further maintain an intimate relationship with our fans, we have designed our own community forum, *Razer Insider*, to offer loyalty rewards and exclusive news. Serving over 500,000 registered forum users currently, *Razer Insider* provides a space for the most engaged of users to discuss our product and service offerings, among other topics of interest for gamers. All these social spaces provide us with an outlet to display our products, announce company initiatives and connect directly to our fan base.

Our efforts in community building and customer engagement go beyond online activation — we adopt a similar strategy offline when it comes to our presence at events.

Razer is active at the grassroots level, supporting local tournaments with prizes and also organizing our own grassroots events such as *Razer AFK*, where we get to meet our fans. Razer not only supports the gaming community, but also is an active member of it.

We play an active role at major gaming and technology-focused events such as CES and BlizzCon in the United States, IFA in Europe and the Tokyo Game Show in Asia. These events showcase the latest gaming trends and offer a venue for gamers to interact with one another. At these events, we may announce new products, sign on new esports teams, engage in press interviews, sponsor contests and provide live coverage of event happenings and esports matches.

BUSINESS

Expanded marketing channels

We have established a brand presence in each of the key regions in which we operate. We have our own marketing team, which works with external advertising and public relations agencies worldwide, to create an ongoing global effort across a diverse audience of consumers and media outlets. Our advertising and public relations agencies assist us in our ongoing global efforts to place interviews, articles and comparison tests in magazines, promote our products in online forums, facilitate media coverage of our brand and help us engage in product placement efforts. To date, we have largely relied on the viral effect of our social media posts and word-of-mouth marketing. In addition to this strategy, we plan to increase our marketing budget on other forms of advertising, which may include traditional and digital advertising.

Distribution and Sales

We sell our products (i) through a global distribution network of distributors (including those who operate or distribute to our three RazerStores in Bangkok, Manila and Hong Kong), (ii) through physical and online retailers, and (iii) directly to customers through our directly managed *RazerStores* in San Francisco, Shanghai and Taipei and our online store, www.razerstore.com. We believe that our distribution model enables us to reach a wide group of consumers in a variety of jurisdictions and is consistent with the market practice and industry norms employed by companies similar to ours. Further, we receive orders from customers and distributors on a regular basis and deliver within our committed window to the customers.

The following table sets out the Company’s different distribution and sales channels and their respective revenue contribution during the Track Record Period:

	For the Year Ended December 31,					
	2014		2015		2016	
	US\$	%	US\$	%	US\$	%
	(in thousands, except percentages)					
Distribution/Sales Channel:						
Distributors	183,080	58.1	187,954	58.8	194,132	49.5
Retailers	100,214	31.8	90,292	28.2	112,678	28.7
Direct Sales	31,953	10.1	41,460	13.0	85,289	21.8
Total	<u>315,247</u>	<u>100.0</u>	<u>319,706</u>	<u>100.0</u>	<u>392,099</u>	<u>100.0</u>

As noted in the table above, the substantial majority of our revenue has been derived from selling our products directly to distributors and retailers. Our distributors distribute our products principally through retailers, resellers or to sub-distributors with whom we have no direct contractual relationship. Our retailers sell our products principally to end customers. As of December 31, 2016, our products were sold in 76 countries, predominantly in the United States, China, Germany, Denmark and France and through 105 online platforms and through more than 21,000 offline retail stores.

In 2015 and 2016, our largest customer was a distributor in China, Eternal Asia. In 2015, Eternal Asia accounted for approximately 13.5% of our revenue, and in 2016, Eternal Asia accounted for approximately 10.9% of our revenue. Our top five customers accounted for 35.2%, 38.9% and 34.8% of our revenue in 2014, 2015 and 2016, respectively. See “Risk factors — We rely on a limited number of key retailers and distributors. The loss of or reduced purchases from these or other retailers and distributors could have a material adverse effect on our business.”

To the best of our knowledge, as of the Latest Practicable Date, all of our distributors and retailers were Independent Third Parties and none of our distributors and retailers were controlled by employees of Razer.

BUSINESS

(i) *Distributors.* In 2016, we sold our products to 115 distributors in 65 countries, including the United States, China, Germany, Denmark and France, which were the five largest countries by revenue contribution in 2016.

	As of December 31,		
	2014	2015	2016
Number of distributors at the beginning of the period	68	81	87
Addition of new distributors	26	18	28
Number of distributors during period	94	99	115
Number of distributors terminated during the period	13	12	24
Number of distributors at the end of the period	81	87	91
Turnover rate of distributors ⁽¹⁾	19%	15%	28%

⁽¹⁾ Number of existing distributors terminated as a percentage of distributors at the beginning of the period

In the ordinary course of business, we terminate relationships with our distributors due to a variety of commercial reasons. Distributors which were terminated in 2014 accounted for 10.4% of 2014 revenue, principally due to a change in our primary distributor in China from Beijing Digital (which was our largest customer in 2014) to Eternal Asia due to commercial considerations. Distributors which were terminated in 2015 only accounted for 0.1% of 2015 revenue. Distributors which were terminated in 2016 accounted for 0.2% of 2016 revenue.

In 2014, 2015 and 2016, our distributors accounted for approximately 58.1%, 58.8% and 49.5% of our revenue, respectively, and the amount of sales to distributors was US\$183.1 million, US\$188.0 million and US\$194.1 million, respectively. Some of our distributors have the obsolete stock arrangements clause in their distribution agreements. Returns from sales to distributors (including returns due to stock rotation) in 2014, 2015 and 2016 were 2.3%, 4.3% and 5.0% of total distributor sales, respectively. Generally, for returns from distributors, we provide the distributor with a credit note to offset the cost of returned products against future purchases by the distributor. For a discussion on our revenue recognition policies, please refer to the section headed “Financial Information — Critical Accounting Policies, Estimates and Judgments — Revenue Recognition” of this document.

We work with our distributors by collaborating on go-to-market plans, merchandising strategies and promotional support. We seek to protect and enhance our brand by carefully controlling the distribution of our products and we select our distributors based on factors such as the distributor’s reach, geographic size and related opportunity within particular geographies, strategy and fit with our brand. Our distributors’ contracts normally reserve our right to audit and inspect the distributors’ records and supporting documentation to verify such distributors’ compliance with our agreement and compliance policies. In most countries, we have a single distributor serving each country to manage competition amongst our distributors. Where we have more than one distributor in a particular country, we seek to minimize any channel conflict by segregating the type of products they sell as well as the types of resellers these distributors work with. For example, as of December 31, 2016, we use two distributors in China, one to primarily distribute our peripherals and the other to primarily distribute our system products. However, we do not have contractual relationships with the customers of our distributors, hence, we have limited control over our distributors with respect to pricing and sales policies. Accordingly, we have limited means of guarding against the possibility of competition arising between distributors with respect to our products, although the risk of cannibalization is mitigated by the relatively small number of distributors we have in any given jurisdiction.

The contractual relationships with our distributors generally do not specify minimum pricing of products, types of customers or retailers to whom our products can be sold, day-to-day access to inventory or sales information or exclusivity. The price at which we sell to distributors is typically lower than the price at which we sell to end consumers through our direct sales channel. We provide our distributors with MSRP.

BUSINESS

Distributors are generally authorized to use our trade names, trademarks and logos belonging to us specifically for the purposes of selling, advertising and promoting our products, on the condition that they will not use them in ways that are misrepresentative of us or our products.

While some of our contracts with distributors allow them to return unsold products as per the obsolete stock arrangement clause, we attempt to minimize returns and inventory write-offs by proactively monitoring inventory levels and managing product transitions. This includes recognizing and acting upon slow-moving products.

We have adopted a prudent approach to manage, monitor and collect receivables from our distributors, with reports produced on a regular basis to track receivables aging. This process is supplemented by proactive remedial measures by our finance team once aging of receivables exceeds a prescribed threshold. We are satisfied with our current recoverability, as our ability to collect has been strong in our opinion, and we have no reason to believe that this will change.

Our relationship with our distributors is that of seller and buyer and not principal and agent. We have no ownership or management control over any of our distributors. We typically enter into distribution agreements under which our distributors make purchases on a per-order basis. Accordingly, all of our sales to distributors are made according to written orders received. Where possible, we endeavor to use our framework agreement for distributors, including but not limited to the general terms of which are set out below:

Duration, conditions for terminating and renewal	Typical terms of 12 months to 25 months and contains renewal and termination clauses.
Geographic or other exclusivity	Non-exclusive.
Rights and obligations of parties involved	The right to sell and distribute within and outside of the relevant region online and the right to discontinue the sale of products without any liability to the distributor.
Sales and pricing policies	Distributors have discretion in deciding the appropriate distribution channels and distribution pricing. No guarantee of a minimum resale value of our products to distributors.
Goods return arrangements	Certain rights to return products.
Sales and expansion targets	Measurable targets and goals, based on key performance indicators, such as both quarterly and annual revenue and inventory targets. Also includes retail placement targets for specific products and specific retailers.
Sales and inventory reports and estimates	Regular sell-through reports regarding their run rates and inventory levels to track the health of the channels.
Any minimum purchase amounts	Typically does not include binding minimum purchase conditions.
Payment and credit terms	Credit terms ranging from 30 days to 60 days following the invoice date.

BUSINESS

While these general terms apply to our standard form, distribution agreements vary depending on region, size of the distributor and size of the contracted distribution area of the other parties involved.

The agreements we sign with certain larger distributors are often based on these distributors’ own standard forms. These agreements may include provisions related to pricing protection, notice of price increases, most-favored nation clauses and indemnification to the distributor.

(ii) *Retailers.* In 2014, 2015 and 2016, our third-party retailers with physical outlets, which include Best Buy and Walmart, accounted for approximately 21.8%, 19.8% and 19.6% of our revenue, respectively. In 2014, 2015 and 2016, online retailers which include Amazon, accounted for 10.0%, 8.4% and 9.1% of our revenue, respectively. We have no standard framework agreement for retailers. Rather, our agreements with retailers vary depending on the retailer. Returns from sales to retailers in 2014, 2015 and 2016 were 5.9%, 7.3% and 4.9% of total retailers sales, respectively.

	2014	2015	2016
Number of retailers at the beginning of the period	43	45	37
Addition of new retailers	17	15	15
Number of retailers during period	60	60	52
Number of retailers terminated during the period	15	23	16
Number of retailers at the end of the period	45	37	36
Turnover rate of retailers ⁽¹⁾	35%	51%	43%

⁽¹⁾ Number of existing retailers terminated as a percentage of retailers at the beginning of the period.

In the ordinary course of business, we work with major retailers, as well as smaller, niche retailers to explore a wide range of market opportunities. We terminate relationships with retailers due to commercial considerations. Retailers which were terminated in 2014, 2015 and 2016 accounted for 0.1%, 0.3% and 0.2% of revenue in their respective year. For a discussion on our revenue recognition policies, please refer to the section headed “Financial Information — Critical Accounting Policies, Estimates and Judgments — Revenue Recognition” of this document.

Our relationship with our retailers is that of seller and buyer and not of principal and agent. We provide our retailers with MSRP. We have no ownership or management control over any of our retailers. We typically enter into reseller agreements under which our retailers make purchases on a per-order basis, including but not limited to the general terms of these agreements are set out below:

Duration, conditions for terminating and renewal	The duration of these master agreements typically range from one to three years, but there are also some that do not have expiry dates but include cancellation clauses.
Geographic or other exclusivity	Most of our retail agreements do not have geographic exclusivity provisions, with a few exceptions where retailers are prohibited from selling or marketing our products outside their respective designated regions.
Rights and obligations of parties involved	Rights to sell products directly to end users. Razer is required to deliver products to the retailers in accordance with the terms of the retail agreements, but Razer generally reserves the right to concurrently market, sell, distribute and license our products worldwide.
Sales and pricing policies	Generally includes provisions related to pricing protection and notice of price increases.

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Goods return arrangements	Certain rights to return products.
Sales and expansion targets	There are no sales and expansion targets for retailers under the relevant contract.
Sales and inventory reports and estimates	We enter into agreements with some of our retailers which require retailers to provide us periodic inventory and sell-through reports.
Any minimum purchase amounts	Retailers normally have no obligation to purchase any minimum amount of products from us.
Payment and credit terms	Credit terms ranging from 30 days to 60 days following the invoice date.

With Razer's prior written consent, the retailers and their affiliates are generally authorized to use Razer's trade names, trademarks, logos, service marks, copyrights, or other marketing content in connection with products to promote and sell Razer's products.

(iii) Direct Sales. We also sell our products to customers through *RazerStores* and through our online store, www.razerstore.com. Our *RazerStores* are for selling merchandise and also serve as "experience stores," where customers can experience new products and immerse themselves in a dedicated gaming environment prior to making a purchase. *RazerStores* that we operate directly include stores in Shanghai, Taipei and San Francisco, which we consider as direct sales. The Taipei store opened in May 2015; the San Francisco store opened in May 2016; and the Shanghai store opened in June 2016. Our online store is available to customers in over 100 different countries and territories as of December 31, 2016, including the United States, China and many countries in the European Union. In 2014, 2015 and 2016, our direct sales accounted for approximately 10.1%, 13.0% and 21.8% of our revenue, respectively.

For the Bangkok and Manila stores, Razer manages the store concept and staff training; however, these stores are fully operated by distributors, and revenue is not part of our direct sales. The Hong Kong store is a partnership between Razer and CK Hutchison's Three Group. Razer manages the store concept and staff training; Three Group operates the store and purchases goods from our third-party Hong Kong distributor, and therefore revenue is also not considered direct sales by us.

During the Track Record Period, a large portion of our online store sales, sales processing and fulfilment are handled by third-party ecommerce service providers. Furthermore, we have entered into payment service agreements with payment gateways and payment service provider channels including major credit cards, prepaid cards, prepaid methods, and direct carrier billing companies, as we prepare to invest into and grow our direct sales channels.

Pricing. We price our products based on (i) the cost of finished products from our third-party manufacturers, (ii) warranty expenses, shipping and handling and amortization of tooling assets and (iii) other costs such as royalty expenses. Prices of the components and materials are based on prevailing market rates. These costs are typically borne by our contract manufacturers and passed onto Razer. Historically, there has not been any fluctuation in the prices of our main components and materials that may materially affect the selling price of our products. During the Track Record Period, there were no significant fluctuations in the average selling prices of our products.

Seasonality. In particular, we typically have higher sales during the second half of each year, which we believe is primarily due to a concentration of shopping during the year-end holiday season.

Customer Service

End-user customer services

We aim to provide both pre-sales and after-sales services to our customers in order to maintain a high level of customer satisfaction, including after-sales customer service, technical support, access to our knowledge base portal, customer feedback and survey systems, and claims handling assistance and reverse logistics.

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We are available to our customers through our website, by phone, live chat, email or social media, and our customer engagement agents, totaling approximately 80 as of December 31, 2016, are located in three call centers around the world so as to best serve all of our customers. We strive to respond to customer inquiries within one working day and direct comments to the appropriate team.

Returns and warranties

We offer a 14-day return policy on items purchased from our online store, www.razerzone.com. Our retailers and distributors set their own return policies. When a product is returned by a distributor, they receive a credit toward their next order of Razer products. In 2014, 2015 and 2016, returns represented approximately 3.3%, 5.0% and 4.8% of revenue, respectively.

The warranty period on most of our products range from six months to two years. In 2014, 2015 and 2016, our warranty expenses amounted to US\$2.5 million, US\$4.1 million and US\$15.0 million, respectively. The increase in warranty expenses is related to the increased sales of systems, which generally carry more warranty expenses. Repair services related to the fulfilment of warranties are provided by seven contracted third-party service providers. To make a warranty claim, a customer may contact our call centers, and if repair is required, the unit will be shipped to regional repair centers, after which repair will take place.

We have not experienced any customer complaints, product returns or product liability claims that materially and adversely affected our business during the Track Record Period and up to the Latest Practicable Date.

Competition

The markets in which we operate are highly competitive and include large and well-established companies. While we believe there is no single competitor that directly competes with our ecosystem across all our product and service categories, we face numerous competitors in each product category. In general, we face competition from premium consumer technology brands that market to gamers. We face competition in our gaming peripherals from computer and peripheral makers such as Logitech International S.A. and Turtlebeach. For our systems products, we face competition from companies specializing in gaming systems, such as Alienware, a division of Dell Inc., Asus, Ltd. and Micro-Star International Co., Ltd. We believe that the principal competitive factors that affect customer preferences include brand awareness, product design, price, reputation, product features, user experience, online product reviews and other value propositions. We believe we compete favorably based on these factors.

Intellectual Property

Our brand, trade names, trademarks, trade secrets, patents, copyright, designs and other intellectual property rights are crucial to our business. To protect our intellectual property rights, we rely on a combination of trademark, trade secret, patent, copyright, design and other intellectual property-related laws in the jurisdictions in which we operate, as well as confidentiality agreements with our

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employees, sales agents, contractors and others. In addition, we have a dedicated team comprising in-house attorneys and secretarial support staff to actively manage our extensive portfolio of registered and pending intellectual property assets, as well as to monitor and manage potential risks and threats to our intellectual property, such as the counterfeiting of our hardware and the piracy of our software.

Trademarks

As of December 31, 2016, we had 30 U.S. registered trademarks, 22 pending U.S. trademark applications, 743 non-U.S. registered trademarks and 300 non-U.S. pending foreign trademark applications filed or granted in respect of our stable of house marks and product marks. Of the aforementioned trademarks, as of December 31, 2016, our subsidiary, THX, had 9 U.S. registered trademarks, 71 non-U.S. registered trademarks and 5 pending non-U.S. foreign trademark applications. Our trademark applications cover 60 countries around the world, and registrations cover in excess of more than 70 countries around the world. Set forth below are some of our key trademarks in various jurisdictions, categorized according to the classification set out by the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (Nice Agreement).

While there are variations between the coverage of our trademark applications in various jurisdictions, our trademark applications for Classes 9, 18, 25 and 28 generally cover computers, laptops, tablets, keyboards, mice and computer input devices, audio equipment, gaming devices, software, bags, clothing and gaming console controllers, among other things. In 2014, we expanded our Class 9 filings to cover wearable computer peripherals. We also have applications and registered marks in Classes 38, 39, 42 and 45 in various territories relating to the development of computer software, VoIP services, search engine services, and social networking services. Our most recent filing covers ecommerce services and esports sponsorship services in Class 35.

RAZER

- We have registered our "RAZER" trademark in Class 9 in various territories, including China, France, Germany, Indonesia, Japan, Singapore and the United Kingdom and for Classes 9, 18, 25 and 28 in various territories, including France, Singapore, the United Kingdom and the United States.
- We have pending applications for Class 9 in territories including Australia, Brazil, Canada, the EU and United Arab Emirates and for Classes 9, 18, 25, and 28 in various territories, including Australia, Austria, Canada, China, Germany and South Korea.
- We have applications and registered marks in Classes 38, 39, 42 and 45 in various territories relating to the development of computer software, VoIP services, search engines and social networking.

We have recently filed for protection under Classes 35, 36 and 42 certain applications for business services relating to payment processing, as well as financial services and development of software relating to electronic wallet services in Singapore. This process is ongoing.

Our triple-headed snake logo

- We have registered various versions of our logo in Class 9 in various territories, including Australia, Brazil, South Korea, the Russian Federation, Canada, the EU and Singapore, and for Classes 9, 18, 25 and 28 in Argentina, Australia, the EU, South Africa, South Korea, the Russian Federation, Singapore, United Arab Emirates and the United States.
- We have pending applications for various versions of our logo for Classes 9, 18, 25 and 28 in various jurisdictions, including India and Sri Lanka.

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Our motto: “FOR GAMERS. BY GAMERS.”

- We have registered various versions of our slogan for Classes 9, 18, 25 and 28 in various territories, including Australia, the EU, South Korea, the Russian Federation and Singapore. In China and the United States, one version is registered for Classes 9, 25 and 28.
- We have pending applications for various versions of our slogan for Classes 9, 18, 25 and 28 in various other jurisdictions, including Canada and Vietnam.

In addition to our “house” mark, logo and slogan, we have applied to register, or have registered in various territories, important product marks such as “BLADE,” “EDGE,” and “NABU.”

A number of our trademark applications and registration are subject to opposition proceedings and other legal challenges, including our trademark applications for the “RAZER” trademark. The substantial majority of these we consider to be in the ordinary course of business for a technology company such as ours. See “Risk factors — We may be subject to intellectual property infringement claims or other legal challenges, which could cause us to incur significant expenses, pay substantial damages and prevent us from selling our products.”

Patents

As of December 31, 2016, we had 69 U.S. issued patents, 34 U.S. patent applications, 176 non-U.S. issued patents and 237 non-U.S. patent applications. Of the aforementioned patents, as of December 31, 2016, our subsidiary, THX, had 28 U.S. issued patents, 4 U.S. patent applications, 48 non-U.S. issued patents and 31 non-U.S. patent applications. As of December 31, 2016, we have a total of 139 patent families, of which 15 patent families belong to THX. Of these patent families, approximately 52% of the patents are related to gaming peripherals, including keyboards, mice, gaming console controllers and mouse pads and approximately 20% of the patents relate to software, 19% of the patents relate to audio systems, and 9% relate to computing systems.

A number of our patents and patent applications are involved in litigation related to allegations of infringement of intellectual property rights and other violations of other parties’ rights. The substantial majority of these we consider to be in the ordinary course of business for a technology company such as ours. See “Risk factors — We may be subject to intellectual property infringement claims or other legal challenges, which could cause us to incur significant expenses, pay substantial damages and prevent us from selling our products.”

Razor trademark settlement and co-existence agreement

In order to resolve a number of pending trademark opposition proceedings and disputes throughout the world with Razor USA LLC, or Razor USA, over the use and registration of the “RAZER” trademark, on May 8, 2015, we and Razor USA entered into a worldwide Trademark Settlement and Co-Existence Agreement (“Razor Settlement Agreement”). Under the Razor Settlement Agreement, Razor USA agreed that we can use and license the “RAZER” mark and other related marks, which we refer to collectively as the Razer marks, in connection with our products and services primarily marketed for gaming use and/or for gamers existing as of March 17, 2015, all future versions or iterations of such products, and any future products or services primarily marketed for gaming use and/or for gamers. In particular, we agreed that we would not use, license or register our Razer marks in connection with, among others, phones and phablets and their future versions or iterations.

We also agreed that any such use of the Razer marks on any product packaging must also include our “triple-headed snake” logo alongside such marks. In addition, Razor USA agreed not to use, license, register or apply for any mark containing the term RAZER, while we agreed not to use, license, register or apply for certain marks owned by Razor USA, including “RAZOR,” “RAZR,” “RAZER USA” and variations or equivalents thereof, which we refer to collectively as the Razor USA marks. We also agreed not to register the Razer marks for games (excluding computer and video games in Class 9 or video game apparatus in Class 28), playthings, toys, sporting goods, vehicles, televisions, phablets, phones and any goods in Class 12. Each party must also refrain from challenging, opposing or attacking any of the other party’s marks that comply with the terms of the agreement.

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Under the Razor Settlement Agreement, we paid Razor USA a non-refundable, one-time settlement payment, and each party released the other from any and all known and unknown claims, obligations and liabilities arising from or relating to the Razer marks or Razor USA marks (including any claims of actual or potential infringement, confusion, dilution or unfair competition with respect to such marks) prior to the date of the agreement. The term of the Razor Settlement Agreement continues in perpetuity and may only be terminated by either party if the other party permanently and fully discontinues the operation of its business.

On June 25, 2017, we entered into a Royalty Agreement with Razor USA, effective July 1, 2017, under which Razor USA consented to our use of the Razer marks and trade name on or in connection with, (i) phones, phablets and future versions or iterations thereof that are manufactured, distributed or sold by us or on our behalf and which are branded with a Razer mark on the device hardware or packaging, which we refer to as the Razer phones, and, (ii) certain other third-party phones, phablets and future versions thereof that are manufactured, distributed or sold by us or on our behalf, which we refer to as third party phones. In exchange we agreed to pay Razor USA the higher of either a royalty on an annual basis.

The Royalty Agreement has a term of 15 years. If Razor USA abandons the Razor USA marks with respect to Class 9 goods, we may terminate the agreement. We also have the right to terminate the agreement at any time and for any reason. The agreement may also be terminated by either party, first, for material breach (including our failure to pay any owed royalties) by the other party that is not cured within 30 days, or, second, if the other party permanently and fully discontinues the operation of its business.

License agreement and toleration agreement

In order to resolve a number of pending trademark opposition proceedings and disputes throughout Europe with a third party over the use and registration of the "RAZER" trademark, on December 22, 2008, we entered into a License Agreement with the third party. Under this agreement, we agreed not to use our RAZER marks on, and to limit our applications and registrations for the RAZER marks such that they exclude, computers and notebooks in Germany, Austria, Benelux, France and Great Britain in view of the third party's earlier rights. We further agreed to restrict our use and registration of such RAZER marks in those territories in Class 9 to certain specified products such as game consoles, mice, keyboards, headphones, control pads and microphones, which were referred to as the permitted goods. In exchange we made a lump sum payment as well as certain increasing annual royalties, which have been capped since 2015. This agreement runs in perpetuity but we have the right to terminate for convenience upon twelve months' written notice.

On September 6, 2016, we entered a Toleration Agreement with the same third party. Under this agreement, the third party consented to us extending our use of the RAZER trademarks in Class 9 to gaming notebooks and ultraportable notebooks in Europe, Switzerland and Norway. In exchange, we agreed to certain annual royalties on net sales of such products in such territories. Additionally, we agreed to (i) always use the RAZER trademark together with another of our marks on our notebooks; (ii) always feature prominently our "triple-headed snake logo" on our notebooks; (iii) in advertising our notebooks, their keyboard backlights must not be depicted in the same color scheme that the third party uses to market its own products; and (iv) our notebooks must be priced above certain specified thresholds. Aside from consenting to the extension of our use of the RAZER trademarks to gaming notebooks and ultraportable notebooks, the third party also agreed that we may use and register the RAZER marks in Europe, Switzerland and Norway for any products in Class 9 except for the third party's goods under its own mark less any permitted goods. This agreement continues in perpetuity and cannot be unilaterally terminated by either party, unless there is a material breach by either party that is not cured within 30 days, or if either party ceases to do business or becomes insolvent, or if we challenge or oppose the third party's use and registration of its earlier trademark anywhere in the world.

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Employees

We had 488, 591 and 718 employees as of December 31, 2014, 2015 and 2016, respectively. We also use independent contractors to provide us more flexibility over overall workforce numbers. Independent contractors primarily work on software development projects in the United States and on local marketing efforts in Australia, Europe, Japan and Mexico where we do not maintain a physical presence. Our employees are largely based in Singapore, the United States, China, Taiwan and Germany.

The following table sets forth the number of our employees by geography as of December 31, 2016:

	Number of Employees	% of Total
Americas	165	22.9%
Asia Pacific (ex-China)	412	57.4%
China	96	13.4%
EMEA	45	6.3%
Total Headcount	<u>718</u>	<u>100.0%</u>

The following table sets forth the number of our employees by function as of December 31, 2016:

	Number of Employees	% of Total
Sales & Marketing	300	41.8%
Research & Development	309	43.0%
General & Administrative	109	15.2%
Total Headcount	<u>718</u>	<u>100.0%</u>

As of the Latest Practicable Date, we had 749 employees. None of our employees are covered by a collective bargaining agreement. We have not experienced any labor-related disputes or work stoppages.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses, other benefits and incentives. We also believe that Razer employees feel an affinity with our company brand, which we believe strengthens retention and forges a sense of community among our staff and throughout our workplaces. In 2017, Razer won the Singapore Computer Society's "Best Tech Companies to Work For 2017" award in the large organizations and multi-national corporations category for our "corporate culture, robust talent development and innovation excellence."

We primarily recruit employees from the following countries, in order of greatest numbers of employees: Singapore, the United States, China, Taiwan, Germany, India, the Philippines, Vietnam, Malaysia, Canada and France. We recruit primarily through job search websites, recruitment agencies, social media and employee referrals programs for our recruitment needs. When an external recruitment agency is used, we typically pay the agency a one-off recruitment fee and the hire becomes a full-time Razer employee. At times, to augment our workforce, we may engage vendors to provide additional staff on a project or on an ad-hoc basis.

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We provide on-board training to all new employees. The on-boarding program serves as a guide to assimilate a new employee into Razer. This encompasses activities from pre-arrival through to the end of the employee's first month. Each employee receives an employee handbook as part of the on boarding process and is designed to help employees get oriented with the Razer culture and office expectations. To improve as a company and to help employees realize their full potential, we are committed to extending training and development programs to all employees at all levels of our organization. Currently, we set aside an annual budget for ad hoc training for employees.

Insurance

In line with general market practice, we do not maintain any insurance to cover our main business operations or business interruption insurance. We also do not maintain key-man life insurance, insurance policies covering damages to our network infrastructures or information technology systems.

During the Track Record Period, we did not make any material insurance claims in relation to our business. See "Risk Factors — Risks Relating to Our Business and Industries — Our insurance coverage may be inadequate to cover all significant risk exposures."

Properties

As of the Latest Practicable Date, we leased a total of 18 properties in Singapore, the United States, China, Taiwan and Germany. Our leased properties have a total gross floor area ("GFA") of approximately 12,300 square meters, each ranging from a GFA of approximately 10 square meters to 2,050 square meters. The relevant lease agreements have lease expiration dates ranging from 2017 to 2023, and some of these lease agreements contain renewal options. As of the Latest Practicable Date, we did not own any property.

We lease certain properties in China in connection with our business operations, offices, research and development, and customer service. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are primarily used as our office premises for our operations. They are located in Beijing, Chengdu, Shanghai and Shenzhen.

Our PRC legal advisers, Grandall Law Firm, have advised us that all PRC leased properties have valid title certificates. However, four of the lease agreements with respect to four out of our six leased properties in the PRC (with a total GFA of 1,488.07 square meters and approximately 70.35% of the total GFA of our leased properties in the PRC) have not been registered and filed with the relevant land and real estate administration bureaus in the PRC. The failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in our being required to vacate the leased properties, although we, as the lessee, might be subject to administrative fines of no more than RMB40,000 in aggregate.

Risk Management

We have dedicated ourselves to establishing and maintaining risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We have progressively implemented an enterprise risk management (ERM) framework since 2015. The ERM framework contains the key elements of any internationally acceptable framework, which is scalable, easily implementable and sustainable. The key elements include the following:

- a risk management strategy which formalizes the organization's attitude towards risk management;
- a risk management policy that sets the ground rules for the organization on matters related to risk management;
- a risk assessment process which consists of risk identification, risk analysis and risk evaluation;

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- a risk treatment process to ensure risks are addressed through options such as avoidance of the activity generating the risk, reducing the likelihood of the risk, transferring away the risk or accepting the risk after due consideration;
- risk monitoring such as checking, supervising or observing the expected level of performance; and
- internal risk reporting to periodically obtain updates on whether existing processes and procedures are able to meet the established objectives of risk management.

Financial reporting risk management

We have in place a set of accounting policies and processes in connection with our financial reporting risk management, such as budget management policies and procedures and financial statements preparation procedures. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures. We also provide regular training to our financial department staff to ensure that they understand our accounting policies.

As of December 31, 2016 our finance department consisted of 45 employees. It is headed by our chief financial officer who has over 15 years of experience in finance and capital markets, including six years of financial reporting experience.

Information system risk management

Sufficient maintenance, storage and protection of user data and other related information is critical to our success as a gaming hardware and software provider. Resources have to be devoted for the collection, storage and use of user data to ensure that user data is protected and loss of such data, whether through hacking or other means, is avoided. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of company data.

Our MIS team is responsible for ensuring that the usage, maintenance and protection of company data are in compliance with our internal rules and the applicable laws and regulations. As of December 31, 2016, our MIS operations, infrastructure and systems department consisted of 27 employees. The head of our MIS department has over 20 years of experience in the area. We provide regular trainings to our information technology team and hold regular meetings to review our information technology operations, assess work progress and make plans for upcoming work streams.

We back up such data on a daily or weekly basis in separate and various secured data back-up systems to minimize the risk loss or leakage of user data. We also conduct frequent reviews of our data center and back-up systems to ensure that they function properly and are well maintained.

Several of the policies we have adopted to reduce information system risk include policies aimed at mitigating the risks involved in day-to-day operation of data and information (such as data back-up, regular system checks, password policies and user authorization review and approval). They also include policies on system development and policies to mitigate the risks of improper system changes such as controlling measurements during the system development life cycle and "version control policies," which ensure that all the changes to systems are tested so that only the latest approved system versions will be implemented.

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Internal control risk management

We have designed and adopted internal procedures to ensure the compliance of our business operations with applicable regulations. Each department of our Company is separately responsible for implementing and effecting these policies. Internal control processes and procedures are established for various aspects of the business such as research and design project management, contract management, sales & distribution and collections management, procurement and payment management, inventory and warehousing management, quality assurance management, human resources and payroll management, cash management and intellectual property management. Policies and procedures in respect to these business areas are mostly formalized. Where there are gaps in the internal procedures, we continue to enhance our procedures to address these gaps. We provide regular channels for the escalation of any issues encountered across internal control areas.

We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Human resources risk management

We provide on-board training to all new employees. The on-boarding program serves as a guide to assimilate a new employee into the Razer culture. This encompasses activities from pre-arrival through to the end of the employee’s first month. We have in place an employee handbook, which is approved by our management and shared with all our employees. As part of the on-boarding process, new employees will be briefed on the rules and guidelines and the expectations of him or her. Separately, we have a code of conduct and business ethics policy that all employees will be required to acknowledge.

We also have in place a whistleblowing process to safeguard against any corruption within our Company. We have issued the Code of Conduct and Whistleblower and Complaint Policy to our staff to explain potential corruption conducts and our anti-corruption measures. We make our internal reporting channel open and available for any of our staff to report corruption acts. Staff can also make anonymous reports to our general counsel or head of human resources or via e-mail to a designated e-mail address overseen by our general counsel and head of human resources. Our general counsel and/or head of human resources will investigate all reported incidents and adopt appropriate measures.

Investment risk management

Investments made through zVentures are reviewed and approved by an investment committee. To manage potential risks associated with investment, we require our investee companies to grant us certain rights, which may include veto rights, information rights, liquidation preference, redemption rights, anti-dilution rights, pre-emptive rights, rights of first refusal and co-sale rights, sale transfer restriction on founders of investee companies, restriction on timing and minimum market capitalization of their IPOs.

Our zVentures team is responsible for investment sourcing, screening, execution and post-investment risk management. zVentures investments are reviewed and approved by an investment committee. To manage potential risks associated with investment, we require our investee companies to grant us certain rights, which may include veto rights, information rights, liquidation preference, redemption rights, anti-dilution rights, pre-emptive rights and rights of first refusal and co-sale rights.

Audit and Risk Management Committee experience and qualification and board oversight

We have established the Audit and Risk Management Committee to monitor the implementation of our risk management policies across the Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit and Risk Management Committee consists of three members: Mr. Gideon Yu, Mr. Chau Kwok Fun Kevin and Mr. Lee Yong Sun. For the professional qualifications and experiences of the members of the Audit and Risk Management Committee, see “Directors and Senior Management — Directors.”

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From June 2014 until December 2016, we had in place an in-house internal audit department which was led by the Head of Internal Audit with 12 years of experience in internal control and audit. The internal audit department was responsible for facilitating the implementation of risk management policies, reviewing the effectiveness of such policies and reporting to the Audit and Risk Management Committee on any issues identified. The internal audit plan was reviewed by the Audit and Risk Management Committee. Any substantial amendment of the plan must be approved by the Audit and Risk Management Committee. Our internal audit department members hold regular meetings with process owners to discuss any internal control issues we face and the corresponding measures to be implemented toward resolving such issues. In the event that any material internal control issues arise, the internal audit department escalates to the Audit and Risk Management Committee to ensure that any major issues identified can be addressed in a timely basis. The Audit and Risk Management Committee then discusses the issues and reports to the Board if necessary.

With effect from January 2017, the internal audit function has been outsourced to an Internal Audit service provider reporting directly to the Audit and Risk Management Committee. The scope of work of the outsourced Internal Audit service provider is similar to that of the in-house internal audit department. Audit methodologies of the in-house internal audit department and outsourced Internal Audit service provider are aligned with the International Professional Practice Framework established by the Institute of Internal Auditors. The annual internal audit plan is developed in co-operation with the Company and must be approved by the Audit and Risk Management Committee. Internal Audit reports will continue to be distributed to the Company upon completion of audits.

Ongoing measures to monitor the implementation of risk management policies

We have adopted measures to ensure our ongoing monitoring of the implementation of risk management policies by relevant staff is adequate. The Audit and Risk Management Committee, outsourced internal audit department, Risk Officer and senior management together constantly review/monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

Legal and Regulatory Matters

Legal proceedings

We have in the past been subject to trademark and patent opposition proceedings, and in the future we may be subject to additional opposition proceedings or other legal challenges regarding the registration or use of our brands, trade names, trademarks and patents. See "Risk factors — We may be subject to intellectual property infringement claims or other legal challenges, which could cause us to incur significant expenses, pay substantial damages and prevent us from selling our products" and "Risk factors — If we are unable to obtain and adequately protect our intellectual property rights, our business could suffer." We are also subject to other legal proceedings in the ordinary course of our business; however, we do not believe these proceedings would have a material adverse effect on our business, financial condition, results of operations or reputation.

During the Track Record Period, the only material dispute that the Company was involved in related to the dispute over a trademark, settled in 2015. See "— Intellectual Property — Razor Trademark Settlement and Co-Existence Agreement."

Except as disclosed in this document, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our results of operations or financial condition.

Licenses and permits

We understand from our legal advisers that during the Track Record Period and the subsequent period up to the Latest Practicable Date, we had obtained from the relevant government authorities the required licenses, approvals and permits that are material for our business operations.

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Regulatory matters

We operate in the consumer products retail industry, which is less regulated than more manufacturing-intensive businesses. In addition, we outsource our production to third parties and sell the substantial majority of our products through distributors and retailers. This reduces the number of regulations we are subject to in most of our jurisdictions and reduces the material effect of those regulations that we are subject to.

We are subject to laws and regulations in the jurisdictions where we conduct our business, including those relating to payment systems, anti-money laundering and economic sanctions.

European Union

Electronic Money Directive (Directive 2009/110/EC)

At an EU level, electronic money is regulated by Directive 2009/110/EC ("EMD"). Electronic money is defined in EMD as "Electronically (including magnetically) stored monetary value as represented by a claim on the electronic money issuer which (i) is issued on receipt of funds for the purpose of making payment transactions and (ii) is accepted by a natural or legal person other than the electronic money issuer.

EMD does not apply to:

- a) Monetary value stored on instruments that can be used to acquire goods or services only:
 - i. In or on the electronic money issuer's premises; or
 - ii. Under a commercial agreement with the electronic money issuer, either within a limited network of service providers or for a limited range of goods or services;
- b) Monetary value that is used to make payment transactions executed by means of any telecommunication, digital or IT device, where the goods or services purchased are delivered to and are to be used through a telecommunication, digital or IT device, provided that the telecommunication, digital or IT operator does not act only as an intermediary between the payment service user and the supplier of the goods and services,"

We believe that we are not subject to the Directive, in relation to *zGold*, on the basis that *zGold* would not be considered electronic money as it can only be used within a limited network of service providers and for a limited range of digital goods and services (specifically computer software and virtual items for use in computer games). We believe that we are not subject to the Directive, in relation to *zSilver*, on the basis that *zSilver* would not be considered electronic money since it is: (i) not issued on receipt of funds; and (ii) not accepted by a person other than the electronic money issuer. Whether *zVault* is regulated under EMD is ultimately a matter for the national regulator of each Member State in which *zVault* operates. We are not aware of any challenge from any such regulator in any Member State with respect to Razer's operation of *zVault*.

Payment Services Directive (Directive 2007/64/EC) and (from January 12, 2018) the Second Payment Services Directive (Directive (EU) 2015/2366. "PSD2")

At an EU level, payment services are regulated by Directive 2007/64/EC ("PSD"). PSD covers certain services relating to "payment accounts," as well as the issuing and/or acquiring of payment instruments and money remittance.

We do not consider that *zVault* fulfils the definitions of a payment account or a payment instrument under PSD. Neither of the virtual credits services available in *zVault* constitute funds and neither *zGold* or *zSilver* can be transferred between users and cannot be converted back into fiat currency and so we do not consider that *zVault* could be utilized for money remittance. Even if *zVault* were to fall within PSD, we believe that it would fall within an exclusion which applies to payment instruments that can be used to acquire goods and services within a limited network of service providers or for a limited range of goods or services.

BUSINESS

From January 12, 2018, the limited network exclusion will be amended so as to apply to instruments which allow the holder to acquire goods or services only within a limited network of service providers which have direct commercial agreements with the issuer or which may be used only to acquire a very limited range of goods or services. We consider that this change to the limited network exemption would not materially impact *zVault*'s ability to make use of this exemption. Firms that make use of the limited network exemption will also be required to notify the national regulator of a Member State if the total value of the payment transactions executed through their services exceeds one million euros (in any period of 12 months) in that Member State. This may mean that the use of *zVault* attracts greater regulatory attention from national regulators in EU Member States where *zVault* operates.

Whether *zVault* is regulated under PSD (and from January 12, 2018, under PSD2) is ultimately a matter for the national regulator of each Member State in which *zVault* operates. We are not aware of any challenge from any such regulator in any Member State with respect to Razer's operation of *zVault*.

The Third Money Laundering Directive (2005/60/EC) and (from June 26, 2017) the Fourth Money Laundering Directive (Directive (EU) 2015/849)

The European Commission has proposed bringing virtual currency exchange platforms and custodian wallet providers within the scope of Directive ((EU) 2015/849) (“MLD4”). The deadline for the implementation of MLD4 into Member States' national laws is June 26, 2017, however the European Commission's proposals in respect of virtual currencies do not form part of the new requirements (since they would require a further amending directive to be implemented).

Although we do not believe we fall within the scope of the EU's money laundering directives, we have adopted certain internal policies and procedures to mitigate money laundering risks. We are not aware of any challenge from any national regulator in any Member State with respect to Razer's operation of *zVault*.

Singapore

A *zVault* registered account is a stored value facility (“SVF”) pursuant to the Payment Systems (Oversight) Act (Cap. 222A of the Republic of Singapore) (“PSOA”). The PSOA is administered by the Monetary Authority of Singapore (“MAS”). An “SVF” is defined in the PSOA as: (i) a facility (other than cash), whether in physical or electronic form, which is purchased or otherwise acquired by a user to be used as a means of making payment for goods or services up to the amount of the stored value that is available for use under the terms and conditions applying to the facility, and payment for the goods or services is made by the holder of the stored value in respect of the facility (rather than by the user); or (ii) all the facilities referred to in paragraph (i) provided under the same terms and conditions, while the “holder” of an SVF is defined as the person who holds the stored value and makes payment for goods or services referred to in the foregoing definition of SVF. Under the PSOA we may not directly or indirectly, alone or together with any person over whom we have control or influence, hold stored value in stored value facilities in excess of S\$30 million, unless we are an approved holder of a widely accepted SVF and an approved bank has undertaken to be fully liable for the stored value under such SVF. As a holder of an SVF, we are strongly encouraged to adopt and implement the standards set out in the Stored Value Facility Guidelines issued by the MAS, taking into consideration the nature, size and complexity of our SVF. We are required to make certain disclosures to our users in Singapore, and we are subject to certain restrictions on advertising.

The PSOA provides for the oversight of payment systems (being a funds transfer system or other system that facilitates the circulation of money, and includes any instruments and procedures that relate to the system), and matters connected therewith. Under the PSOA, the MAS has broad powers to require the parties involved to provide to the MAS all such information relating to the payment system as may be required by the MAS.

BUSINESS

United States

Various U.S. laws and regulations, including the Bank Secrecy Act and the USA PATRIOT Act, impose procedural and reporting requirements on financial institutions in the United States. Under these laws and regulations, financial institutions are broadly defined to include money services businesses such as money transmitters, check cashers, and providers and sellers of "prepaid access."

The Treasury Department's Financial Crimes Enforcement Network, or FinCEN, requires money services businesses that fall within its jurisdiction to maintain a written anti-money laundering program, file currency transaction and suspicious activity reports, and collect and retain certain customer and transactional information. Most money services businesses are also required to register with FinCEN.

The USA PATRIOT Act requires certain financial institutions in the United States to take actions to prevent use of the financial system to launder money or finance terrorist activities. For example, a financial institution must establish an anti-money laundering compliance program that includes the designation of a compliance officer, training of employees, adoption of internal policies and procedures to mitigate money laundering risks, and periodic audits. Money services business are also required to have policies and procedures for identifying and verifying the identity of their customers.

We believe that we are not a regulated money services business subject to these regulations because we fall within an exemption for arrangements that provide closed loop prepaid access to funds not exceeding US\$2,000 maximum value that can be associated with a prepaid device or vehicle on any day. However, it is possible that our closed-loop gift card and virtual credits service could be considered a financial product and that we could be deemed a financial institution subject to applicable U.S. federal or state regulation under certain interpretations of laws governing businesses such as money transmitters, check cashers, and providers and sellers of prepaid access. Although we do not believe we are subject to U.S. federal anti-money laundering regulations, we have implemented internal policies and procedures to mitigate money laundering risks.

Economic sanctions

The United States, and the member states of the European Union (the "EU") and the United Nations Security Council (the "UNSC") impose economic sanctions on certain countries, territories, governments, individuals and entities ("Sanctions"). The countries and territories targeted by comprehensive U.S. economic sanctions are, as of the Latest Practicable Date, Iran, Syria, Sudan, Cuba, North Korea and the territory of Crimea (the "Sanctioned Countries"). Sanctions generally also target individuals and entities located, organized or resident in a Sanctioned Country. In addition, the United States, the EU and the UNSC also administer selective list-based economic sanctions on specified individuals and entities that are designated on sanctions lists (such as the U.S. Specially Designated Nationals and Blocked Persons List and the European Union consolidated list of persons, groups and entities subject to European Union financial sanctions), certain of which Sanctions also target entities controlled by and/or owned 50 percent or more by, one or more individuals or entities named on a sanctions list. Individuals, governments, and entities that are targets of Sanctions are referred to collectively as "Sanctioned Targets."

BUSINESS

In October 2016, we established a formal sanctions policy designed to prevent violation of Sanctions with which we are required to comply. In addition, we do not, and do not intend to, do business in any Sanctioned Country or with any counterparty that is a Sanctioned Target. To identify, monitor, and mitigate our exposure to Sanctions risks, our sanctions policy includes the following measures:

- with respect to sales to new distributors with which we enter into contracts, we conduct Sanctions screening on such persons to confirm that they are not Sanctioned Targets and where deemed appropriate, we will take steps to address that risk or decline to enter into a relationship with that distributor; and
- upon identifying material risks relating to Sanctions in our operations, we will seek appropriate advice from reputable external legal advisers.

Our distributors are not located in a Sanctioned Country and are not to our knowledge, having made due enquiry, Sanctioned Targets. We believe that we are not in violation of any Sanctions in connection with our activities in Russia, Belarus, Myanmar and Ukraine.

Health, safety and environmental matters

We are not subject to any significant health, safety or environmental risks. We do not operate any production facilities, as contract manufactures produce all of our devices. We also do not operate any transportation or storage facilities, as we engage third parties to transport and store our finished products.

To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal adviser, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations.

Non-compliance

During the Track Record Period and up to the Latest Practicable Date, there were no material breaches or violations of laws or regulations applicable to us which would have had a material adverse effect on our business or financial condition.

Connected Transactions

Mr. Lim Kaling is our non-executive Director and he indirectly holds 20% in the issued share capital of THX. THX is therefore our connected subsidiary under Rule 14A.16 of the Listing Rules. In the ordinary course of business, we have certain continuing connected transactions with THX in relation to certification of our products. As each of the applicable percentage ratios under the Listing Rules is, on an annual basis, expected to be less than 0.1% and fall within the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules, such continuing connected transactions with THX are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. We will comply with such reporting, annual review, announcement and independent shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios exceeds the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules.

Other than disclosed above, there is no other continuing connected transaction between us and our connected persons.

BUSINESS

Awards and Recognition

We have received recognition for the quality and popularity of our products. Among many other awards, our hardware have won the “Best of CES” award at the Consumer Electronics Show, the world’s largest consumer technology show, for an unprecedented seven years in a row (2011-2017). Some of the significant awards and recognition we have received are set forth below. In addition to awards, we have been consistently recognized by the media and our industry as an innovator in our space.

Award/Recognition	Year	Awarding Institution	Product
Best of CES — People’s Voice	2011	Consumer Technology Association	<i>Razer Switchblade</i> (concept design)
Best of CES — People’s Voice	2012	Consumer Technology Association	<i>Razer Project Fiona</i> (concept design)
Best of Innovations Honoree — Gaming, Hardware and Accessories Category	2012	Consumer Technology Association	<i>Razer Blade</i> (systems device)
Best of CES — Best of Show	2013	Consumer Technology Association	<i>Razer Edge</i> (systems device)
Best of CES — Best Gaming	2013	Consumer Technology Association	<i>Razer Edge</i> (systems device)
Best of CES — People’s Voice	2013	Consumer Technology Association	<i>Razer Edge</i> (systems device)
Best of CES — Best PC	2014	Consumer Technology Association	<i>Razer Project Christine</i> (concept design)
Best of CES — People’s Choice	2014	Consumer Technology Association	<i>Razer Nabu</i> (peripherals device)
Best of CES — Best Gaming	2015	Consumer Technology Association	<i>Razer Forge TV</i> (systems device)
Best of CES — People’s Choice	2015	Consumer Technology Association	<i>Razer Forge TV</i> (systems device)
Best of CES — Best PC	2016	Consumer Technology Association	<i>Razer Blade Stealth Ultrabook</i>
Best of CES — People’s Choice Award	2016	Consumer Technology Association	<i>Razer Blade Stealth Ultrabook</i>
Best of CES — People’s Choice Award	2017	Consumer Technology Association	<i>Razer Project Ariana</i> (concept design)

FINANCIAL INFORMATION

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the section headed “Appendix I — Accountants’ Report” in this document. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed “Risk Factors” and “Business.”

For the purpose of this section, unless the context otherwise requires, references to 2014, 2015 and 2016 refer to our financial years ended December 31 of such years, respectively. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We operate four business segments: (i) Peripherals, (ii) Systems, (iii) Software and Services and (iv) Others. At present, Peripherals primarily comprises the sale of gaming mice, keyboards, audio devices and mouse mats, Systems primarily comprises the sale of laptops, Software and Services comprises our *Razer Software Platform* and the recently launched *zGold*, while Others primarily comprises our next-generation products which remain in the development or early marketing phases. Revenue from Peripherals represented 87.1%, 88.3% and 76.2% of our total revenue for 2014, 2015 and 2016, respectively. Revenue from Systems represented 12.9%, 11.6% and 23.1% of our total revenue for 2014, 2015 and 2016, respectively. Revenue from Software and Services was immaterial during the Track Record Period.

While we continue to drive our hardware business, we also plan to drive our revenue by monetizing our *Razer Software Platform* by offering services to our users. Leveraging our passion and expertise for gaming, we aim to grow our market share by introducing new product offerings, which we believe can redefine the standards within each of our existing hardware segments, and by increasing our appeal among gamers and millennials through the introduction of new product offerings that cater to their gaming as well as general entertainment needs such as mobile devices and lifestyle audio. Please refer to the section headed “Business” for a detailed discussion of our business.

During the Track Record Period, our revenue increased from US\$315.2 million in 2014 to US\$392.1 million in 2016, representing a CAGR of 11.5%. From 2014 to 2016, our revenue increased from US\$135.2 million to US\$196.7 million in the Americas, from US\$96.6 million to US\$105.7 million in EMEA and from US\$83.5 million to US\$89.7 million in Asia Pacific including China. In 2016, we generated 76.2% of our revenue from gaming peripherals and 23.1% from gaming systems. We had a profit of US\$20.3 million in 2014, and our losses were US\$20.4 million and US\$59.6 million in 2015 and 2016, respectively. Excluding the impact of share-based payments, a one-time settlement payment in 2015, expenses related to a contemplated securities offering incurred in 2015 and impairment of acquisition-related intangible assets in 2016, we had an adjusted profit of US\$20.3 million in 2014, and our adjusted losses were US\$6.2 million and US\$20.3 million in 2015 and 2016, respectively. See “— Non-IFRS Measure: Adjusted Profit/(Loss).”

FINANCIAL INFORMATION

Factors Affecting Our Performance

We design our products around the performance-driven gamer lifestyle. Since our founding, we have been able to continuously innovate, develop and sell category-defining products. Razer began as a company focusing on premium gaming mice, and over the years we have successfully built product offerings to include fully customizable keyboards, audio devices, mouse mats, gaming console controllers and gaming laptops. Our financial performance depends on games industry trends such as the continued growth of the games industry and gamer population, the appeal of the gamer lifestyle and more generally the millennial lifestyle. Gamers and millennials also follow broader consumer lifestyle trends such as entertainment media, lifestyle devices and designer gear, which influence general demand for our products as well as the type and mix of products demanded by our target demographics. Substantially all of our revenue during the Track Record Period has been derived from sales from our Peripherals and Systems segments. Going forward, we expect Software and Services and Other segments to constitute an increasingly important part of our business. Our performance can be affected by the following company-specific factors:

Existing product offerings

Hardware

Since our founding, we have extended our gaming peripherals market leadership by introducing new, innovative and category-defining product lines that deliver a competitive edge for gamers (including in esports) while collaborating and having fun in an immersive gaming and digital entertainment experience, regardless of game content, genre or operating system. For instance, in 2017, we launched the *Razer Raiju*, a gaming console controller used with PS4 which is catered towards competitive play. By focusing on design and technology (for example, THX audio technology), we seek to improve on the performance and specifications of our devices to enhance the immersiveness of user experiences and also target the broader entertainment segment, given the convergence of games, music and movies.

Systems is a relatively new product category for Razer. We approached the roll out of this category relying on our philosophy of uncompromising design, top-notch performance and premium user experience. We initially launched in the Americas while we continued to invest in broadening our systems offering in partnership with some of the world’s leading technology companies, including Intel and NVIDIA, as well as our contract manufacturers to strategically ramp up our production capabilities. In 2016, we launched *Razer Blade Stealth* to round out our suite of three main product lines of laptops, namely *Razer Blade Stealth*, *Razer Blade* and *Razer Blade Pro*. Having established ourselves as a leader in the gaming systems market, we believe that we are well positioned to significantly scale our systems business and expand our market share by significantly broadening the distribution and availability of our systems products across the globe.

Software

We have invested and will continue to invest significant resources into the development of software applications and services for our users and their connected devices. Underlying our connected devices strategy is our *Razer Software Platform* which connects gamers and facilitates immersive interaction with leading proprietary, cloud-based software offerings, while at the same time keeping them engaged and building brand loyalty. These offerings include *Razer Synapse*, which allows users to access our software platform across devices and operating systems and *Razer Chroma*, which allows users to personalize their visual display with a spectrum of visual effects. Our *Razer Software Platform* also allows us to collect data (such as gaming performance metrics, user behavior data and gameplay preferences) to obtain an in-depth understanding of our user base through analytics, which allows us to make tailored recommendations to gamers and receive feedback which allows us to design better products and services in the future. We generally have not and we do not expect to charge our users for using our software platform. We had over 35 million registered users as of May 31, 2017.

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Services

We continually seek to leverage on our proprietary insights into user behavior and preferences to create services for our user base. In March 2017, we launched our *zGold* virtual credits service, which allows gamers to purchase *zGold* and exchange it for digital content and items across various partner platforms. Users store their *zGold* in e-wallets which we call *zVault*. More than 2 million *zVault* e-wallets have been registered to date. In May 2017, we made a strategic investment in and entered into an arrangement with MOL Global, which has a wide distribution network for virtual credits in Southeast Asia, whereby their virtual credits, MOLPoints, will be rebranded as “*zGold-MOLPoints*.”

Others

Given the rapid growth of the gamer and millennial lifestyle in recent years and the expected future growth of this segment, we see opportunities to develop new categories of products and services for these users, which may include gear, accessories and energy drinks. We believe that our strategy of expanding into new entertainment verticals that appeal to both gamers and millennials will not only reinforce the Razer brand as core to the lifestyle of gamers, but will also create a strong brand awareness for Razer among the wider millennial population.

New product categories

We continue to leverage on the strength of our sales and operations to invest into new product categories. We believe Razer’s distinct combination of brand, ecosystem and global leadership puts us in a strong position to address future market opportunities across many entertainment and lifestyle verticals. We believe that we are able to identify many yet to be defined or under developed market opportunities, including software and lifestyle categories that gamers and millennials may desire. We intend to continue exploring specific, under-addressed gamer needs and introducing new products and services that optimize performance, design and other attributes desired by gamers.

For example, as gamers are increasingly playing games on mobile devices and given the increase in screen-time, we see the opportunity to increase our interaction with our target users through our ecosystem. The acquisition of certain assets of and the hiring of key management and engineering personnel in 2017 from a San Francisco-based mobile phone manufacturer, Nextbit Systems Inc., was to accelerate our mobile device offering. We currently plan to launch our first mobile device in late 2017 or early 2018 though this date may change subject to design and engineering changes. See “— Factors Affecting our Performance — Acquisitions, investments and strategic alliances.”

These new categories will incur start-up investments costs for the first few years prior to generating revenue, where we may experience low gross margins initially until sales volume reaches economies of scale for both the production and marketing of new products. For instance, our Systems category is expected to reach economies of scale in the near term. For our software services offerings, we continue to invest in certain services which may not yet be generating revenue. For our mobile related investments, we do not expect to achieve profitability in this product area in the next few years.

Additional monetization of our integrated hardware and software platform through new services

We continually seek to leverage on our proprietary insights into user behavior and preferences to create services for our users. In March 2017, we launched *zGold*. In addition, we plan to develop more service offerings and create more monetization opportunities. Relative to our hardware revenue, we are at an early stage of revenue generation for our software and services, and our future business and financial performance will be significantly affected by the effectiveness of the implementation of our future monetization strategy.

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Product mix and pricing

The pricing and costs of our products directly impact our gross margin and may impact sales volumes. We design our products with the aim of delivering a superior user experience which allows us to offer a market leading value proposition to gamers. We rely on our experience in design to ensure that our products can be manufactured in a viable, cost-effective manner while meeting the demanding needs of our users.

Our sales product mix also impacts our revenue and gross margins as our ecosystem of product offerings continues to evolve. Gross margins for different categories of hardware and services may differ significantly due to differences in product features, selling prices, component and manufacturing costs. We frequently introduce new lines of products to refresh existing product categories or to create entirely new product categories that will only see gross margin improvements with time and as we achieve economies of scale.

Our sales channels and global reach

The mix of distributors, retailers and direct sales can impact our revenue and gross margins. Gross margins differ across different sales channels due to varying costs of selling and distributing goods and services through these channels. As of December 31, 2014, we sold our products in 68 countries through 94 distributors and more than 16,000 third-party retail and online stores, which we increased to 76 countries, 115 distributors and more than 21,000 offline retail stores as of December 31, 2016. As part of our online to offline, or O2O, strategy, we intend to improve the reach and efficiency of our existing sales channels and increase our direct sales capabilities, including new *RazerStores* across geographic regions going forward. We believe our strategy to increase direct sales will help to improve our margins and give us more control in broadening the reach of our brand to consumers directly. In addition, we work with industry and retail partners whose software, digital and ecommerce platforms have become alternative sales channels for us to reach out directly to our target consumers globally.

We derived approximately 50.1% of our revenue from the Americas, 27.0% from EMEA, 10.2% from Asia Pacific ex-China and 12.7% from China in 2016. Going forward, we expect to grow our global distribution network, expanding into new geographies and markets that present compelling growth opportunities, such as China. We believe China presents a significant expansion opportunity, as it only accounted for 12.7% of our revenue in 2016 while the China games market is expected to grow from US\$24.6 billion in 2016 to US\$34.7 billion in 2021. In addition, we plan to expand our presence in Europe and in emerging markets such as Latin America.

Cost of sales

Our cost of sales primarily consists of the cost of finished products from our third-party contract manufacturers (which are generally responsible for procuring the component parts for such products), warranty expenses, shipping and handling costs, inventory obsolescence and depreciation of tooling assets. For instance, the depreciation of tooling assets negatively impacts gross margins more significantly when a product is newly launched than in subsequent years.

We strive to optimize our manufacturing costs, which make up a substantial majority of our cost of sales. Our manufacturing costs are heavily dependent on the cost of raw materials and components used in our products and the efficiencies of our contract manufacturers and component suppliers, which are largely beyond our control. Our ability to influence manufacturing costs depends on the tenure of our relationship and the relative scale of our business with these contract manufacturers and suppliers.

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Research & development

Our research and development expenses have increased over the Track Record Period as we continue to develop and improve our products and services. In 2014, 2015 and 2016, our research and development expenses were US\$23.6 million, US\$29.8 million and US\$52.2 million, respectively. In 2017, we have begun to incur research and development expenses as part of our plan to launch our first mobile device in late 2017 or early 2018, though this date may change subject to design and engineering changes. We have strong research and development and design capabilities with a dedicated global research and design team consisting of 309 personnel as of December 31, 2016 across our research and development facilities in Chengdu, San Francisco, Shenzhen, Singapore and Taiwan, compared to 192 personnel as of December 31, 2014. We have hired and intend to continue to hire additional engineers, designers, product managers and other personnel with specific technology expertise. As we continue to develop new products and services and our user base grows, we expect to continue to increase capital expenditure and expenses associated with our ecosystem. Such capital expenditure and expenses include costs associated with research and development facilities which may impact our results of operations and financial condition.

Acquisitions, investments and strategic alliances

We have recently acquired, made investments in and begun to collaborate with different technology and other companies that are complementary to our business. For example, in 2016, we acquired assets from Slot Speaker Technologies, Inc. (formerly known as THX Ltd.), which develops high-end audio and visual set-ups relative to spatial designs. We believe the THX business will improve our ability to deliver premium audiovisual products and will better enable us to provide well-rounded entertainment products and services given the convergence of gaming, music, mobile and video. In 2017, we acquired certain assets of and hired key management and engineering personnel from San Francisco-based mobile phone manufacturer Nextbit Systems Inc., as part of our strategy to potentially enter the mobile devices market in the future.

We have recently entered into an arrangement with MOL Global, which has a wide distribution network for virtual credits in Southeast Asia, whereby their virtual credits, MOLPoints, will be rebranded as “zGold-MOLPoints.” At the same time, we have announced a partnership with Three Group, the mobile telecommunications division of CK Hutchison, to distribute in Hong Kong and Europe. We plan to continue to acquire, invest in and collaborate with businesses that are complementary to us. Such acquisitions, investments and collaborations may impact our results of operations and financial condition, depending on the amount involved, time and costs associated with integrating acquired companies and the performance of the companies in which we invest, which we acquire or with which we collaborate. See “Risk Factors — Risks Relating to our Business and Industry — Acquisitions, investments and strategic alliances and partnerships could adversely affect our business and results of operations.”

Seasonality

Our revenue and operating results have followed seasonal trends in the past which are likely to continue. In particular, we typically have higher sales during the second half of each year which we believe is primarily due to a concentration of shopping during the year-end holiday season.

Share-based compensation

In 2016, we made initial grants under the 2016 Equity Incentive Plan which led to a spike in our operating expenses. We will continue to incur expenses in connection with these initial grants over the next three years, and will incur additional expenses to the extent that additional RSUs are granted in the future. See “— Critical Accounting Policies, Estimates and Judgments — Share-based compensation” and “— Description of Selected Income Statement Line Items — Operating Expenses.”

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CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our financial statements and related disclosure have been prepared in conformity with IFRS. The preparation of our financial statements requires that we make judgments, estimates and assumptions that affect reported amounts of assets, liabilities, net sales and expenses and the disclosure of contingent assets and liabilities. Actual results could be significantly different from these estimates. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to the estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. We consider an accounting policy critical if it: (i) requires management to make judgments and estimates about matters that are inherently uncertain; and (ii) is important to an understanding of our financial condition and operating results. We believe the following accounting policies are most critical to our business operations and to an understanding of our financial condition and results of operations, and reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of estimated product returns, and expected payments for cooperative marketing arrangements and pricing programs (if any). We recognize revenue when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continual managerial involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. The timing of transfer of risks and rewards varies depending on the individual terms of the contract of sale.

Royalty income

We recognize revenue from licensing arrangements when earned, estimable and realizable. We generally recognize royalty revenue when it is reported to us by its licensee, which is generally one quarter in arrears from the licensee's sales of licensed products. Royalty payments associated with our THX quality assurance licensing business are one form of income recognized as royalty income.

Rendering of services

We recognize revenue from services contracts ratably over the service periods. We defer revenue when we receive payment in advance of the fulfilment of the performance of services. We sell extended warranties at our online store and record deferred revenue upon the sale of an extended warranty. Such revenue is deferred and recognized over the period of an extended warranty. All goods and services taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore excluded from revenue in the consolidated statements of comprehensive income.

Customer programs

We recognize an allowance for product returns and customer incentive programs. Market conditions and product transitions determine the need for such programs. In addition, when we update these estimates to reflect the prevailing business conditions, we may have to recognize additional adjustments to revenue.

Estimates of expected future product returns are recognized at the time of sale as a reduction to revenue based on analyses of historical return trends by geographical region and other relevant customer and product information. Returns trends are influenced by product life cycle status, new product introductions, market acceptance of products, sales levels, the type of customer, product quality issues and other factors.

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Allowance for customer incentives are recognized as a reduction in revenue at the later of the date on which we sell the product or the date on which the program is offered. Estimates of required allowances are determined based on negotiated terms and consideration of historical experience.

Product Warranties

Most of our products are covered by warranties for periods ranging from six months to two years. We accrue a liability for estimated costs of warranties which are charged to cost of sales at the time the related revenue is recognized. Our estimation of costs to fulfill our warranty obligations is based on historical experience and expectations of future conditions. In certain cases we have recourse to the third-party manufacturers of our products for replacement or repair of the defective products. We give consideration to amounts that have been historically recoverable from our third-party manufacturers in estimating our warranty liabilities. We regularly reevaluate our estimates to assess the adequacy of our accrued warranty liabilities and adjust the amounts as necessary. If actual product failure rates or repair costs differ from estimates, revisions to the estimated warranty liabilities in the period of evaluation would be required and could materially affect our results of operations.

Share-based Compensation

In 2016, our Directors and Shareholders approved the 2016 Equity Incentive Plan, which is a share-based incentive plan designed to reward, retain and motivate our employees. The Restricted Stock Units ("RSUs") were granted to certain employees, consultants and our Directors in 2016. Share-based compensation expense relating to awards granted to employees and directors is recognized on a graded acceleration vesting amortization method over the applicable service period. Share-based compensation expense relating to awards granted to consultants are recognized on a straight-line basis over the applicable service period.

In terms of the RSUs awarded to employees and directors, the total amount to be expensed is determined by reference to the fair value of the RSUs granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions; and
- Including the impact of any non-vesting conditions.

In terms of RSUs to consultants, the total amount to be expensed is determined by reference to the fair value of the services unless that fair value cannot be estimated reliably. In such cases, the expenses will be measured indirectly by reference to the fair value of the RSUs granted at the date when such consultants render services.

In 2016, we made initial grants under the 2016 Equity Incentive Plan of US\$38.5 million which is reflected in our operating expenses for 2016 and such grants will continue to be recorded as an expense over the respective vesting periods. We may make additional future grants under the plan.

Impairment of Non-financial Assets (Other than Goodwill)

The carrying amounts of our non-financial assets are reviewed at the end of each reporting period to determine whether there are any indications of impairment. If any such indication exists, an impairment test is performed to estimate the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level cash generating units ("CGUs") for which there are separately identifiable cash flows. Intangible assets that have indefinite useful lives or that are not yet available for use, are tested for impairment annually, regardless of whether there are any indications of impairment. At the end of each reporting period, non-financial assets (other than goodwill) that suffered an impairment loss in previous reporting periods are reviewed to assess whether impairment losses previously recognized should be reversed.

FINANCIAL INFORMATION

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred for a business combination is measured at the acquisition date fair value which is the sum of acquisition date fair value of assets transferred by us and equity interests issued by us in exchange for control of the acquiree. For non-controlling interests that are present ownership interests and entitle their holders to proportionate share of the acquiree's net assets in the event of liquidation, we elect on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by IFRS. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. If a business combination is achieved in stages, the previously held equity interest is re-measured to fair value at the acquisition date (i.e. the date we obtain control) and any resulting gain or loss is recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate fair value of consideration transferred, plus the recognized amount of any non-controlling interests in the acquiree, plus the fair value of any pre-existing equity interest in the acquiree (for a business combination achieved in stages) less the identifiable net assets acquired and liabilities assumed. If the excess is negative, the difference is recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to a CGU or group of CGUs that are expected to benefit from the synergies of the business combination. Impairment is determined by assessing the recoverable amount of the CGU or CGUs to which the goodwill relates. Where the recoverable amount of the CGU or CGUs is less than the carrying amount, an impairment loss is recognized. Impairment losses recognized for goodwill are not subject to reversal in a subsequent period.

Income Taxes

We operate in multiple jurisdictions and our profits are taxed pursuant to the tax laws of these jurisdictions. Our effective income tax rate may be affected by changes in or interpretations of tax laws in any given jurisdiction, utilization of net operating loss and tax credit carryforwards, changes in the jurisdictional mix of income and expenses, and changes in management's assessment of matters such as the ability to realize deferred tax assets. As a result of these considerations, we must estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating current tax exposure together with assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. We recognize deferred tax assets in the amount which is probable to be realized.

For each reporting period, we must evaluate our deferred tax assets to determine whether it is probable that they will be realized. In determining whether it is probable that the deferred tax assets will be realized, we assess the likelihood that we will be able to recover our deferred tax assets using historical levels of income, estimates of future income, future reversal of existing taxable temporary differences, taxable income in carryback years and tax planning strategies. Our estimates of future income include our internal projections and various internal estimates and certain external sources which we believe to be reasonable but that are unpredictable and inherently uncertain. We also consider the jurisdictional mix of income and loss, changes in tax regulations in the period the changes are enacted and the type of deferred tax assets and liabilities. In evaluating whether it is probable that our deferred tax assets will be realized, we use judgment in considering the cumulative effect of negative and positive evidence and the weight given to the potential effect of the evidence.

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We make certain estimates and judgments about the application of tax laws, the expected resolution of uncertain tax positions and other matters surrounding the recognition and measurement of uncertain tax benefits. We recognize tax benefits from uncertain positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. In the event that uncertain tax positions are resolved for amounts different than our estimates, or the related statutes of limitation expire without the assessment of additional income taxes, we will be required to adjust the amounts of the related assets and liabilities in the period in which such events occur.

Such adjustments may have a material impact on our income tax provision and our results of operations.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

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

	For the Year Ended December 31,					
	2014		2015		2016	
	US\$	%	US\$	%	US\$	%
	(in thousands, except percentages)					
Segment Revenue:						
Hardware						
Peripherals	274,560	87.1	282,392	88.3	298,626	76.2
Systems	40,624	12.9	37,085	11.6	90,697	23.1
Software and Services	63	0.0	148	0.1	95	0.0
Others	—	—	81	0.0	2,681	0.7
Total	<u>315,247</u>	<u>100.0</u>	<u>319,706</u>	<u>100.0</u>	<u>392,099</u>	<u>100.0</u>

We are a global company with an established footprint in the games industry and have a diversified revenue base. The following table sets forth our revenue by geographic region by amount and as a percentage of our revenue for the periods presented.

	For the Year Ended December 31,					
	2014		2015		2016	
	US\$	%	US\$	%	US\$	%
	(in thousands, except percentages)					
Geographic Region:						
Americas	135,189	42.9	135,351	42.3	196,661	50.1
EMEA	96,605	30.6	102,223	32.0	105,712	27.0
Asia Pacific (ex-China)	38,939	12.4	37,175	11.6	39,977	10.2
China	44,514	14.1	44,957	14.1	49,749	12.7
Total	<u>315,247</u>	<u>100.0</u>	<u>319,706</u>	<u>100.0</u>	<u>392,099</u>	<u>100.0</u>

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We sell our products (i) through a global distribution network of distributors (which distribute or sell to our three *RazerStores* in Bangkok, Manila and Hong Kong), (ii) through physical and online retailers, and (iii) directly to customers through our directly managed *RazerStores* in San Francisco, Shanghai and Taipei and our online store, www.razerstore.com. Our products are sold both online and in physical stores. The following table sets forth our revenue by sales channel by amount and as a percentage of our revenue for the periods presented.

	For the Year Ended December 31,					
	2014		2015		2016	
	US\$	%	US\$	%	US\$	%
	(in thousands, except percentages)					
Sales Channel:						
Distributors	183,080	58.1	187,954	58.8	194,132	49.5
Retailers	100,214	31.8	90,292	28.2	112,678	28.7
Direct Sales	31,953	10.1	41,460	13.0	85,289	21.8
Total	<u>315,247</u>	<u>100.0</u>	<u>319,706</u>	<u>100.0</u>	<u>392,099</u>	<u>100.0</u>

Peripherals. We generate a significant majority of our revenue from the sale of Peripherals, which primarily comprises the sale of high-precision mice, fully customizable keyboards, audio devices and gaming console controllers. We have several lines of Peripheral devices with different designs which are typically priced as a premium category of products. For example, the current MSRP of our mice range from US\$49.99 to US\$149.99, our keyboards from US\$69.99 to US\$169.99 and our audio devices from US\$49.99 to US\$249.99. The following table sets forth our revenue, the number of units sold and ASP for Peripherals for 2014, 2015 and 2016.

	For the Year Ended December 31,		
	2014	2015	2016
Revenue (US\$ in thousands)	274,560	282,392	298,626
Number of Units Sold	6,749,866	6,825,509	7,407,528
ASP (US\$)	40.7	41.4	40.3

We launch new Peripheral devices as we develop new and exciting products to target the high-end gaming community. We set the price of our Peripherals based on product features, the cost of components and materials, anticipated demand for new models, changes in the mix of sales channels, historical sales volumes of previous models and the price of devices with similar features and functionalities launched by our competitors, among other considerations.

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Systems. The other major component of our hardware revenue comes from the sale of Systems, which primarily comprises the sale of premium gaming laptops. We currently have three lines of laptops, namely *Razer Blade Stealth*, *Razer Blade* and *Razer Blade Pro*, the prices of which are set based on product features, the cost of components and materials, anticipated demand for new models, changes in the mix of sales channels, historical sales volumes of previous models and the price of devices with similar features and functionalities launched by our competitors, among other considerations. The current MSRP of our three lines of laptops range from US\$999.99 to US\$4,899.99. The following table sets forth our revenue, number of units sold and ASP for each of our three lines of laptops in 2014, 2015 and 2016.

Razer Blade Stealth	For the Year Ended December 31,		
	2014	2015	2016
Revenue (US\$ in thousands)	—	—	36,612
Number of Units Sold	—	—	31,816
ASP (US\$)	—	—	1,150

Razer Blade	For the Year Ended December 31,		
	2014	2015	2016
Revenue (US\$ in thousands)	28,603	30,274	45,356
Number of Units Sold	14,799	14,745	23,701
ASP (US\$)	1,932	2,053	1,913

Razer Blade Pro	For the Year Ended December 31,		
	2014	2015	2016
Revenue (US\$ in thousands)	12,307	6,603	3,077
Number of Units Sold	5,016	3,194	974
ASP (US\$)	2,453	2,067	3,159

Software and Services. In 2015, we began monetizing our software platform primarily with the sale of Surround Pro 2. Going forward we expect our *zGold* virtual credits service which we launched in March 2017 and which allows gamers to purchase *zGold* and exchange it for digital content and items from various content providers to contribute to revenue for our Software and Services segment. Revenue from our software and services segment was immaterial during the Track Record Period.

Others. This segment primarily includes our next-generation products which remain in the development or early marketing phases. Revenue generated in this segment during the Track Record Period primarily relates to sales of *OSVR HDK*, which we began selling in the fourth quarter of 2015, and revenue generated by THX whose assets we acquired from Slot Speaker Technologies, Inc. in the fourth quarter of 2016.

Cost of Sales and Gross Profit

Our cost of sales primarily consists of the cost of finished products from our third-party contract manufacturers, warranty expenses, shipping and handling costs, inventory obsolescence and depreciation of tooling assets.

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The following table sets forth a breakdown of our segment costs of sales by amount and as a percentage of total cost of sales for the periods indicated:

	For the Year Ended December 31,					
	2014		2015		2016	
	US\$	%	US\$	%	US\$	%
	(in thousands, except percentages)					
Segment cost of sales:						
Hardware						
Peripherals	168,297	81.2	183,840	83.8	193,148	68.3
Systems	38,944	18.8	35,313	16.1	88,080	31.2
Software and Services	33	0.0	36	0.0	14	0.0
Others	—	—	316	0.1	1,406	0.5
Total	<u>207,274</u>	<u>100.0</u>	<u>219,505</u>	<u>100.0</u>	<u>282,648</u>	<u>100.0</u>

Peripherals and Systems. For our hardware, which includes Peripherals and Systems, we outsource our manufacturing, warehouse operations and order fulfilment activities to third parties. Our product costs will typically vary based on volume and on the costs of underlying product components as well as the prices we are able to negotiate with our contract manufacturers. The main components and materials used in the manufacture of our hardware, as measured by cost as a percentage of our total cost of sales, include optical sensors and laser sensors for mice, mechanical switches and LEDs for keyboards and CPUs and graphics cards for laptops. As a global company with suppliers centered in Asia and customers located worldwide, we regularly use air shipping to deliver our products directly to retailers and distributors, especially during peak shopping seasons and in connection with new product launches. Air shipping is typically more costly than sea or ground shipping or other delivery options.

Software and Services and Others. During the Track Record Period, the combined segment cost for Software and Services and Others is primarily comprised of the cost of production of *OSVR HDK*.

The following table sets forth our gross profit and gross margin by segment for the periods indicated:

	For the Year Ended December 31,					
	2014		2015		2016	
	US\$	Gross Margin (%)	US\$	Gross Margin (%)	US\$	Gross Margin (%)
	(in thousands, except percentages)					
Gross Profit by Segment:						
Hardware						
Peripherals	106,263	38.7	98,552	34.9	105,478	35.3
Systems	1,680	4.1	1,772	4.8	2,617	2.9
Software and Services	30	47.6	112	75.7	81	85.3
Others	—	—	(235)	(290.1)	1,275	47.6
Total	<u>107,973</u>	34.3	<u>100,201</u>	31.3	<u>109,451</u>	27.9

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Operating Expenses

Our operating expenses include selling and marketing, research and development and general and administrative expenses. In 2016, we made initial grants under the 2016 Equity Incentive Plan of US\$38.5 million which is reflected in our operating expenses for 2016 and which will continue to be recorded as an expense over their respective vesting periods. See “— Critical Accounting Policies, Estimates and Judgments — Share-based Compensation.” The following table sets forth a breakdown of our operating expenses including as a percentage of revenue for the periods indicated:

	For the Year Ended December 31,					
	2014		2015		2016	
	US\$	% of Revenue	US\$	% of Revenue	US\$	% of Revenue
(in thousands, except percentages)						
Selling and marketing expenses	34,290	10.9	41,110	12.9	69,993	17.9
Research and development expenses	23,640	7.5	29,818	9.3	52,175	13.3
General and administrative expenses	24,787	7.9	41,348	12.9	49,606	12.7
Total	<u>82,717</u>	26.2	<u>112,276</u>	35.1	<u>171,774</u>	43.8

Selling and marketing expenses

Selling and marketing expenses consist primarily of advertising, sponsorships, attending trade shows and gaming-related events such as CES and BlizzCon, corporate communications and other marketing expenses, salaries and benefits (including employee benefits and share-based compensation) relating to selling and marketing personnel, fees to third-party ecommerce service providers, who help run our online store, and technical support expenses.

To date, we have largely relied on the viral effect of our social media posts and word-of-mouth marketing and we plan to increase our budget for sales and marketing initiatives, including traditional and digital advertising. As a result, we expect our selling and marketing expenses to increase.

Research and development expenses

Research and development expenses consist primarily of salaries and benefits (including employee benefits and share-based compensation), supplies, materials and outsourced research and development associated with the design and development of new products and enhancements of existing products. With innovation at the forefront of our product development strategy, we expect our research and development expenses to increase as we continue to invest in product development. We expect to increase our research and development expenses in the future as we hire additional research and development personnel to support our business expansion, including the development of our technological capabilities and various monetization initiatives, in particular in respect of our Software and Services.

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General and administrative expenses

General and administrative expenses consist primarily of salaries and benefits (including employee benefits and share-based compensation) for executives, finance and accounting, information systems, human resources and legal functions. General and administrative expense also includes facilities costs, fees for professional services, such as legal and auditing services, and depreciation and amortization expenses.

We expect our general and administrative expenses to continue to increase as we expand our business and incur costs associated with becoming a public company following this offering, including costs relating to internal controls, professional fees, complying with Hong Kong and international securities laws, investor relations, share-based payments and other expenses associated with being a public company.

Share of Results of Joint Venture, Net of Tax

Share of results of joint venture, net of tax consists of results from our joint venture Razer Chengdu. We acquired the remaining 50% equity ownership of Razer Chengdu in 2015 and the share of results from Razer Chengdu have been consolidated in our financial results beginning in September 2015.

Other Non-operating Expense

Other non-operating expense consist primarily of foreign exchange loss and gain due to fluctuations in currency valuations.

Net Finance Income

Net finance income primarily comprises interest income on bank deposits, offset by interest expense on finance leases and bank charges.

TAXATION

Cayman Islands

Our Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Law and is not subject to Cayman Islands income tax.

Singapore

We were granted the Development and Expansion Incentive (DEI) by the Singapore Ministry of Trade & Industry for us to undertake certain qualifying activities in Singapore. During the qualifying period, which lasts for 7 years from October 1, 2011, and subject to our compliance with the conditions imposed on us by the Ministry of Trade & Industry, Singapore qualifying income earned will be subject to tax at a concessionary rate. Income from non-qualifying activities will be taxed at the prevailing Singapore corporate tax rate of 17%. The current grant from DEI is only applicable to income generated by our Peripherals products. We are eligible to apply for a new DEI grant to replace the existing grant upon its expiration; however, there is no guarantee that DEI will renew our grant, nor is there any assurance that such a grant, if renewed, would be on the same terms.

United States

Our Company's operations in the United States are generally subject to a progressive U.S. federal corporate tax rate of 15% to 35%. In 2016, one of our Company's U.S. subsidiaries recognized a US\$4.7 million tax benefit arising from the grant of restricted stock units to its employees. Under current U.S. tax law, share-based compensation arising from the grant of such restricted stock units is not deductible for U.S. tax purposes until such restricted stock units vest. Therefore, deferred tax assets have been recognized in relation to the temporary timing difference arising from these share-based compensation expense recorded in the U.S. subsidiary.

FINANCIAL INFORMATION

NON-IFRS MEASURE: ADJUSTED PROFIT/(LOSS)

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit/(loss) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted loss may not be comparable to a similarly titled measure presented by other companies. The use of this non-IFRS measure 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.

We define adjusted profit/(loss) as income/(loss) for the year added back with share-based compensation, a one-time settlement payment in 2015, expenses related to a contemplated securities offering incurred in 2015 and impairment of acquisition-related intangible assets in 2016. The following table reconciles our adjusted profit/(loss) for the year presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit/(loss) for the year:

	For the Year Ended December 31,		
	2014	2015	2016
	US\$ (in thousands)		
Profit/loss for the year	20,332	(20,356)	(59,616)
Add:			
Share-based compensation	—	5,805	38,548
One-time settlement payment	—	5,000	—
Expenses related to a contemplated securities offering	—	3,351	—
Impairment of acquisition-related intangible assets	—	—	805
Adjusted profit/(loss) for the year (unaudited) .	<u>20,322</u>	<u>(6,200)</u>	<u>(20,263)</u>

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following tables set forth a summary of our consolidated statement of comprehensive income for the periods indicated:

The operating results in any year are not necessarily indicative of the results that may be expected for any future year.

	For the Year Ended December 31,		
	2014	2015	2016
	US\$ (in thousands)		
Revenue	315,247	319,706	392,099
Cost of sales	(207,274)	(219,505)	(282,648)
Gross profit	107,973	100,201	109,451
Selling and marketing expenses	(34,290)	(41,110)	(69,993)
Research and development expenses	(23,640)	(29,818)	(52,175)
General and administrative expenses	(24,787)	(41,348)	(49,606)
Impairment of goodwill	—	—	(805)
Operating income/(loss)	25,256	(12,075)	(63,128)
Share of results of joint venture, net of tax ...	(681)	731	—
Other non-operating expenses	(3,331)	(5,993)	(653)
Profit/(loss) from operations	21,244	(17,337)	(63,781)
Finance income	176	201	525
Finance costs	(74)	(10)	(14)
Net finance income	102	191	511
Profit/(loss) before income tax	21,346	(17,146)	(63,270)
Income tax (expenses)/benefit	(1,014)	(3,210)	3,654
Profit/(loss) for the year	20,332	(20,356)	(59,616)
Foreign currency translation differences — foreign operations, net of tax	(6)	(105)	(80)
Total comprehensive income for the year	20,326	(20,461)	(59,696)
Profit/(loss) attributable to:			
Equity shareholders of the Company	20,332	(20,356)	(59,332)
Non-controlling interest	—	—	(284)
Profit/(loss) for the year	20,332	(20,356)	(59,616)
Total comprehensive income attributable to:			
Equity shareholders of the Company	20,326	(20,461)	(59,412)
Non-controlling interest	—	—	(284)
Total comprehensive income for the year	<u>20,326</u>	<u>(20,461)</u>	<u>(59,696)</u>

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Year Ended December 31, 2015 Compared with Year Ended December 31, 2016

Revenue

Our revenue increased by 22.6% from US\$319.7 million in 2015 to US\$392.1 million in 2016, primarily due to a 144.5% increase in Systems revenue in 2016.

Revenue from sales in (i) the Americas represented 42.3% and 50.1%, (ii) EMEA represented 32.0% and 27.0%, (iii) Asia Pacific ex-China represented 11.6% and 10.2% and (iv) China represented 14.1% and 12.7%, in each case of our total revenue in 2015 and 2016, respectively. The increase in the percentage of revenue from sales in the Americas was primarily due to the introduction of a new laptop model which was launched in the U.S. market ahead of other regions.

Revenue from our (i) distributors represented 58.8% and 49.5%, (ii) retailers represented 28.2% and 28.7% and (iii) direct sales channels represented 13.0% and 21.8%, in each case of our total revenue in 2015 and 2016, respectively. The relative increase in percentage of revenue from our direct sales channels was primarily due to increased emphasis on sales from our online store.

Peripherals. Revenue from the Peripherals segment increased by 5.7% from US\$282.4 million in 2015 to US\$298.6 million in 2016, primarily due to a 23.5% and 2.5% increase in revenue generated by the sales of our audio devices and mice, respectively. The increase in revenue from the sales of (i) audio devices was primarily due to the launch of a new product in this category and (ii) mice was primarily due to continued strong sales of our bestselling products.

Systems. Revenue from the Systems segment increased by 144.5% from US\$37.1 million in 2015 to US\$90.7 million in 2016, primarily due to a 214.9% increase in the number of laptops sold in 2016. The increase in number of laptops sold was primarily due to (i) the introduction of the *Razer Blade Stealth*, our new Ultrabook line, which contributed US\$36.6 million of revenue in 2016 and (ii) a US\$11.6 million increase in the sales of our other laptop models including the *Razer Blade* model which underwent two product refreshes in 2016 as compared to one product refresh in 2015. The decrease in the ASP for our Systems segment was primarily due to the introduction of the *Razer Blade Stealth*, which has a lower price relative to our other laptops.

Software and Services. Revenue from the Software and Services segment were not significant and decreased slightly from US\$0.15 million in 2015 to US\$0.1 million in 2016.

Others. Revenue from the Others segment increased from US\$0.08 million in 2015 to US\$2.7 million in 2016, primarily due to an increase in the sales of *OSVR HDK* and the acquisition of certain assets by THX from Slot Speaker Technologies, Inc.. We began selling *OSVR HDK* in the fourth quarter of 2015 and 2016 consisted of a full year of *OSVR HDK* sales. THX acquired the assets in the fourth quarter of 2016 and it began contributing to our revenue beginning in that quarter.

Cost of sales and gross profit

Cost of sales increased by 28.7% from US\$219.5 million in 2015 to US\$282.6 million in 2016. While gross profit increased from US\$100.2 million in 2015 to US\$109.5 million in 2016, an increase of 9.3%, gross margin decreased from 31.3% for 2015 to 27.9% for 2016, primarily due to change in product mix towards more Systems products.

Peripherals. Segment cost for Peripherals increased by 5.0% from US\$183.9 million in 2015 to US\$193.1 million in 2016, which was generally in line with the increase in our Peripherals revenue. Gross margin for our Peripherals segment increased slightly from 34.9% for 2015 to 35.3% for 2016 due to a shift in product mix towards products with higher margins.

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Systems. Segment cost for Systems increased by 149.6% from US\$35.3 million in 2015 to US\$88.1 million in 2016, which was generally in line with the increase in our Systems revenue. Gross margin for our Systems segment decreased from 4.8% for 2015 to 2.9% for 2016, primarily due to the introduction of our *Razer Blade Stealth* laptop in 2016, which as an entry-level product has a lower MSRP and also lower margins relative to our other laptops.

Software and Services. Segment cost for Software and Services decreased slightly from US\$0.04 million in 2015 to US\$0.01 million 2016 in line with our decrease in sales.

Others. Segment cost for Others increased from US\$0.3 million in 2015 to US\$1.4 million in 2016, primarily due to an increase in the cost of components and materials in line with the increase in the number of *OSVR HDK* units sold.

Selling and marketing expenses

Selling and marketing expenses increased by 70.3% from US\$41.1 million in 2015 to US\$70.0 million in 2016. The increase was primarily due to (i) US\$12.2 million in share-based compensation expense in connection with RSUs granted to employees in 2016, (ii) a US\$7.6 million increase in marketing related expenses primarily due to increased online advertising to promote the launch of our new Systems products, (iii) a US\$3.4 million increase in salaries and benefits for marketing personnel primarily due to an increase in the headcount of our selling and marketing personnel by 21.6% in 2016 and (iv) a US\$3.0 million increase in fees paid to our third party ecommerce service provider.

Research and development expenses

Research and development expenses increased by 75.2% from US\$29.8 million in 2015 to US\$52.2 million in 2016. The increase was primarily due to (i) a US\$9.6 million in share-based compensation expense in connection with RSUs granted to employees in 2016, (ii) a US\$9.0 million increase in outsourced research and development primarily due to the introduction of the *Razer Blade Stealth* and a new version of the *Razer Blade Pro* and (iii) a US\$3.6 million increase in salaries and benefits for research and development personnel primarily due to an increase in the headcount of our research and development personnel by 24.6% in 2016.

General and administrative expenses

General and administrative expenses increased by 20.1% from US\$41.3 million in 2015 to US\$49.6 million in 2016. The increase was primarily due to (i) US\$10.9 million increase in share-based compensation expense in connection with RSUs granted to employees in 2016 and (ii) a US\$1.3 million increase in legal fees and occupancy and rental costs, in each case as partially offset by a one-time settlement payment in 2015 as part of the Trademark Settlement and Co-Existing Agreement signed with Razor USA LLC. See "Business — Intellectual Property — Razor Trademark Settlement and Co-Existence Agreement."

Other non-operating expense

Other non-operating expense decreased from US\$6.0 million in 2015 to US\$0.7 million in 2016. The decrease was primarily due to a decrease in foreign exchange losses in 2016, as a result of the strengthening of the Euro against the US dollar in 2016, and a one-time expense recorded in 2015 as a result of a contemplated offering of securities.

Share of results of joint venture, net of tax

We had no results from the joint venture Razer Chengdu in 2016 as it became a wholly-owned subsidiary in 2015, and thus was consolidated in our financials beginning in September 2015. Our share of the joint venture gain was US\$0.7 million in 2015.

Net finance income

Our finance income increased from US\$0.2 million in 2015 to US\$0.5 million in 2016. This increase is primarily due to an increase in interest income on fixed deposits due to a higher cash balance.

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Loss before income tax

As a result of the foregoing, our loss before income tax increased from a loss of US\$17.1 million in 2015 to a loss of US\$63.3 million in 2016, an increase of 270.2%.

Income tax benefit (expense)

There was a tax benefit of US\$3.7 million in 2016, compared to an expense of US\$3.2 million in 2015. The increase in income tax benefit was primarily due to the increase in worldwide pre-tax loss from US\$17.1 million in 2015 to US\$63.3 million in 2016.

Net profit/loss for the year

As a result of the foregoing, the net profit/loss for 2016 was a loss of US\$59.6 million, an increase of 192.2% from a loss of US\$20.4 million in 2015.

Adjusted net loss for the year

Our adjusted net loss increased from US\$6.2 million for 2015 to US\$20.3 million for 2016. See the section headed "— Non-IFRS measure: Adjusted Net Profit/(Loss)."

Year Ended December 31, 2014 Compared with Year Ended December 31, 2015

Revenue

Our revenue increased by 1.4% from US\$315.2 million in 2014 to US\$319.7 million in 2015, primarily due to a 2.8% increase in Peripherals revenue in 2015, which was partially offset by a 8.6% decrease in Systems revenue in 2015.

Revenue from sales in (i) the Americas represented 42.9% and 42.3%, (ii) EMEA represented 30.6% and 32.0%, (iii) Asia Pacific ex-China represented 12.4% and 11.6% and (iv) China represented 14.1% and 14.1%, in each case of our total revenue in 2014 and 2015, respectively. Revenue from our (i) distributors represented 58.1% and 58.8%, (ii) retailers represented 31.8% and 28.2% and (iii) direct sales channels represented 10.1% and 13.0% in each case of our total revenue in 2014 and 2015, respectively.

Peripherals. Revenue from the Peripherals segment increased by 2.8% from US\$274.6 million in 2014 to US\$282.4 million in 2015, primarily due to a 14.3% and 44.2% increase in revenue generated by the sales of keyboards and others, respectively, which was partially offset by a 6.4% and 9.1% decrease in revenue from the sales of our mice and audio devices, respectively. The increase in revenue from the sales of (i) keyboards was primarily due to the introduction of a new line of keyboards which had higher ASP and (ii) others was due to an increase in the sales of mouse mats due to introduction of a new line of mouse mats with a higher ASP. The decrease in revenue from the sales of mice and audio products was primarily due to weaker market demand in the channel.

Systems. Revenue from the Systems segment decreased by 8.6% from US\$40.6 million in 2014 to US\$37.1 million in 2015, primarily due to a US\$4.0 million decrease in laptop revenue, which was primarily due to a decrease in unit sales driven by lower *Razer Blade Pro* sales due to a gap in the transition between product launches.

Software and services. Revenue from the Software and Services segment were not significant and increased from US\$0.06 million in 2014 to US\$0.15 million in 2015.

Others. Revenue from the Others segment increased from nil in 2014 to US\$0.08 million in 2015 as we introduced *OSVR HDK*.

Cost of sales and gross profit

Cost of sales increased by 5.9% from US\$207.3 million in 2014 to US\$219.5 million in 2015. Gross profit decreased from US\$108.0 million in 2014 to US\$100.2 million in 2015, a decrease of 7.2%, and gross margin decreased from 34.3% for 2014 to 31.3% for 2015.

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Peripherals. Segment cost for Peripherals increased by 9.2% from US\$168.3 million in 2014 to US\$183.8 million in 2015, which was generally in line with the increase in our Peripherals revenue. Gross margin for our Peripherals segment decreased from 38.7% for 2014 to 34.9% for 2015, primarily due to an increase in sales of keyboards which had a lower gross margin as compared to mice and audio devices.

Systems. Segment cost for Systems decreased by 9.3% from US\$38.9 million in 2014 to US\$35.3 million in 2015, which was generally in line with the decrease in our Systems revenue. Gross margin for our Systems segment increased from 4.1% for 2014 to 4.8% for 2015.

Software and services. Segment cost for Software and Services increased slightly from US\$0.03 million in 2014 to US\$0.04 million in 2015 in line with our increase in sales.

Others. Segment cost for Others increased from nil in 2014 to US\$0.3 million in 2015, primarily due to the commencement of *OSVR HDK* sales in 2015.

Selling and marketing expenses

Selling and marketing expenses increased by 19.8% from US\$34.3 million in 2014 to US\$41.1 million in 2015. The increase was primarily due to (i) a US\$3.0 million increase in marketing expenses, primarily due to increased online advertising, promotional activities at industry events and sponsorship of professional gamers and (ii) a US\$1.0 million increase in fees to ecommerce service providers primarily due to increased sales from our online store.

Research and development expenses

Research and development expenses increased by 26.3% from US\$23.6 million in 2014 to US\$29.8 million in 2015. The increase was primarily due to (i) a US\$2.1 million increase in salaries and benefits for research and development personnel primarily due to an increase in the headcount of our research and development personnel by 24.6% in 2015 and (ii) a US\$3.8 million increase in outsourced research and development, primarily due to the introduction of new system products.

General and administrative expenses

General and administrative expenses increased by 66.5% from US\$24.8 million in 2014 to US\$41.3 million in 2015. The increase was primarily due to (i) a US\$5.8 million increase in share-based payments primarily due to the transfer by our chief executive officer of shares held by him to certain employees and the grant by us of a share award to one of our directors, (ii) a one-time payment in 2015 as part of the Trademark Settlement and Co-Existing Agreement signed with Razor USA LLC (see "Business — Intellectual Property — Razor Trademark Settlement and Co-Existence Agreement") and (iii) a US\$1.7 million increase in occupancy and rental costs primarily due to the move of our offices to new facilities.

Share of results of joint venture, net of tax

This represents our share of results from the joint venture Razer Chengdu. Our share of results increased from a loss of US\$0.7 million in 2014 to a gain of US\$0.7 million in 2015. The increase was primarily due to an improvement in the operating results of the investee. We acquired the remaining equity interests in Razer Chengdu in September 2015 and Razer Chengdu has been consolidated in our financial results since then.

Other non-operating expense

Other non-operating expense increased from US\$3.3 million in 2014 to US\$6.0 million in 2015. The increase was primarily due to a US\$3.3 million expense resulting from a contemplated offering of securities recorded in 2015. This was partially offset by a decrease in foreign exchange losses to a strengthening of the Euro against the U.S. dollar in 2015.

Net finance income

Our net finance income increased from US\$0.1 million in 2014 to US\$0.2 million in 2015. This increase is primarily due to increases in interest income on fixed deposits and a decrease in bank charges.

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Profit/(loss) before income tax

As a result of the foregoing, our profit/loss before income tax decreased from a profit of US\$21.3 million in 2014 to a loss of US\$17.1 million in 2015.

Income tax benefit (expense)

Income tax expense was US\$3.2 million in 2015, compared to an expense of US\$1.0 million in 2014. The increase in income tax expense was primarily due to the current year losses for which no deferred tax asset was recognized during 2015.

Profit/loss for the year

As a result of the foregoing, the profit/loss for the year was a loss of US\$20.4 million in 2015, compared to a profit of US\$20.3 million in 2014.

Adjusted profit/(loss) for the year

Our adjusted profit/(loss) decreased from a profit of US\$20.3 million for 2014 to a loss of US\$6.2 million for 2015. See the section headed “— Non-IFRS measure: Adjusted Profit/(Loss).”

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2016, we had US\$121.1 million in cash and cash equivalents. Historically we have funded our operations and capital expenditures primarily through cash flows from operating activities and to a lesser extent issuance of equity securities. Our business model has not historically required extensive external capital expenditure, and we do not expect our business to become capital intensive in the future.

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

We plan to raise additional funds to finance our operations through this offering and may attempt to raise additional capital through private equity, equity-linked or debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing shareholders will be diluted. If we raise additional financing by the incurrence of indebtedness, we will be subject to increased fixed payment obligations and could also be subject to restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. If we are unable to obtain additional funds, we would also undertake other measures to reduce expenses to offset any funding shortfall.

There can be no assurances that we will be able to raise additional capital on acceptable terms or at all. In addition, if our operating performance during the next 12 months is below our expectations, our liquidity and ability to operate our business could be adversely affected.

Working Capital Sufficiency

Taking into account the financial resources available to the Group, including cash and bank balances, cash flow from operating activities, private equity financing received during the Track Record Period and up to the Latest Practicable Date and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that, after due and careful inquiry, the Group has sufficient available working capital for our present requirements for at least the next 12 months from the date of this document. However, our liquidity assumptions may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section of this document entitled “Risk Factors.”

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Cash Flow

The following table sets forth a summary of our net cash flows for the periods indicated:

	For the Year Ended December 31,		
	2014	2015	2016
	US\$ (in thousands)		
Net cash generated from operating activities . . .	34,414	3,532	1,678
Net cash used in investing activities	(17,827)	(2,908)	(32,360)
Net cash (used in)/generated from financing activities	(104)	(44)	77,134
Net increase in cash and cash equivalents	16,483	580	46,452
Effect of exchange rate fluctuations on cash held	(36)	(75)	(54)
Cash and cash equivalents at the beginning of the year	57,779	74,226	74,731
Cash and cash equivalents at the end of the year	<u>74,226</u>	<u>74,731</u>	<u>121,129</u>

Net Cash Generated from Operating Activities

Net cash generated from operating activities consisted primarily of our profit/(loss) for the year adjusted by income taxes paid and non-cash items, such as depreciation of property, plant and equipment, impairment of goodwill, amortization of intangible assets and share-based compensation expense, and adjusted by changes in working capital, such as trade and other receivables, prepayments, trade and other payables and deferred revenue.

For the year ended December 31, 2016, our net cash generated from operating activities was US\$1.7 million, which was primarily attributable to our loss for the year of US\$59.6 million, as adjusted by (i) the add-back of non-cash items primarily comprising amortization of intangible assets of US\$5.9 million, depreciation of property, plant and equipment of US\$8.3 million, write-down of inventories of US\$6.1 million and share-based compensation expense of US\$38.5 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables of US\$54.7 million, partially offset by an increase in inventories of US\$14.8 million and an increase in trade and other receivables of US\$31.0 million.

For the year ended December 31, 2015, our net cash generated from operating activities was US\$3.5 million, which was primarily attributable to our loss for the year of US\$20.4 million, as adjusted by (i) the add-back of non-cash items primarily comprising amortization of intangible assets of US\$1.9 million, depreciation of property, plant and equipment of US\$5.0 million, write-down of inventories of US\$4.4 million and share-based compensation expense of US\$5.8 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables of US\$12.4 million, partially offset by an increase in inventories of US\$2.6 million and an increase in trade and other receivables of US\$4.2 million.

For the year ended December 31, 2014, our net cash generated from operating activities was US\$34.4 million, which was primarily attributable to our profit for the year of US\$20.3 million, as adjusted by (i) the add-back of non-cash items primarily comprising amortization of intangible assets of US\$1.1 million, depreciation of property, plant and equipment of US\$6.0 million and write-down of inventories of US\$1.7 million; and (ii) changes in working capital, which primarily comprised an increase in trade and other payables of US\$26.2 million, partially offset by an increase in inventories of US\$9.1 million and an increase in trade and other receivables of US\$11.5 million.

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Net Cash Used in Investing Activities

For the year ended December 31, 2016, net cash used in investing activities was US\$32.4 million, which primarily comprised of an increase in short-term fixed deposits of US\$10.0 million, acquisition of certain assets of Slot Speaker Technologies, Inc. (formerly known as THX Ltd.), net of cash assumed, of US\$4.1 million, acquisition of property, plant and equipment of US\$12.1 million and acquisition of intangible assets of US\$6.7 million.

For the year ended December 31, 2015, net cash used in investing activities was US\$2.9 million, which primarily comprised of acquisition of property, plant and equipment of US\$8.4 million and acquisition of intangible assets of US\$5.2 million. This was partially offset by a vendor's repayment of a loan issued in 2014 of US\$0.5 million, and a decrease in short-term fixed deposits of US\$10.0 million.

For the year ended December 31, 2014, net cash used in investing activities was US\$17.8 million, which primarily comprised an increase in short-term fixed deposits of US\$10 million, acquisition of property, plant and equipment of US\$4.9 million and acquisition of intangible assets of US\$2.4 million and the issuance of a loan to a vendor of US\$0.5 million.

Net Cash Generated from/(Used in) Financing Activities

For the year ended December 31, 2016, net cash generated from financing activities was US\$77.1 million, which primarily comprised of US\$122.3 million arising from the issuance of new shares, the proceeds of which were used for general corporate purposes. This was partially offset by a repurchase of Shares and Preferred Shares of US\$45.0 million.

For the year ended December 31, 2015, net cash used in financing activities was US\$0.04 million, which primarily comprised of a repayment of a finance lease liability of US\$0.03 million and interest paid of US\$0.01 million.

For the year ended December 31, 2014, net cash used in financing activities was US\$0.1 million, which primarily comprised of interest paid and repurchase of Shares and preferred shares of US\$5.1 million, partially offset by proceeds from the issuance of convertible notes of US\$5.0 million.

Financial Investment and Treasury Policy

	As of December 31,		
	2014	2015	2016
	US\$ (in thousands)		
Money market funds	—	—	44,116
Short-term fixed deposits	40,996	40,511	93,443

During the Track Record Period, we invested in money market funds and made short-term fixed deposits, which are bank deposits with original maturities of six months or less. The primary objective is to generate finance income at a yield higher than current deposit bank interest rates, with an emphasis on capital preservation. For daily liquidity, we deposit surplus cash into liquid reserve funds that seek to provide yield income while preserving capital and maintaining liquidity by investing in a diversified portfolio of high quality money market securities.

The return on the money market funds depends on the performance of the underlying investments. We have established treasury policies to monitor and control the risks relating to our investment activities. In order to optimize our cash management, we may make investments in asset management products in situations where we have surplus cash. We generally select investments that are low risk with reasonable returns and liquidity. We maintain a certain portion of asset management products that do not have a fixed term for redemption, in order to manage our liquidity.

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Our finance department closely monitors each subsidiary’s corporate accounts. Any proposed investment in asset management products is subject to a feasibility study which is reviewed by our finance department. The proposal with the feasibility study will then be submitted to our chief financial officer for review and approval. During the transactions, our finance department is responsible for monitoring the performance of the invested asset management products and ensure the relevant contract is not breached. Any significant or adverse fluctuation in the invested asset management products is reported to our chief financial officer in a timely manner. Upon the expiration dates of each investment, designated personnel in our finance department are responsible for the redemption and disposition of the investments according to the relevant contracts.

NET CURRENT ASSETS AND LIABILITIES

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	US\$ (in thousands)			
Inventories	20,621	18,836	27,519	35,144
Trade and other receivables . .	66,339	68,225	101,009	66,678
Prepayments	1,981	3,253	3,901	3,230
Current tax receivables	249	—	—	412
Restricted cash	1,100	200	200	200
Available-for-sale investment . .	—	—	—	1,413
Cash and bank balances	84,226	74,731	131,129	102,828
Current Assets	174,516	165,245	263,758	209,995
Trade and other payables	89,625	102,587	160,767	125,951
Deferred revenue	175	437	433	451
Finance leases	28	39	108	86
Convertible notes	5,000	—	—	—
Current tax payable	1,080	1,818	3,468	764
Current Liabilities	95,908	104,881	164,776	127,252
Net Current Assets	78,608	60,364	98,982	82,743

Our net current assets and liabilities increased from US\$60.4 million as of December 31, 2015 to US\$99.0 million as of December 31, 2016. This was primarily due to an increase in inventories of US\$8.7 million, associated with the increased production of Systems and the launch of our *Razer Blade Stealth* and the new version of *Razer Blade Pro*, and increased cash and bank balances of US\$56.4 million due to the factors described under the subsection headed “Liquidity and Capital Resources — Cash Flow” in this section. This was partially offset by an increase in trade and other payables of US\$58.2 million, associated with a proportional increase in inventories.

Our net current assets and liabilities decreased from US\$78.6 million as of December 31, 2014 to US\$60.4 million as of December 31, 2015. This was primarily due to a decrease in cash and bank balances of US\$9.5 million and an increase of trade and other payables of US\$13.0 million, associated with our increase in revenue. This was partially offset by a settlement of a convertible note liability of US\$5.0 million.

Our net current assets and liabilities decreased from US\$99.0 million as of December 31, 2016 to US\$82.7 million as of April 30, 2017. This was primarily due to a decrease in cash and bank balances of US\$28.3 million and a decrease in trade and other receivables of US\$34.3 million. This was partially offset by a decrease of trade and other payables of US\$34.8 million.

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Inventories

The following table sets forth a breakdown of our inventories for the end of the years indicated:

	2014	2015	2016
	US\$ (in thousands)		
Raw Materials	839	1,073	2,258
Finished Goods	19,782	17,763	25,261
	<u>20,621</u>	<u>18,836</u>	<u>27,519</u>

Our inventories increased from US\$18.8 million as of December 31, 2015 to US\$27.5 million as of December 31, 2016, an increase of 46.3%, due to an increase in finished goods and raw materials. Finished goods increased by 42.1% from US\$17.8 million as of December 31, 2015 to US\$25.3 million as of December 31, 2016 primarily due to higher purchases in line with the growth of the business. Raw materials increased by 109.1% from US\$1.1 million as of December 31, 2015 to US\$2.3 million as of December 31, 2016 primarily due to purchases of raw materials for new Systems products.

Our inventories decreased from US\$20.6 million as of December 31, 2014 to US\$18.8 million as of December 31, 2015, a decrease of 8.7%, primarily due to a decrease in finished goods. Finished goods decreased by 10.1% from US\$19.8 million as of December 31, 2014 to US\$17.8 million as of December 31, 2015 primarily due to stronger sales in the last quarter of 2015. Raw materials increased by 37.5% from US\$0.8 million as of December 31, 2014 to US\$1.1 million as of December 31, 2015.

Our inventory turnover days for the years ended December 31, 2016, 2015 and 2014 remained stable at 30 days, 33 days and 30 days, respectively.

As of April 30, 2017, approximately 59.7% of our inventories as of December 31, 2016 had been consumed or sold.

Trade and Other Receivables

The balance of trade and other receivables at the end of respective years consists of (i) receivables from our Peripherals and Systems segments, primarily from distributors and online and offline retailers and (ii) receivables from arrangements whereby we purchase components from third-party suppliers and subsequently sell to our contract manufacturers.

Our trade and other receivables increased from US\$70.7 million as of December 31, 2015 to US\$102.7 million as of December 31, 2016, an increase of 45.3%. The increase was primarily due to an increase in trade receivables from increased sales of goods and other receivables, which includes non-trade debt, primarily due to an increase in the volume of buy-sell arrangements (arrangements whereby we purchase components from a third-party suppliers and subsequently sell to our contract manufacturers). This was partially offset by an increase in allowances for trade receivables, which includes reserves for sales returns and sales rebates, primarily due to our increase in revenue.

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Our trade and other receivables increased from US\$66.7 million as of December 31, 2014 to US\$70.7 million as of December 31, 2015, an increase of 6.0%. The increase was primarily due to an increase in trade receivables from increased sales of goods. This was partially offset by an increase in allowance for trade receivables, which includes reserves for sales returns and sales rebates, primarily due to our increase in revenue.

The following table sets forth our trade and other receivables for the end of the years indicated:

	2014	2015	2016
	US\$ (in thousands)		
Trade receivables	70,603	80,010	107,073
Less: Allowance for trade receivables	(8,816)	(14,112)	(18,796)
Less: Allowance for impairment	(1,272)	(1,637)	(916)
	<u>60,515</u>	<u>64,261</u>	<u>87,361</u>
Deposits	1,106	470	531
Other receivables	4,621	4,074	13,445
Forward contracts	—	113	16
Loan to vendor	460	—	—
	<u>66,702</u>	<u>68,918</u>	<u>101,353</u>
Loans and receivables	66,702	68,918	101,353
Deferred rent credit	—	1,808	1,315
Trade and other receivables	<u>66,702</u>	<u>70,726</u>	<u>102,668</u>
Non-current	363	2,501	1,659
Current	<u>66,339</u>	<u>68,225</u>	<u>101,009</u>
	<u>66,702</u>	<u>70,726</u>	<u>102,668</u>

The following table sets forth our average trade and other receivables aging analysis at the end of the periods indicated:

	2014		2015		2016	
	Gross	Impairment losses	Gross	Impairment losses	Gross	Impairment losses
	US\$ (in thousands)					
Neither past due nor impaired	52,790	—	60,337	—	88,369	—
Past due 1-30 days	10,021	—	8,370	—	9,650	—
Past due 31-60 days	776	—	1,451	—	1,828	—
Past due 61-90 days	290	—	91	—	525	—
More than 90 days	4,097	(1,272)	2,114	(1,637)	3,212	(916)
Trade and other receivables	<u>67,974</u>	<u>(1,272)</u>	<u>72,363</u>	<u>(1,637)</u>	<u>103,584</u>	<u>(916)</u>

Our trade receivables turnover days for the years ended December 31, 2014, 2015 and 2016 did not fluctuate significantly during these periods at 65 days, 71 days and 71 days, respectively.

As of April 30, 2017, approximately 96.9% of our trade receivables as of December 31, 2016 had been settled.

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Cash and Cash Equivalents

See “— Liquidity and Capital Resources.”

Trade and Other Payables

Our trade and other payables primarily consist of trade payables to contract manufacturers of finished goods. Accrued operating expenses include expenses that have been incurred but for which we have not received an invoice and are primarily related to research and development related expenses, personnel expenses and shipping and handling costs.

Our trade and other payables increased from US\$103.0 million as of December 31, 2015 to US\$161.3 million as of December 31, 2016, an increase of 56.6%. The increase was primarily due to an increase in trade payables from an increase in purchases of inventories from our contract manufacturers during the fourth quarter of 2016 as compared to fourth quarter of 2015 (in line with increase in inventories).

Our trade and other payables increased from US\$90.1 million as of December 31, 2014 to US\$103.0 million as of December 31, 2015, an increase of 14.4%. The increase was primarily due to an increase in trade payables from an increase in purchases of inventories.

The following table sets forth our trade and other payables for the end of the years indicated:

	2014	2015	2016
	US\$ (in thousands)		
Trade payables	62,719	76,836	123,231
Accrued operating expenses	21,941	21,653	25,941
Provision for warranty expenses	980	1,351	5,771
Accrued liabilities for materials	1,932	2,057	2,677
Forward contracts	—	195	8
Amount due to shareholders (non-trade)	4	4	—
Other payables	2,480	919	3,676
	<u>90,056</u>	<u>103,015</u>	<u>161,304</u>
Non-current	431	428	537
Current	89,625	102,587	160,767
	<u>90,056</u>	<u>103,015</u>	<u>161,304</u>

The following table sets forth an aging analysis of our trade payables as of the end of the periods indicated:

	2014	2015	2016
	US\$ (in thousands)		
Up to 3 months	62,517	76,659	122,938
Over 3 months but within 6 months	93	107	38
Over 6 months but within 12 months	20	33	64
Over 12 months	89	37	191
	<u>62,719</u>	<u>76,836</u>	<u>123,231</u>

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We settle our trade payables when the contracted work has been completed and payment is due. Our trade payables turnover days for the years ended December 31, 2015 and 2016 increased to 116 days and 129 days, respectively, from 94 days for the year ended December 31, 2014, primarily due to lengthening of payment terms. Our Directors confirm that we did not have material defaults in payments of trade payables during the Track Record Period.

As of April 30, 2017, approximately 99.5% of our trade payables as of December 31, 2016 had been settled.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the period indicated:

	For the Year Ended December 31,		
	2014	2015	2016
	US\$ (in thousands)		
Capital Expenditures			
Acquisition of property, plant and equipment	4,886	8,428	12,086
Acquisition of intangible assets	2,408	5,194	6,674
Total	<u>7,294</u>	<u>13,622</u>	<u>18,760</u>

Our capital expenditures comprised the acquisition of property, plant and equipment such as retail fixtures, tooling assets, computers, software and equipment and leasehold improvements and the purchase of intangible assets such as intellectual property rights associated with business acquisitions made. During the three years ended December 31, 2016, 2015 and 2014, our total capital expenditures were US\$18.8 million, US\$13.6 million and US\$7.3 million, respectively. The increase of US\$6.3 million in our total capital expenditures from 2014 to 2015 was primarily due to tooling-related assets and capitalized development costs. The increase of US\$5.1 million in our total capital expenditures from 2015 to 2016 was primarily due to tooling-related assets and capitalized development cost and intangible assets acquired through business combinations.

CONTRACTUAL OBLIGATIONS

Capital Commitments

We did not have capital expenditures contracted for but not provided for as of December 31, 2016, 2015 and 2014. As of December 31, 2016, we were party to an asset purchase agreement pursuant to which we had contracted to acquire certain assets of Nextbit Systems Inc. in consideration for 8,633 Razer Inc. shares, which transaction closed and shares were issued in January 2017. See "—Recent Developments."

Operating Lease Commitments

We have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2014	2015	2016
	US\$ (in thousands)		
Within one year	2,292	2,909	3,635
After one year but within five years	7,923	7,940	9,789
After five years	5,645	3,866	2,087
Total minimum lease payments	<u>15,860</u>	<u>14,715</u>	<u>15,511</u>

FINANCIAL INFORMATION

OTHER FINANCIAL RATIOS AND METRICS

The following table sets forth certain of our key financial metrics for the periods presented:

	For the Year Ended December 31,		
	2014	2015	2016
	(number of days)		
Days inventory outstanding ⁽¹⁾	30	33	30
Trade receivables turnover days ⁽²⁾	65	71	71
Trade payables turnover days ⁽³⁾	94	116	129
Cash conversion cycle ⁽⁴⁾	1	(12)	(28)

Notes:

- (1) Days inventory outstanding for a period equals the average of the opening and closing inventory balances divided by the cost of sales for the same period and multiplied by the number of days in that period, being 365 days for a full-year period.
- (2) Trade receivables turnover days for a period equals the average of trade receivables during a given period divided by the total revenue for the same period and multiplied by the number of days in that period, being 365 days for a full-year period.
- (3) Trade payables turnover days for a period equals the average of trade payables during a given period divided by the total cost of sales for the same period and multiplied by the number of days in that period, being 365 days for a full-year period.
- (4) Cash conversion cycle for a period equals days inventory outstanding plus trade receivables turnover days less trade payables turnover days.

Cash Conversion Cycle

Our cash conversion cycle decreased from 1 day in 2014 to (12) days in 2015 and further decreased to (28) days in 2016 because we negotiated more favorable credit terms with our contract manufacturers.

RELATED PARTY TRANSACTIONS

Other than disclosed below, there were no other significant related party transactions during the Track Record Period. Transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

Key Director Transaction

A director of the Company that controls 29% of the voting shares of the Company was a majority shareholder of Slot Speaker Technologies, Inc. (formerly known as THX Ltd.). As a result of the acquisition of certain assets from Slot Speaker Technologies, Inc. by the Company during 2016, 6,298 of the Company’s shares (of which 1,220 shares are held back for the holdback period) and 20 of THX Ltd.’s shares were issued to a company wholly-owned by the director. See “History and Corporate Structure” for more information.

INDEBTEDNESS

Bank Loans and Other Borrowings

During the Track Record Period and as of April 30, 2017, we did not have any material bank loans, debt securities, borrowings, indebtedness, guarantees, hire purchase commitments or mortgages.

Contingent Liabilities

As of December 31, 2016, 2015 and 2014, we did not have any material contingent liabilities.

FINANCIAL INFORMATION

RECENT DEVELOPMENTS

In the first half year of 2017, we achieved several milestones:

- On January 26, 2017, we completed the acquisition of certain assets of Nextbit Systems Inc. in exchange for 8,633 Shares.
- In March 2017, we launched our *zGold* virtual credits service, which allows gamers to purchase *zGold* and exchange it for digital content and items from various content providers.
- On May 12, 2017, we completed the investment in 19.9% of MOL Global in exchange for 8,634 Shares and entered into various cooperation agreements with MOL AccessPortal Sdn. Bhd., a wholly-owned Malaysian subsidiary of MOL Global.
- On May 15, 2017, we completed the Series D Preferred Shares investments and issued 18,804 Series D Preferred Shares for an aggregate consideration of US\$43.3 million.
- On June 17, 2017, we announced a partnership with CK Hutchison's Three Group and opened our sixth *RazerStore* in Hong Kong.

For more information on the foregoing recent developments see "History and Corporate Structure."

Our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since December 31, 2016, the date of our latest audited consolidated financial statements.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of December 31, 2016, we did not have any relationships with unconsolidated entities or financial partnerships, such as structured finance or special purpose entities that were established for the purpose of facilitating off-balance sheet arrangements or other purposes.

MARKET RISK DISCLOSURE

Foreign Exchange Risk

Our financial statements are expressed in U.S. dollars and approximately 76.5% of our revenue was denominated in U.S. dollars in 2016. A significant amount of our operating expenditures and capital purchases are incurred in or exposed to other currencies, primarily Singapore dollars and Euros. As of December 31, 2016, we had net assets denominated in various local currencies. In the past three years, exchange rate fluctuations have not had a material impact on our results of operations. As such, we have not used any derivative financial instruments to manage our foreign exchange risk.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to interest income from our fixed deposits placed with financial institutions. The Group does not use derivative financial instruments to hedge its debt obligations. As of December 31, 2016, we were not significantly exposed to interest rate risk. We have not been exposed to material risks due to changes in market interest rates. However, our future interest income may fall due to changes in market interest rates.

Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer to settle its financial and contractual obligations to us, as and when they fall due.

We have 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.

We established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

FINANCIAL INFORMATION

Our top five customers accounted for approximately 41.9%, 48.7% and 50.4% of total trade receivables as of December 31, 2014, 2015 and 2016, respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position.

Liquidity Risk

We are exposed to liquidity risk. Our policy is to monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance our operations and mitigate the effects of fluctuations in cash flows.

The expected contractual undiscounted cash outflows of trade and other payables are expected to occur within one year and equivalent to their carrying amounts. The effects of expected contractual undiscounted cash flows of other payables that are expected to occur beyond one year are not expected to be material.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Subject to Cayman Islands law and our Articles of Association, we may declare dividends in any currency through a general meeting, but no dividend may be declared in excess of the amount recommended by our Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorized for this purpose in accordance with Cayman Islands law.

Except as provided under the terms of a particular issue, or with respect to the rights attached to any Shares, (i) all dividends will be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a Share in advance of calls may for this purpose be treated as paid up on the Share; and (ii) all dividends will be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any of our Shareholders or in respect of any Shares all sums of money (if any) presently payable by such Shareholder to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our Board, and the amounts of dividends actually declared and paid will also depend on:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which our Board may deem relevant.

Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our subsidiaries, including those in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles. PRC laws also require PRC enterprises to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends.

FINANCIAL INFORMATION

Our Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. The Company has not paid or declared any dividend since its inception. No distributable reserves of the Company were available for distribution to the owners during the Track Record Period. We will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic climate. However, the determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Board deems relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. There can be no assurance that dividends of any amount will be declared or distributed in any year.

[REDACTED]

FINANCIAL INFORMATION

No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2016.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since December 31, 2016, the date of the latest audited consolidated financial statement of our Group.

SHARE CAPITAL

Our authorized share capital as of the Latest Practicable Date was US\$60,000 divided into (a) 4,000,000 Shares of a par value of US\$0.01 each and (b) 2,000,000 Preferred Shares of a par value US\$0.01 each.

As of the Latest Practicable Date, our issued share capital consisted of 609,739 Shares of par value of US\$0.01 each and 232,944 Preferred Shares of par value of US\$0.01 each.

The authorized share capital of our Company immediately before the [REDACTED] and the [REDACTED] will be increased to US\$100,000,000, divided into 10,000,000,000 Shares with a nominal value of US\$0.01 per Share.

Assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares, the share capital of our Company upon completion of the [REDACTED] and the [REDACTED] will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares (US\$)	Approximate percentage of issued share capital
Shares in issue (including the Shares on conversion of the Preferred Shares) ⁽¹⁾	[REDACTED]	[REDACTED]	[REDACTED]%
Shares to be issued as part of the [REDACTED] to:			
(i) existing Shareholders on a pro rata basis	[REDACTED]	[REDACTED]	[REDACTED]%
(ii) RSU Trustee(s)	[REDACTED]	[REDACTED]	[REDACTED]%
Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%
Total	<u>[REDACTED]</u>		100.0%

Note:

(1) The Preferred Shares will be converted into Shares on a one to one basis by way of redesignation to Shares on the [REDACTED].

Assuming the [REDACTED] is exercised in full and without taking into account the Deferred Settlement Shares, the share capital of our Company upon completion of the [REDACTED] and the [REDACTED] will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares (US\$)	Approximately percentage of issued share capital (%)
Shares in issue (including the Shares on conversion of the Preferred Shares) ⁽¹⁾	[REDACTED]	[REDACTED]	[REDACTED]%
Shares to be issued as part of the [REDACTED] to:			
(i) existing Shareholders on a pro rata basis	[REDACTED]	[REDACTED]	[REDACTED]%
(ii) RSU Trustee(s)	[REDACTED]	[REDACTED]	[REDACTED]%
Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%
Shares to be issued upon the full exercise of the [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%
Total	<u>[REDACTED]</u>		100.0%

Note:

(1) The Preferred Shares will be converted into Shares on a one to one basis by way of redesignation to Shares on the [REDACTED].

SHARE CAPITAL

ASSUMPTIONS

The above tables assume that the [REDACTED] becomes unconditional and Shares are issued pursuant to the [REDACTED] and the [REDACTED]. It takes no account of the Deferred Settlement Shares and any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The [REDACTED] are shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued (including all Preferred Shares automatically converted into Shares upon [REDACTED] and the Deferred Settlement Shares) and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

[REDACTED]

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For further details of the circumstances under which general meeting and class meeting are required, please refer to the section headed “Appendix III — Summary of the Constitution of our Company and Cayman Islands Companies Law” in this document.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares (otherwise than pursuant to, or in consequence of, the [REDACTED], a rights issue or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our shareholders) with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal value of our share capital in issue immediately following the completion of the [REDACTED] and the [REDACTED]; and
- the aggregate nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required under any applicable laws of the Cayman Islands or the Memorandum and the Articles to be held; or
- it is varied or revoked by an ordinary resolution of our shareholders in general meeting.

SHARE CAPITAL

Please refer to the section headed “Appendix IV — Statutory and General Information — A. Further Information about Our Company — 4. Written Resolutions of the Shareholders Passed on [●], 2017” in this document for details of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which our Securities may be listed with a total nominal value of not more than US\$[REDACTED] divided into [REDACTED] Shares, representing 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the [REDACTED].

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules.

The general mandate to repurchase Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the Articles of Association, the Cayman Islands Companies Law and the applicable laws of the Cayman Islands; or
- the revocation or variation of the Repurchase Mandate by an ordinary resolution of our Shareholders in a general meeting, whichever is the earliest.

Please refer to the section headed “Appendix IV — Statutory and General Information — A. Further Information about Our Company — 4. Written Resolutions of the Shareholders Passed on [●], 2017” in this document for details of this general mandate.

2016 EQUITY INCENTIVE PLAN

In order to assist us in attracting, retaining and motivating our employees, directors and consultants who will contribute to the success of the Company, we have adopted the 2016 Equity Incentive Plan, pursuant to which we may grant awards to eligible participants. The principal terms of the 2016 Equity Incentive Plan is summarized in the section headed “Appendix IV — Statutory and General Information — E. 2016 Equity Incentive Plan” in this document.

SUBSTANTIAL SHAREHOLDERS

Immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account the Deferred Settlement Shares), so far as the Directors are aware, the following persons (not being a Director or a chief executive of us) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/ Nature of Interest	The relevant company	Number and approximate percentage of Shares held as of the date of this document of the relevant Company		Number of Shares and approximate percentage of shareholding in the total issued share capital of our Company after the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised)	Number of Shares and approximate percentage of shareholding in the total issued share capital of our Company after the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is fully exercised)
Mr. Min-Liang Tan (陳民亮) ⁽¹⁾	Settlor of a trust	The Company	347,667	(41.3%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
	Beneficial interest	The Company	840	(0.1%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
Julius Baer Trust Company Guernsey Limited ⁽¹⁾	Trustee	The Company	347,667	(41.3%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
Chen Family (Global) Holdings Limited ⁽¹⁾	Interest of a controlled corporation	The Company	347,667	(41.3%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
Chen Family (Hivemind) Holdings Limited ⁽¹⁾	Registered Owner	The Company	347,667	(41.3%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
Mr. Lim Kaling (林嘉林) ⁽²⁾	Interest of controlled corporations	The Company	252,147	(29.9%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
	Beneficial interest	The Company	62	(0.0%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
	Interest of a controlled corporation	THX	20	(20%)	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Voyager Equity Limited ⁽²⁾	Registered Owner	The Company	159,758	(19.0%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
Lim Teck Lee Land Pte Ltd ⁽²⁾	Registered Owner	The Company	42,060	(5.0%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
Primerose Ventures Inc. ⁽²⁾	Registered Owner	The Company	38,789	(4.6%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
Archview Capital Ltd. ⁽²⁾	Registered Owner	The Company	5,078	(0.6%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
Sandalwood Associates Limited ⁽²⁾	Registered Owner	The Company	6,462	(0.8%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) Chen Family (Hivemind) Holdings Limited is an investment company incorporated in the British Virgin Islands, and is jointly controlled by Chen Family (Global) Holdings Limited and Mr. Tan. Chen Family (Global) Holdings Limited is an investment company incorporated in the British Virgin Islands, under the Chen Family Trust established by Mr. Tan, our co-founder and executive Director, as the settlor. Julius Baer Trust Company is the trustee of the Chen Family Trust, and Mr. Tan and his family members are the beneficiaries of the Chen Family Trust. Mr. Tan is also the sole director of Chen Family (Hivemind) Holdings Limited.

As of the Latest Practicable Date, Mr. Tan has also been granted 840 RSUs, all of which are outstanding, pursuant to the 2016 Equity Incentive Plan.

Following the conversion of the Preferred Shares and [REDACTED], Mr. Tan will have a long position in [REDACTED], including an interest in [REDACTED] Shares underlying the RSUs granted to him pursuant to the 2016 Equity Incentive Plan.

- (2) As of the Latest Practicable Date, Mr. Lim Kaling, our non-executive Director, owns 252,147 Shares through his controlled corporations — Voyager Equity Limited, Lim Teck Lee Land Pte Ltd, Primerose Ventures Inc., Archview Capital Ltd and Sandalwood Associates Limited.

Voyager Equity Limited is a company wholly-owned by Excelsior Equity Limited, a company incorporated in the British Virgin Islands which holds its shares in the Company on trust for Mr. Lim and his family members. It owns 159,758 Shares.

Lim Teck Lee Land Pte Ltd is a company incorporated in Singapore engaged in the business of general wholesale trade and investment holding. It is 92% owned by Mr. Lim. It owns 40,105 Shares and 1,955 Series B-2 Preferred Shares.

Primerose Ventures Inc., Archview Capital Ltd. and Sandalwood Associates Limited are investment holding companies incorporated in the British Virgin Islands and are indirectly wholly-owned by Mr. Lim through Immoillari Limited. Primerose Ventures Inc. owns 23,038 Shares, 14,774 Series A Preferred Shares and 977 Series B-2 Preferred Shares. Archview Capital Ltd. owns 5,078 Shares. Sandalwood Associates Limited owns 6,462 Series B-1 Preferred Shares.

As of the Latest Practicable Date, Mr. Lim has also been granted 62 RSUs, all of which are outstanding, pursuant to the 2016 Equity Incentive Plan.

Following the conversion of the Preferred Shares and [REDACTED], Mr. Lim will have a long position in [REDACTED], including an interest in [REDACTED] underlying the RSUs granted to him and outstanding pursuant to the 2016 Equity Incentive Plan.

In addition, Archview Capital Ltd., indirectly wholly-owned by Mr. Lim through Immoillari Limited, owns 20 shares of THX.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares), Chen Family (Hivemind) Holdings Limited, an investment holding company, will directly hold [REDACTED]% of the issued share capital in the Company. Chen Family (Hivemind) Holdings Limited is in turn jointly controlled by Chen Family (Global) Holdings Limited and Mr. Tan. Chen Family (Global) Holdings Limited is wholly owned by the Chen Family Trust established by Mr. Tan as the settlor with Julius Baer Trust Company Guernsey Limited as the trustee. The beneficiaries of the Chen Family Trust are Mr. Tan and his family members. Accordingly, Mr. Tan will, through Chen Family (Global) Holdings Limited under the Chen Family Trust, and in turn through Chen Family (Hivemind) Holdings Limited, be interested in [REDACTED]% of the issued share capital in the Company. Therefore, Mr. Tan, Chen Family (Global) Holdings Limited and Chen Family (Hivemind) Holdings Limited are the Controlling Shareholders of our Company.

For the background of our Controlling Shareholders, please refer to the sections headed “History and Corporate Structure” and “Directors and Senior Management.”

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

After considering the following factors, our Directors are of the view that our Company is capable of independently carrying on our business from, and does not place undue reliance on, our Controlling Shareholders:

(a) Financial Independence

Our Company has an independent financial system and makes financial decisions according to our own business needs. As of the Latest Practicable Date, none of our Controlling Shareholders and their close associates had provided any direct or indirect financing for our operations or any credit support (whether by way of guarantees or otherwise) in respect of any financing obtained by us from third party sources.

Upon [REDACTED], our Directors believe that our Company will be able to obtain further financing, if necessary, upon market terms and conditions without relying on financial assistance or credit support from our Controlling Shareholders and their close associates.

Based on the above, our Directors are of the view that we are able to operate financially independently from our Controlling Shareholders.

(b) Operational Independence

We do not rely on our Controlling Shareholders and their close associates for our finance, audit and control, sales and marketing, human resources, administration or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates. We have access to suppliers and customers independent of our Controlling Shareholders. We are also in possession of all relevant licenses and own all relevant intellectual properties and research and development facilities necessary to carry on and operate our business, and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders. Our Directors do not expect that there will be any transactions between our Company and our Controlling Shareholders upon or shortly after the [REDACTED].

Based on the above, our Directors are of the view that we are able to operate independently from our Controlling Shareholders after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(c) Management Independence

We are able to carry out our business independently from our Controlling Shareholders and his or its close associates from a management perspective. Upon [REDACTED], our Board of Directors will consist of seven Directors, comprising three executive Directors, including Mr. Tan, one non-executive Director and three INEDs.

Our management and operational decisions are made by our Board of Directors and senior management collectively, most of whom have served our Group for a significant period and have substantial and extensive relevant industry experience and expertise. Other than Mr. Tan, none of the Directors or members of the senior management of our Group holds any directorships and/or other roles with any companies owned or controlled by the Controlling Shareholders and their close associates.

Our Directors are of the view that our Board of Directors and senior management will function independently from our Controlling Shareholders for the following reasons:

- (i) each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interests to exist;
- (ii) the Articles of Association (which will be effective on the [REDACTED]) require a Director to declare his interest in any contract or arrangement in which he has an interest and he is not entitled to vote on (nor be counted in the quorum in relation to) any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest, except in certain prescribed circumstances, details of which are set out in the section headed "Appendix III — Summary of the Constitution of our Company and Cayman Islands Companies Law" in this document. The provisions of the Articles of Association ensure that matters involving a conflict of interest which may arise from time to time will be managed in line with accepted corporate governance practice with a view to ensuring that decisions are taken having regard to the best interests of the Company and the Shareholders (including the independent Shareholders) taken as a whole;
- (iii) following the [REDACTED], the Board will be required to comply with the Listing Rules, including the provisions relating to corporate governance which require, among other things, that a Director shall not vote on any Board resolution, any contract or arrangement or any other proposal in which he or any of his associates has a material interest, nor shall he be counted in the quorum for the meeting; and
- (iv) our INEDs have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decision of the Board of Directors are made only after due consideration of independent and impartial opinions.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of our Controlling Shareholders nor any of our Directors was, as of the Latest Practicable Date, interested in or engaged in any business, other than our Company, which, competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors consists of 7 Directors, comprising 3 executive Directors, 1 non-executive Director and 3 INEDs. Our Board of Directors is responsible for and has general powers for the management and conduct of our business.

The table below sets forth certain information in respect of the members of the Board of Directors of our Company:

Name	Date of joining our Company	Age	Position/Title	Date of appointment	Roles and responsibilities
Mr. Min-Liang Tan (陳民亮) . . .	September 1, 2006	[39]	Chief executive officer	September 1, 2006	Mr. Tan is responsible for our overall strategic development and business operations. In addition, he is in charge of directing and overseeing the design and development of all our products.
			Creative director	September 1, 2006	
			Executive Director and Chairman	June 21, 2017	
Mr. Khaw Kheng Joo (許慶裕) . . .	October 5, 2009	[69]	Chief operating officer	June 1, 2012	Mr. Khaw is responsible for overseeing the operations and engineering aspects of the Company.
			Executive Director	June 21, 2017	
Mr. Chan Thiong Joo Edwin (曾辰裕) . . .	July 1, 2009	[40]	Chief financial officer	June 1, 2013	Mr. Chan is responsible for leading corporate strategic initiatives and financial related matters of our Company.
			Executive Director	June 21, 2017	
Mr. Lim Kaling (林嘉林) . . .	November 8, 2012	[54]	Non-executive Director	June 21, 2017	Mr. Lim is responsible for participating in decision-making in respect of major matters, such as strategy.
Mr. Gideon Yu	September 22, 2014	[46]	Independent Director	September 22, 2014	Mr. Yu is responsible for supervising and providing independent judgment to our Board.
			INED	June 21, 2017 ⁽²⁾	
Mr. Chau Kwok Fun Kevin (周國勳) . . .	June 21, 2017	[57]	INED	June 21, 2017 ⁽¹⁾	Mr. Chau is responsible for supervising and providing independent judgment to our Board.

DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Date of joining our Company</u>	<u>Age</u>	<u>Position/Title</u>	<u>Date of appointment</u>	<u>Roles and responsibilities</u>
Mr. Lee Yong Sun (李鏞新) . . .	June 21, 2017	[72]	INED	June 21, 2017 ⁽¹⁾	Mr. Lee is responsible for supervising and providing independent judgment to our Board.

Notes:

- (1) Appointment effective upon the [REDACTED].
- (2) Designation as INED effective upon the [REDACTED].

Executive Directors

Mr. Min-Liang Tan (陳民亮), aged [39], is a co-founder and a Director of our Company and has served as our chief executive officer since September 2006. Since September 2006, Mr. Tan has also served as our creative director and is responsible for directing and overseeing the design and development of all products of our Company. In June 2017, Mr. Tan was designated as an executive Director and was appointed as the Chairman of our Board.

Mr. Tan, who is an executive Director of the Company, will also continue to assume the responsibilities as the chief executive officer and chairman of the Board upon the [REDACTED]. Code provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules states that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Board believes that Mr. Tan should continue to assume the responsibilities of the chief executive officer of the Company upon the [REDACTED] as this arrangement will improve the efficiency of the decision-making and execution process of the Company. The Company has put in place an appropriate check-and-balance mechanism through the Board and the INEDs. In light of the above, the Board considers that the deviation from Code provision A.2.1 of the Corporate Governance Code is appropriate in the circumstances of the Company.

Mr. Tan also holds positions in other members of the 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. (台灣雷蛇有限公司), Razer Chengdu Pte. Ltd., Razer Korea LLC, Razer Online Pte. Ltd., OUYA Global Pte. Ltd., OUYA Publishing Inc., RazerVentures Holdings Pte. Ltd., ZVF2 Pte. Ltd., THX, THX Holdings Limited and ZVMidas Pte. Ltd., and the chief executive officer of Razer USA Ltd. and OUYA Publishing Inc.

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

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

Mr. Khaw Kheng Joo (許慶裕), aged [69], has served as our chief operating officer since June 2012 and has also served as our executive Director since June 2017. From October 2009 to November 2009, Mr. Khaw served as our interim chief executive officer, and from February 2011 to May 2012, Mr. Khaw served as our consultant and interim chief operating officer.

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

DIRECTORS AND SENIOR MANAGEMENT

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

Mr. Chan Thiong Joo Edwin (曾辰裕), aged [40], has served as our chief financial officer since June 2013 and was appointed as our executive Director in June 2017. Mr. Chan previously served as our director of corporate finance from July 2009 to May 2011, our vice president of strategy and corporate finance from May 2011 to May 2013, and our Director from November 2012 to March 2015. Mr. Chan is also responsible for leading corporate strategic initiatives for our Company.

Mr. Chan also serves as a director in certain subsidiaries of our Company, namely RazerVentures Holdings Pte. Ltd., ZVF2 Pte. Ltd., THX, ZVF1 Pte. Ltd. and ZVMidas Pte. Ltd.

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

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

Non-executive Director

Mr. Lim Kaling (林嘉林), aged [54], has been our founding investor since May 2005 and has served as a member of our board of directors since November 2012. In June 2017, Mr. Lim was designated as a non-executive Director. Mr. Lim worked at Slot Speaker Technologies, Inc. (formerly known as THX Ltd.) as the chief executive officer and chairman from June 2012, as a director from November 2002 and as an executive officer from November 2005.

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

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

Independent non-executive Directors

Mr. Gideon Yu, aged [46], has served as our independent Director since September 2014. In June 2017, Mr. Yu was designated as our INED.

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

Mr. Yu also has wide experience in other sectors. From 2000 to 2002, Mr. Yu was the chief financial officer of NightFire Software. In the period from 1993 to 1998, Mr. Yu held various positions at The Walt Disney Company (a company listed on the New York Stock Exchange (Stock Code: DIS)),

DIRECTORS AND SENIOR MANAGEMENT

Hilton Worldwide Holdings, Inc. (also a company listed on the New York Stock Exchange (Stock Code: HLT)), and Donaldson, Lufkin & Jenrette (predecessor of Credit Suisse Group (a company listed on the SIX Swiss Exchange (Stock Code: CSGN) and the New York Stock Exchange (Stock Code: CS), respectively)). In addition, Mr. Yu was a general partner at Khosla Ventures from 2009 to 2011.

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

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

Mr. Chau Kwok Fun Kevin (周國勳), aged [57], was appointed as our INED in June 2017.

Mr. Chau began his career in 1982 with a U.S. bank in New York dealing in fixed income and derivative syndication and had been posted to the bank's London and Tokyo offices. In 1990, Mr. Chau set up his own real estate investment company in California, the United States, investing in real estate projects in Texas and California. Since 1996, Mr. Chau has been an independent non-executive director of the Tai Sang Land Development Limited (a company listed on the Stock Exchange (Stock Code: 89)). From 2005 to 2012, Mr. Chau was the executive vice chairman of Sincere Watch (Hong Kong) Limited (a company listed on the Stock Exchange (Stock Code: 444)) ("**Sincere Watch Group**"), during which he was responsible for the overall development of Sincere Watch Group's business, as well as the strategic planning and positioning and management of the Sincere Watch Group. Prior to joining the Sincere Watch Group, he was a principal officer of an investment company in Hong Kong dealing in real estates and the food and beverage industry in the PRC from 1993 to 1996. From 2008 to 2009, Mr. Chau served as director of the Tung Wah Group of Hospitals. Since 2012 and 2015 respectively, Mr. Chau has been the owner and principal of KRC Projects Limited, a private investment company, and a partner and director of Emagination Asia, a technology software company specializing 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 (李鑄新), aged [72], was appointed as our INED in June 2017.

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.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company:

Name	Date of joining our Company	Age	Position/Title	Date of appointment	Role and responsibility
Min-Liang Tan (陳民亮)	September 1, 2006	[39]	Chief executive officer	September 1, 2006	Mr. Tan is responsible for our overall strategic development and business operations. In addition, he is in charge of directing and overseeing the design and development of all our products.
Khaw Kheng Joo (許慶裕)	October 5, 2009	[69]	Chief operating officer	June 1, 2012	Mr. Khaw is responsible for overseeing the operations and engineering aspects of the Company.
Chan Thiong Joo Edwin (曾辰裕)	July 1, 2009	[40]	Chief financial officer	June 1, 2013	Mr. Chan is responsible for leading corporate strategic initiatives and financial related matters of our Company.
Michael Dilmagani . .	October 1, 2005	[60]	Senior vice president, Global Sales and Marketing	March 1, 2011	Mr. Dilmagani is responsible for managing the sales and marketing team on a regional and product basis.
Choo Wei Pin (朱威炳)	January 8, 2015	[45]	Senior vice president, Corporate Development & General Counsel	February 1, 2017	Mr. Choo is responsible for overseeing corporate development and legal affairs of the Company.
			Joint Company Secretary	July 1, 2015	
Liu Siew Lan Patricia (廖秀蘭)	August 15, 2016	[53]	Chief customer officer	August 15, 2016	Ms. Liu is responsible for the Company’s total relationship with and operations pertaining to our customers and people.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Min-Liang Tan (陳民亮), has served as our chief executive officer since September 2006. Please refer to the section entitled “Executive Directors” above for the biography of Mr. Tan.

Mr. Khaw Kheng Joo (許慶裕), has served as our chief operating officer since June 2012. Please refer to the section entitled “Executive Directors” above for the biography of Mr. Khaw.

Mr. Chan Thiong Joo Edwin (曾辰裕), has served as our chief financial officer since June 2013. Please refer to the section entitled “Executive Directors” above for the biography of Mr. Chan.

Mr. Michael Dilmagani, aged [60], has served as our senior vice president of sales and marketing since March 2011. He also served as our vice president of sales in the United States from October 2005 to October 2006 and as our general manager and vice president of sales and marketing in the United States from October 2006 to January 2011.

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

Mr. Choo Wei Pin (朱威炳), aged [45], is our senior vice president, corporate development & general counsel. He joined Razer in January 2015 as vice president, legal and corporate development, was appointed as vice president, corporate development and general counsel in April 2016 and was appointed to his current role in February 2017. Mr. Choo has also been Company Secretary of the Company since July 2015.

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

Mr. Choo was admitted as an advocate and solicitor of the Supreme Court of the Republic of Singapore in May 1998 and has more than 15 years of experience as a legal practitioner. From 2008 to 2012, Mr. Choo served as assistant general counsel at Singapore Telecommunications Limited (a company currently listed on Singapore Stock Exchange (Stock Code: Z74) and previously listed on Australian Securities Exchange (Stock Code: SGT)). From 2012 to 2013, he was senior vice president, company secretary and head of legal and secretariat of CapitaMalls Asia Limited (a company previously listed on both Singapore Stock Exchange (Stock Code: JS8) and the Stock Exchange (Stock Code: 6813)), following which Mr. Choo served as senior vice president, legal of CapitaLand Limited until 2014.

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

Ms. Liu Siew Lan Patricia (廖秀蘭), aged [53], has served as our chief customer officer since August 2016 and was a consultant in Razer (Asia-Pacific) from 2012 to 2013.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Liu served in various leadership positions at Hewlett Packard for 15 years including director of strategy and planning, vice president of volume direct business operations, director of total customer experience and quality, worldwide marketing manager, and worldwide learning products and localization manager. From 2013 to 2016, Ms. Liu was the managing director of Asia Pacific for Omega Engineering, part of Spectris plc, a precision instrumentation and controls company (a company listed on the London Stock Exchange (Stock Code: SXS)).

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

For the business address of the senior management, please refer to the address of the corporate headquarters in the section headed “Corporate Information.”

Save as disclosed in this document, none of our Directors and senior management hold any other positions within the Group.

Save as disclosed above, none of our Directors and senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document.

None of our Directors and senior management is related to other Directors and senior management.

Directors’ and Senior Management’s Interests

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

As of the Latest Practicable Date, save for the interests in the Shares of Mr. Tan, Mr. Khaw Kheng Joo, Mr. Chan Thiong Joo Edwin, Mr. Lim Kaling and Mr. Gideon Yu, which are disclosed in the section headed “Appendix IV — Statutory and General Information” in this document, none of our Directors held any interest in the Shares within the meaning of Part XV of the SFO.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Choo Wei Pin (朱威炳) and **Ms. Chan Wai Ling** (陳蕙玲) of Corporate Services of Tricor Services Limited (“**Tricor**”) are our joint company secretaries. Please see the section headed “Directors and Senior Management — Senior Management” for the biography of Mr. Choo.

Ms. Chan Wai Ling, FCIS, FCS (PE), is a director of Corporate Services of Tricor, a global professional services provider specializing in integrated Business, Corporate and Investor Services. Ms. Chan has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is a Chartered Secretary and Fellow of both The Hong Kong Institute of Chartered Secretaries (“**HKICS**”) and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Chan is a holder of the Practitioner’s Endorsement from HKICS.

COMPLIANCE ADVISER

We have appointed Anglo Chinese Corporate Finance, Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to our Company pursuant to the requirements thereunder. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us with due care and skill on a timely basis in the following circumstances:

- before the publication of any regulatory announcement (whether required by the Listing Rules or requested by the Stock Exchange or otherwise), circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company including share issues and share repurchases;
- where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of this appointment will commence on the [REDACTED] and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

We have established the following committees in our Board of Directors: the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee. The committees operate in accordance with terms of reference established by our Board of Directors.

Audit and Risk Management Committee

The Company has established the Audit and Risk Management Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. The Audit and Risk Management Committee consists of three INEDs, namely Mr. Chau Kwok Fun Kevin, Mr. Gideon Yu and Mr. Lee Yong Sun. The chairman of the Audit and Risk Management Committee is Mr. Chau Kwok Fun Kevin, an INED who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit and Risk Management Committee are to assist our Board of Directors by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board of Directors.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. The Remuneration Committee consists of two INEDs, namely Mr. Gideon Yu and Mr. Lee Yong Sun, as well as one executive Director, namely, Mr. Tan. The Remuneration Committee is chaired by Mr. Gideon Yu, an INED. The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to the Board of Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board of Directors from time to time.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. The Nomination Committee consists of two INEDs, namely Mr. Lee Yong Sun and Mr. Chau Kwok Fun Kevin, as well as one non-executive Director, namely, Mr. Lim Kaling. The chairman of the Nomination Committee is Mr. Lee Yong Sun, an INED. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board of Directors, assessing the independence of INEDs and making recommendations to the Board of Directors on matters relating to the appointment of Directors.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, bonuses, share based awards and other benefits-in-kind. We determine the salaries of our Directors and senior management based on their qualification, position and seniority.

The aggregate amount of remuneration (including salaries, discretionary bonuses, share based awards and other benefits) which were paid to our Directors for the three years ended December 31, 2014, 2015 and 2016 were approximately US\$1.4 million, US\$3.3 million and US\$3.4 million, respectively. The aggregate amount of the Company's contributions to the Central Provident Fund on behalf of Mr. Tan in his capacity as a member of the senior management of the Company for each of the three years ended December 31, 2014, 2015 and 2016 were approximately US\$12,550, US\$10,371 and US\$10,722, respectively.

DIRECTORS AND SENIOR MANAGEMENT

The remuneration payable to our Directors by us in respect of the financial year ending December 31, 2017 under arrangements in force at the date of this document is estimated to be approximately US\$7.5 million.

Our Group’s five highest paid individuals included one Director for the years ended December 31, 2014 and 2015. The aggregate amount of remuneration (including salaries, discretionary bonuses, share based awards and other benefits), which were paid by our Company to such five highest paid individuals for the three years ended December 31, 2014, 2015 and 2016 were approximately US\$2.7 million, US\$7.7 million and US\$19.3 million, respectively.

The aggregate amount of remuneration (including salaries, discretionary bonuses, share based awards and other benefits) which were paid to our senior management for the three years ended December 31, 2014, 2015 and 2016 were approximately US\$2.4 million, US\$5.8 million and US\$17.7 million, respectively.

Save as disclosed in the section headed “Appendix I — Accountants’ Report — 8. Directors’ remuneration” and “9. Individuals with highest emoluments,” for the three years ended December 31, 2014, 2015 and 2016, no amount was paid to our Directors or the five highest paid individuals, as inducement to join or upon joining our Company, or otherwise for services rendered in connection with the promotion or establishment of our Company. In addition, no compensation was paid to our Directors or past Directors for the same period in connection with the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. Further, there was no other arrangement under which a Director waived or agreed to waive any remuneration during the same period.

Equity Incentive Plan

In order to assist us in attracting, retaining and motivating our employees, directors and consultants who will contribute to the success of the Company, we have adopted the 2016 Equity Incentive Plan, pursuant to which we may grant awards to eligible participants. The principal terms of the 2016 Equity Incentive Plan is summarized in the section headed “Appendix IV — Statutory and General Information — E. 2016 Equity Incentive Plan” in this document.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

Please see section headed “Business — Our Strategy” for a detailed discussion of our future plans.

USE OF [REDACTED]

The aggregate net [REDACTED] that we expect to receive from the [REDACTED] (after deducting [REDACTED] fees and estimated expenses in connection with the [REDACTED]) will be approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), assuming the [REDACTED] is not exercised and assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the range of the [REDACTED] as stated in this document.

Our Directors intend to apply the net [REDACTED] from the [REDACTED] as follows:

- **approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])** (representing [REDACTED]% of net [REDACTED]) is expected to be used to develop new verticals in the gaming and digital entertainment industry such as mobile devices. We are targeting to launch our first mobile device in late 2017 or early 2018, though this date may change subject to design and engineering changes;
- **approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])** (representing [REDACTED]% of net [REDACTED]) is expected to be used to finance other acquisitions that will continue the expansion of our ecosystem. We plan to invest or acquire businesses that are complementary to our business, such as: new technologies or products for gamers; and other products and services in new verticals that appeal to gamers and further entrench the Razer brand (as of the Latest Practicable Date, we have not identified such targets for acquisitions);
- **approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])** (representing [REDACTED]% of net [REDACTED]) is expected to continue to expand our research and development capabilities, including but not limited to hiring engineers and designers to develop and innovate new products and services that optimize performance, design and other attributes desired by gamers, and spending on tooling assets for new products;
- **approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])** (representing [REDACTED]% of net [REDACTED]) is expected to be used to continue to implement our sales and marketing initiatives to expand the appeal of the Razer brand and increase user awareness of our new products and services across our ecosystem, including *zGold*, our virtual credits service, gear, accessories and energy drinks. Some of our sales and marketing initiatives including branding agreements and sponsorships, direct engagement with users through social media and viral marketing campaigns, opening of more *RazerStores*; and
- **approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])** (representing [REDACTED]% of net [REDACTED]) is expected to be used for general working capital purposes.

If the [REDACTED] is exercised in full, the additional net [REDACTED] we estimate that we will receive, after deducting [REDACTED] and estimated expenses in connection with the [REDACTED], will be:

- approximately HK\$[REDACTED] assuming an [REDACTED] of HK\$[REDACTED], being the high end of the range of the [REDACTED];
- approximately HK\$[REDACTED] assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the range of the [REDACTED]; or
- approximately HK\$[REDACTED] assuming an [REDACTED] of HK\$[REDACTED] per Share, being the low end of the range of the [REDACTED].

FUTURE PLANS AND USE OF [REDACTED]

We will adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis should the amount of the [REDACTED] differ from the estimated amount, assuming the [REDACTED] is not exercised. If the [REDACTED] is set at HK\$[REDACTED] per Share (being the high end of the [REDACTED]), and assuming that the [REDACTED] is not exercised, the net [REDACTED] from the [REDACTED] will increase by approximately HK\$[REDACTED]. If the [REDACTED] is set at HK\$[REDACTED] per Share (being the low end of the [REDACTED]), and assuming that the [REDACTED] is not exercised, the net [REDACTED] from the [REDACTED] will decrease by approximately HK\$[REDACTED].

To the extent that the net [REDACTED] of the [REDACTED] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, we intend that such [REDACTED] will be used for short-term investments. We will make an appropriate announcement if there is any change to the above proposed use of [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the [REDACTED] (whether or not such issue of Shares or securities will be completed within six months from the [REDACTED]), except (a) pursuant to the [REDACTED] or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-3 to I-53, received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RAZER INC., CREDIT SUISSE (HONG KONG) LIMITED AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of Razer Inc. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-53, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2014, 2015 and 2016 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2014, 2015 and 2016 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-10 to I-53 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the initial [REDACTED] shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

APPENDIX I**ACCOUNTANTS’ REPORT**

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Company’s and the Group’s financial position as at December 31, 2014, 2015 and 2016 and of the Group’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

No dividends have been paid by the Company in respect of the Relevant Periods.

No statutory financial statements of the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong
[REDACTED]

APPENDIX I

ACCOUNTANTS' REPORT

A HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG LLP, Public Accountants and Chartered Accountants, Singapore ("KPMG Singapore") under separate terms of engagement with the Company in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

Consolidated statements of profit or loss and other comprehensive income (Expressed in United States dollars unless otherwise indicated)

	Note	Year ended December 31, 2014 US\$'000	Year ended December 31, 2015 US\$'000	Year ended December 31, 2016 US\$'000
Revenue	4	315,247	319,706	392,099
Cost of sales		(207,274)	(219,505)	(282,648)
Gross profit		107,973	100,201	109,451
Selling and marketing expenses		(34,290)	(41,110)	(69,993)
Research and development expenses		(23,640)	(29,818)	(52,175)
General and administrative expenses		(24,787)	(41,348)	(49,606)
Impairment of goodwill	13	—	—	(805)
Operating income/(loss)		25,256	(12,075)	(63,128)
Share of results of joint venture, net of tax		(681)	731	—
Other non-operating expense		(3,331)	(5,993)	(653)
Profit/(loss) from operations		21,244	(17,337)	(63,781)
Finance income		176	201	525
Finance costs		(74)	(10)	(14)
Net finance income	6	102	191	511
Profit/(loss) before income tax	7	21,346	(17,146)	(63,270)
Income tax (expense)/benefit	10	(1,014)	(3,210)	3,654
Profit/(loss) for the year		20,332	(20,356)	(59,616)
Foreign currency translation differences — foreign operations, net of nil tax		(6)	(105)	(80)
Total comprehensive income for the year		<u>20,326</u>	<u>(20,461)</u>	<u>(59,696)</u>
Profit/(loss) attributable to:				
Equity shareholders of the Company		20,332	(20,356)	(59,332)
Non-controlling interest		—	—	(284)
Profit/(loss) for the year		<u>20,332</u>	<u>(20,356)</u>	<u>(59,616)</u>
Total comprehensive income attributable to:				
Equity shareholders of the Company		20,326	(20,461)	(59,412)
Non-controlling interest		—	—	(284)
Total comprehensive income for the year		<u>20,326</u>	<u>(20,461)</u>	<u>(59,696)</u>
Earnings/(loss) per share	11			
Basic earnings/(loss) per share (US\$)		33.89	(34.05)	(98.97)
Diluted earnings/(loss) per share (US\$)		26.79	(34.05)	(98.97)

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

Consolidated statements of financial position

(Expressed in United States dollars unless otherwise indicated)

	Note	As of December 31, 2014 US\$'000	As of December 31, 2015 US\$'000	As of December 31, 2016 US\$'000
Assets				
Property, plant and equipment	12	6,620	10,044	14,334
Intangible assets and goodwill	13	1,879	5,936	24,086
Deferred tax assets	16	5,040	3,620	11,054
Restricted cash		1,064	1,064	1,589
Other receivables	18	363	2,501	1,659
Non-current assets		<u>14,966</u>	<u>23,165</u>	<u>52,722</u>
Inventories	17	20,621	18,836	27,519
Trade and other receivables	18	66,339	68,225	101,009
Prepayments		1,981	3,253	3,901
Current tax receivables		249	—	—
Restricted cash		1,100	200	200
Cash and bank balances	19	84,226	74,731	131,129
Current assets		<u>174,516</u>	<u>165,245</u>	<u>263,758</u>
Total assets		<u><u>189,482</u></u>	<u><u>188,410</u></u>	<u><u>316,480</u></u>
Liabilities				
Deferred tax liabilities	16	685	33	106
Deferred revenue		80	50	6
Other payables	20	431	428	537
Other tax liabilities	15	3,252	3,519	2,796
Finance leases	26	86	115	71
Non-current liabilities		<u>4,534</u>	<u>4,145</u>	<u>3,516</u>
Trade and other payables	20	89,625	102,587	160,767
Deferred revenue		175	437	433
Finance leases	26	28	39	108
Convertible notes	27	5,000	—	—
Current tax payable		1,080	1,818	3,468
Current liabilities		<u>95,908</u>	<u>104,881</u>	<u>164,776</u>
Total liabilities		<u>100,442</u>	<u>109,026</u>	<u>168,292</u>
Equity				
Share capital	22	8	8	8
Share premium	22	51,451	56,451	187,211
Reserves	22	37,581	22,925	(42,618)
Total equity attributable to equity shareholders of the Company		<u>89,040</u>	<u>79,384</u>	<u>144,601</u>
Non-controlling interest		<u>—</u>	<u>—</u>	<u>3,587</u>
Total equity		<u>89,040</u>	<u>79,384</u>	<u>148,188</u>
Total equity and liabilities		<u><u>189,482</u></u>	<u><u>188,410</u></u>	<u><u>316,480</u></u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

Statements of financial position of the Company

(Expressed in United States dollars unless otherwise indicated)

	Note	As of December 31, 2014 US\$’000	As of December 31, 2015 US\$’000	As of December 31, 2016 US\$’000
Assets				
Investments in subsidiaries	14	41,357	45,162	95,981
Non-current assets		<u>41,357</u>	<u>45,162</u>	<u>95,981</u>
Trade and other receivables		898	3	2,595
Prepayments		—	11	111
Cash and bank balances	19	17,163	15,551	84,517
Current assets		<u>18,061</u>	<u>15,565</u>	<u>87,223</u>
Total assets		<u><u>59,418</u></u>	<u><u>60,727</u></u>	<u><u>183,204</u></u>
Liabilities				
Trade and other payables		690	677	550
Convertible notes		5,000	—	—
Current liabilities		<u>5,690</u>	<u>677</u>	<u>550</u>
Total liabilities		<u>5,690</u>	<u>677</u>	<u>550</u>
Equity				
Share capital	22	8	8	8
Share premium	22	51,451	56,451	187,211
Reserves	22	2,269	3,591	(4,565)
Total equity		<u>53,728</u>	<u>60,050</u>	<u>182,654</u>
Total equity and liabilities		<u><u>59,418</u></u>	<u><u>60,727</u></u>	<u><u>183,204</u></u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

Consolidated statements of changes in equity
(Expressed in United States dollars unless otherwise indicated)

		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	Reserve for treasury shares US\$'000	Share-based payments reserve US\$'000	Retained earnings US\$'000	Total US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
	8	51,451	(4,000)	2	(511)	—	26,763	73,713	—	73,713
At January 1, 2014										
Total comprehensive income for the year										
Profit for the year							20,332	20,332		20,332
Other comprehensive income										
Translation differences relating to financial statements of foreign subsidiaries				(6)				(6)		(6)
Total comprehensive income for the year				(6)			20,332	20,326		20,326
Repurchase of ordinary shares					(4,999)			(4,999)		(4,999)
At December 31, 2014	8	51,451	(4,000)	(4)	(5,510)		47,095	89,040		89,040
At January 1, 2015	8	51,451	(4,000)	(4)	(5,510)		47,095	89,040		89,040
Total comprehensive income for the year										
Loss for the year							(20,356)	(20,356)		(20,356)
Other comprehensive income										
Translation differences relating to financial statements of foreign subsidiaries				(105)				(105)		(105)
Total comprehensive income for the year				(105)			(20,356)	(20,461)		(20,461)
Issuance of Series B convertible preference shares		5,000						5,000		5,000
Share-based compensation expense					11	5,794		5,805		5,805
At December 31, 2015	8	56,451	(4,000)	(109)	(5,499)	5,794	26,739	79,384		79,384

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ACCOUNTANTS' REPORT

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	Reserve for treasury shares US\$'000	Share-based payments reserve US\$'000	Retained earnings US\$'000	Total US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
At January 1, 2016	8	56,451	(4,000)	(109)	(5,499)	5,794	26,739	79,384	—	79,384
Total comprehensive income for the year	—	—	—	—	—	—	(59,332)	(59,332)	(284)	(59,616)
Other comprehensive income	—	—	—	(80)	—	—	—	(80)	—	(80)
Translation differences relating to financial statements of foreign subsidiaries	—	—	—	(80)	—	—	(59,332)	(59,412)	(284)	(59,696)
Total comprehensive income for the year	—	—	—	—	—	—	—	—	—	—
Issuance of ordinary shares, as part of business combinations	—	8,823	—	—	—	—	—	8,823	—	8,823
Non-controlling interest contribution related to business combination	—	—	—	—	—	—	—	—	3,871	3,871
Issuance of ordinary shares	—	1,100	—	—	—	—	—	1,100	—	1,100
Issuance of Series C convertible preference shares	—	121,158	—	—	—	—	—	121,158	—	121,158
Repurchase of ordinary and convertible preference shares	—	—	—	—	(45,000)	—	—	(45,000)	—	(45,000)
Retirement of treasury shares	—	(321)	—	—	321	—	—	—	—	—
Share-based compensation expense	—	—	—	—	—	38,548	—	38,548	—	38,548
At December 31, 2016	8	187,211	(4,000)	(189)	(50,178)	44,342	(32,593)	144,601	3,587	148,188

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

Consolidated cash flow statements

(Expressed in United States dollars unless otherwise indicated)

	Note	Year ended December 31, 2014 US\$'000	Year ended December 31, 2015 US\$'000	Year ended December 31, 2016 US\$'000
Cash flows from operating activities				
Profit/(loss) for the year		20,332	(20,356)	(59,616)
Adjustments for:				
Depreciation of property, plant and equipment	12	5,999	5,025	8,300
Amortisation of intangible assets	13	1,128	1,945	5,930
Loss on disposal of property, plant and equipment		732	49	71
Loss on disposal of intangible assets	13	255	—	12
Impairment of goodwill	13	—	—	805
Share of results of joint venture, net of tax		681	(731)	—
(Reversal of)/impairment loss on trade receivables		(148)	365	(590)
Write-down of inventories		1,681	4,423	6,081
Finance income	6	(176)	(201)	(525)
Finance costs	6	74	10	14
Share-based compensation expense		—	5,805	38,548
Gain on derivatives		—	81	73
Income tax expense/(benefit)	10	1,014	3,210	(3,654)
		31,572	(375)	(4,551)
Increase in inventories		(9,119)	(2,637)	(14,764)
Increase in trade and other receivables		(11,471)	(4,178)	(31,010)
Increase in prepayments		(1,040)	(1,270)	(370)
Increase in trade and other payables		26,236	12,443	54,715
(Decrease)/increase in restricted cash		(1,264)	900	—
Decrease in other tax liabilities		(103)	—	—
Increase/(decrease) in deferred revenue		13	232	(146)
		3,252	5,490	8,425
Income taxes paid		(410)	(1,583)	(2,196)
		34,414	3,532	1,678
Net cash generated from operating activities		34,414	3,532	1,678

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ACCOUNTANTS' REPORT

	Note	Year ended December 31, 2014 US\$'000	Year ended December 31, 2015 US\$'000	Year ended December 31, 2016 US\$'000
Cash flows from investing activities				
Interest received		176	201	525
Proceeds from disposal of property, plant and equipment		1	—	—
Acquisition of property, plant and equipment		(4,886)	(8,428)	(12,086)
Acquisition of intangible assets . . .		(2,408)	(5,194)	(6,674)
(Increase)/decrease in short-term fixed deposits	19	(10,000)	10,000	(10,000)
Acquisition of joint venture		(250)	—	—
(Issuance)/repayment of loan to vendor		(460)	460	—
Acquisition of subsidiaries, net of cash assumed		—	53	(4,125)
Net cash used in investing activities		<u>(17,827)</u>	<u>(2,908)</u>	<u>(32,360)</u>
Cash flows from financing activities				
Interest paid		(74)	(10)	(14)
Issuance of convertible note		5,000	—	—
Issuance of ordinary shares and convertible preference shares . . .		—	—	122,258
Repurchase of ordinary shares and convertible preference shares . . .		(4,999)	—	(45,000)
Repayment of finance lease liability		(31)	(34)	(110)
Net cash (used in)/generated from financing activities		<u>(104)</u>	<u>(44)</u>	<u>77,134</u>
Net increase in cash and cash equivalents				
Effect of exchange rate fluctuations on cash held		(36)	(75)	(54)
Cash and cash equivalents at the beginning of the year		57,779	74,226	74,731
Cash and cash equivalents at the end of the year	19	<u>74,226</u>	<u>74,731</u>	<u>121,129</u>

During the year ended December 31, 2015, the holder of the convertible note exercised conversion rights attached to the convertible note in respect of the principal amount of US\$5,000,000 at the conversion price of US\$1,737.43 per share.

During the year ended December 31, 2016, the Group issued 5,078 ordinary shares as part of the consideration transferred for the business acquisition from Slot Speaker Technologies, Inc. ("SST", formerly known as THX Ltd.) (Note 23).

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed In United States dollars unless otherwise indicated)

1 Basis of preparation and presentation of Historical Financial Information

The Historical Financial Information comprises the Company and its subsidiaries and has been prepared on a consolidated basis. Intra-group balances and transactions are eliminated in full in preparing the Historical Financial Information.

The Company was incorporated in the Cayman Islands on May 18, 2012 as an investment holding company. The Group is principally engaged in the design, manufacture, distributions, research and development of computer peripherals, systems and accessories.

During the Relevant Periods, the Company has direct or indirect interests in the following principal subsidiaries:

Name of subsidiary	Principal activities	Place of incorporation and business	Particulars of issued and paid up capital	Attributable equity interest held by the Company						Name of statutory auditor
				2014		2015		2016		
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
Razer (Asia-Pacific) Pte. Ltd.	Design, manufacture, distribution, research and development of computer peripherals systems and accessories	Singapore	Issued and paid-up capital of Singapore dollars (“SGD”) 30,690,366.36 consisting of 782,038 ordinary shares	100%	—	100%	—	100%	—	(i) & (x)
Razer USA Ltd.	Trading of computer peripherals, system and accessories	State of Delaware, United States of America	Issued and paid-up capital of US\$0.10 consisting of 10 shares of common stock of US\$0.01 each	—	100%	—	100%	—	100%	(ix)
Razer Everglide Pte. Ltd.	Design, manufacture and distribution of computer peripherals and accessories	Singapore	Issued and paid-up capital of SGD100.00 consisting of 100 ordinary shares	—	100%	—	100%	—	100%	(ii) & (x)
Razer (Europe) GmbH	Trading of computer peripherals and accessories	Hamburg, Germany	Paid-up capital of EUR25,000.00	—	100%	—	100%	—	100%	(iii) & (x)
Razer Taiwan Co., Ltd.	Designing of computer hardware and software	Taiwan	Paid up capital of Taiwan dollars (“NTD”) 5 million	—	100%	—	100%	—	100%	(ix)
Razer Computer Gaming Technology (Shanghai) Co., Ltd.	Marketing and consulting support	Shanghai, China	Registered paid-up capital of US\$600,000	—	100%	—	100%	—	100%	(iv)
Razer Korea LLC	Trading of computer peripherals, systems and accessories	Seoul, Korea	Issued and paid-up capital stock of 110,000,000 South Korea Won (“Won”) consisting of 22,000 unit each with a par value of 5,000 won	—	100%	—	100%	—	100%	(ix)
Razer Chengdu Pte. Ltd.	Development of software for interactive digital media (except games other software and programming activities)	Singapore	Issued and paid-up capital of US\$500,000 consisting of 6 ordinary shares	—	50%	—	100%	—	100%	(i) & (x)
Razer Software Technology (Chengdu) Co., Ltd.	Development and research of the computer software and related technical consulting and technical services	Chengdu, China	Registered capital of Renminbi (“RMB”) 2,000,000	—	—	—	100%	—	100%	(v) & (x)
Razer Technology Development (Shenzhen) Co., Ltd.	Research and development of computer peripherals	Shenzhen, China	Registered paid-up capital of RMB300,000	—	100%	—	100%	—	100%	(vi)
Razer Business Information Consultancy (Shanghai) Co., Ltd.	Trading of computer software, hardware business	Shanghai, China	Registered capital of RMB1,500,000	—	—	—	—	—	100%	(vii)
THX Ltd.	Audio and visual technology consulting, development and application	State of Delaware, United States of America	Issued and paid-up capital of US\$1.00 consisting of 100 shares of common stock of US\$0.01 each	—	—	—	—	—	80%	(v) & (ix)
THX Holdings Limited	Audio and visual technology consulting, development and application	Hong Kong, China	Issued and paid-up capital of HK\$10,000 consisting of 10,000 ordinary shares	—	—	—	—	—	80%	(viii) & (x)
THX Movie Technology (Shenzhen) Company Limited	Audio and visual technology consulting, development and application	Shenzhen, China	Registered capital of RMB1,000,000	—	—	—	—	—	80%	(v) & (x)

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ACCOUNTANTS’ REPORT

Notes:

- (i) The statutory financial statements of these companies for the years ended December 31, 2014 and 2015 were audited by KPMG Singapore.
- (ii) There was no statutory requirement for the financial statements of this company to be audited for the year ended December 31, 2014. The statutory financial statements of these companies for the year ended December 31, 2015 were audited by KPMG Singapore.
- (iii) The statutory financial statements of this company for the year ended December 31, 2014 and 2015 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft.
- (iv) The statutory financial statements of this company for the year ended December 31, 2014 were audited by 上海鼎邦會計師事務所. The statutory financial statements of this company for the years ended December 31, 2015 and 2016 were audited by IPO (Shanghai) Certified Public Accountants.
- (v) No statutory financial statements have been prepared for this company since it is newly incorporated.
- (vi) The statutory financial statements of this company for the years ended December 31, 2014, 2015 and 2016 were audited by Shenzhen Jiahe Certified Public Accountants.
- (vii) The company was set up during the year ended December 31, 2016. The statutory financial statements of this company for the year ended December 31, 2016 were audited by IPO (Shanghai) Certified Public Accountants.
- (viii) This company was acquired by the Group during the year ended December 31, 2016.
- (ix) There were no statutory requirement for the financial statements of these companies to be audited for the years ended December 31, 2014, 2015 and 2016.
- (x) The statutory financial statements of these companies for the year ended December 31, 2016 have not been issued up to the date of this report.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended December 31, 2016. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning January 1, 2016 are set out in Note 2(t).

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

(a) Basis of measurement

The Historical Financial Information has been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

(b) Functional and presentation currency

The Historical Financial Information is presented in United States dollars (“US\$”) which is the Company’s functional currency. All financial information presented in the Company’s functional currency have been rounded to the nearest thousand, unless otherwise stated.

(c) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and 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 estimate is 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 Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

2 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.

(ii) Investment in joint venture

A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

An investment in a joint venture is accounted for using the equity method. It is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss of the joint venture, after adjustments to align the accounting policies with those of the Company, from the date that joint control commences until the date that joint control ceases.

When the Company's share of losses exceeds its interest in a joint venture, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation to fund the joint venture's operations or has made payments on behalf of the joint venture.

In the Company's statement of financial position, investment in joint venture is stated at cost less impairment losses (note 2(i)), unless classified as held for sale.

(iii) 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.

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

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

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

(iv) 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.

(v) 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.

(vi) Investments in subsidiaries

Investments in subsidiaries are stated in the Company's statements of financial position at cost less accumulated impairment losses.

(b) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. 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.

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

(ii) Foreign operations

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

(c) *Property, plant and equipment*

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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 labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(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.

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Depreciation is recognised in the consolidated statements 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 for the Relevant Periods are as follows:

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

(d) *Intangible assets and goodwill*

(i) Goodwill

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

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Goodwill that arises on business combinations is included in intangible assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses (see note 2(i)). 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 (see note 2(i)).

(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 statements 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 statements of profit or loss and other comprehensive income as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

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

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(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 (see note 2(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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

— Purchased technology assets	3 years
— Customer relationships	20 years
— Patents	12 years

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

(e) ***Inventories***

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

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

(f) ***Restricted cash***

Current restricted cash consists of security deposits received from customers. Non-current restricted cash consists of amounts required as collateral for our letters of credit.

(g) ***Convertible notes***

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained earnings.

(h) *Financial instruments*

(i) Derivative financial assets and liabilities

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

(ii) Non-derivative financial assets

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

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

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

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

Loans and receivables

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

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

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

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ACCOUNTANTS' REPORT

(iii) Non-derivative financial liabilities

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

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

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

Non-derivative financial liabilities comprise trade and other payables.

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

(iv) Share capital

Ordinary shares

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

Preference share capital

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

Repurchase of share capital (treasury shares)

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

(i) **Impairment**

(i) Non-derivative financial assets

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

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

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(ii) Loans and receivables

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

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

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

(iii) Non-financial assets

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

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

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

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

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(j) Revenue recognition

(i) Sale of goods

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

(ii) Royalty income

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

(iii) Rendering of services

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

(k) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

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

(iii) Employee leave entitlement

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

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ACCOUNTANTS' REPORT

(iv) **Equity-settled share-based compensation expense**

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

(l) **Government grants**

The Group recognised government grants initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, which is typically when the grant claim is approved by the relevant government authority. Grants that compensate the Group for expenses incurred are recognised in the consolidated statements of profit or loss and other comprehensive income as deduction against the expenses on a systematic basis in the same periods in which the expenses are recognised.

(m) **Product warranties**

Most of the Group's products is covered by warranty to be free from defects in material 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.

(n) **Leases**

(i) **Operating leases**

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

(ii) **Finance leases**

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

(o) **Finance income and finance costs**

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

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

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Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(p) *Income tax*

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

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

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

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

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

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

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

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. 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.

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(q) 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.

(r) 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.

(s) 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 relates 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 5.

(t) New accounting standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2017, and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

For those new standards and amendments to standards that are expected to have an effect on the consolidated financial statements of the Group in future financial periods, management has performed its preliminary assessment and will perform detailed analysis on certain available policy choices, transitional optional exemptions and practical expedients. The Group does not plan to adopt these standards early.

Applicable to 2018 consolidated financial statements

New standards

Summary of the requirements

Potential impact on the consolidated financial statements

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group is currently still assessing the effects of this new standard but does not anticipate a material impact on the Group's results of operations and financial position, upon the adoption of IFRS 15.

When effective, IFRS 15 replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue — Barter Transactions Involving Advertising Services*.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 15 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

Summary of the requirements

Potential impact on the consolidated financial statements

IFRS 9 *Financial Instruments*

IFRS 9 replaces most of the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 1, 2008, with early adoption permitted.

Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at January 1, 2018.

Overall, the Group does not expect a significant impact on its opening equity, even though it is still currently assessing the impact of this standard.

The Group's initial assessment of the three elements of IFRS 9 is as described below.

Classification and measurement — The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under IFRS 9.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under IFRS 9.

For financial assets currently held at fair value, the Group expects to continue measuring most of these assets at fair value under IFRS 9.

Impairment — The Group is currently evaluating its impairment loss estimation methodology to quantify the impact on its consolidated financial statements.

Transition — The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information; and is gathering data to quantify the potential impact arising from the adoption.

Applicable to 2019 consolidated financial statements

Summary of the requirements

Potential impact on the consolidated financial statements

IFRS 16 Leases

IFRS 16 eliminates the lessee’s classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements and related disclosures. The Group expects its operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the IAS 17 operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor.

The Group plans to adopt the standard when it becomes effective in 2019.

When effective, IFRS 16 replaces existing lease accounting guidance, including IAS 17, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives*, and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 is also applied.

3 Significant accounting judgments, estimates and assumptions

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

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

Estimates & assumptions

(a) CGU definition

The determination of CGUs requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risk and materiality.

(b) Impairment

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

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

(c) Deferred tax

The Group follows the statement of financial position method to be consistent with note 2(p). 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 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 statement of financial position could be impacted. Additionally, changes in tax laws could limit the ability of the Group to obtain tax deductions in the future.

(d) Net realisable value of inventories

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

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(e) Depreciation and amortisation

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

4 Revenue

	2014 US\$'000	2015 US\$'000	2016 US\$'000
Sales of goods.....	315,121	319,219	390,303
Royalty income.....	—	274	1,569
Others.....	126	213	227
Total.....	<u>315,247</u>	<u>319,706</u>	<u>392,099</u>

5 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:

- Peripherals
- Systems
- Software and Services
- Others

Information regarding the results of each reportable segment is included below. Performance is measured based on segment gross profit/(loss), 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
2014					
Revenue.....	274,560	40,624	63	—	315,247
Depreciation and amortisation.....	(3,281)	(3,527)	(319)	—	(7,127)
Gross profit.....	<u>106,263</u>	<u>1,680</u>	<u>30</u>	<u>—</u>	<u>107,973</u>
2015					
Revenue.....	282,392	37,085	148	81	319,706
Depreciation and amortisation.....	(3,576)	(2,839)	(555)	—	(6,970)
Gross profit/(loss).....	<u>98,552</u>	<u>1,772</u>	<u>112</u>	<u>(235)</u>	<u>100,201</u>
2016					
Revenue.....	298,626	90,697	95	2,681	392,099
Depreciation and amortisation.....	(4,902)	(8,610)	(597)	(121)	(14,230)
Gross profit.....	<u>105,478</u>	<u>2,617</u>	<u>81</u>	<u>1,275</u>	<u>109,451</u>

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One customer of the Group accounted for 5%, 14%, and 11% of the total revenue during the years ended December 31, 2014, 2015 and 2016 respectively. No other customer accounted for 10% or more of the total revenue for the years ended December 31, 2014, 2015 and 2016.

The following table presents a summary of revenue by region based on the location of customers and the amounts of property, plant and equipment based on the location of the assets. The Group geographically categorises a sale based on the region to which the customer's headquarters reside in.

Revenue by region was as follows:

	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Americas^	135,189	135,351	196,661
Europe, the Middle East and Africa ("EMEA")	96,605	102,223	105,712
Asia Pacific excluding China#	38,939	37,175	39,977
China	44,514	44,957	49,749
	<u>315,247</u>	<u>319,706</u>	<u>392,099</u>

Non-current assets* by region was as follows:

	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Americas^	640	1,294	20,988
EMEA	233	219	131
Asia Pacific excluding China#	4,693	8,148	9,805
China	2,933	6,319	7,496
	<u>8,499</u>	<u>15,980</u>	<u>38,420</u>

[^] Revenue from Americas region includes revenue from the United States ("U.S.") of US\$114,208,000, US\$117,244,000 and US\$180,878,000 for the years ended December 31, 2014, 2015 and 2016 respectively. Non-current assets at Americas region includes non-current assets at U.S. of US\$640,000, US\$1,294,000 and US\$20,988,000 as at December 31, 2014, 2015 and 2016 respectively.

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

[#] Revenue from Asia Pacific region includes revenue from Singapore of US\$6,217,000, US\$5,089,000 and US\$7,010,000 for the years ended December 31, 2014, 2015 and 2016 respectively. Non-current assets at Asia Pacific region includes non-current assets at Singapore of US\$4,010,000, US\$7,810,000 and US\$9,536,000 as at December 31, 2014, 2015 and 2016 respectively.

6 Finance income and costs

	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Finance income			
Interest income on fixed deposits	176	201	525
Finance costs			
Bank charges	(74)	(10)	(14)
Net finance income recognised in profit or loss	<u>102</u>	<u>191</u>	<u>511</u>

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7 Profit/(loss) before income tax

The following items have been included in arriving at profit/(loss) before income tax:

	2014 US\$'000	2015 US\$'000	2016 US\$'000
Grant income	1,222	—	—
Auditors' remuneration			
— Audit services	456	557	466
Impairment of goodwill	—	—	805
Operating lease expense	1,409	2,958	3,733
Exchange loss/(gain)	3,331	2,665	(573)
Staff costs:			
— Staff salaries and bonuses	35,127	37,433	43,410
— Contributions to defined contribution plans	2,598	2,472	3,134
— Share-based compensation expense	—	3,805	36,357

During the year ended December 31, 2015, the Company paid US\$5,000,000 to settle a legal claim which was included in general and administrative expenses.

8 Directors' remuneration

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

Year ended December 31, 2014

	Directors' fees US\$'000	Salaries and other emoluments US\$'000	Discretionary bonuses US\$'000	Total US\$'000
Directors				
Gideon Yu	8	—	—	8
Michael Pfeiffer	23	—	—	23
Min-Liang Tan	28	494	817	1,339
	<u>59</u>	<u>494</u>	<u>817</u>	<u>1,370</u>

Year ended December 31, 2015

	Directors' fees US\$'000	Salaries and other emoluments US\$'000	Discretionary bonuses US\$'000	Share-based compensation ¹ US\$'000	Total US\$'000
Directors					
Koh Boon Hwee	55	—	—	2,000	2,055
Gideon Yu	30	—	—	—	30
Lim Kailing	25	—	—	—	25
Michael Pfeiffer	45	—	—	—	45
Min-Liang Tan	55	463	652	—	1,170
	<u>210</u>	<u>463</u>	<u>652</u>	<u>2,000</u>	<u>3,325</u>

¹ This represents the estimated share-based compensation expense recorded for each director.

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Year ended December 31, 2016

	Directors' fees US\$'000	Salaries and other emoluments US\$'000	Discretionary bonuses US\$'000	Share-based compensation ¹ US\$'000	Total US\$'000
Directors					
Koh Boon Hwee . . .	58	—	—	1,496	1,554
Gideon Yu	30	—	—	449	479
Lim Kailing	30	—	—	29	59
Michael Pfeiffer . . .	34	—	—	151	185
Tom He Zhitao	19	—	—	—	19
Min-Liang Tan	57	483	39	508	1,087
	<u>228</u>	<u>483</u>	<u>39</u>	<u>2,633</u>	<u>3,383</u>

¹ This represents the estimated share-based compensation expense recorded for each director.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one, two and one are a director during the years ended December 31, 2014, 2015 and 2016 respectively, whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining individuals is as follows:

	2014 US\$'000	2015 US\$'000	2016 US\$'000
Salaries and other emoluments	1,069	851	943
Discretionary bonuses	315	166	49
Share-based compensation expense ¹	—	3,421	16,772
	<u>1,384</u>	<u>4,438</u>	<u>17,764</u>

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

The emoluments of the four, three and four individuals with the highest emoluments other than the one, two and one director as disclosed in note 8 for the years ended December 31, 2014, 2015 and 2016 respectively are within the following bands:

	2014	2015	2016
Hong Kong dollars			
2,000,001 — 2,500,000	2	—	—
3,000,001 — 3,500,000	2	—	—
3,500,001 — 4,000,000	—	1	—
12,000,001 — 12,500,000	—	—	1
13,500,001 — 14,000,000	—	1	—
17,000,001 — 17,500,000	—	1	—
31,000,001 — 31,500,000	—	—	1
43,500,001 — 44,000,000	—	—	1
50,000,001 — 50,500,000	—	—	1

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10 Income tax expense/(benefit)

	2014 US\$'000	2015 US\$'000	2016 US\$'000
Current tax expense			
Current year	2,195	2,321	3,669
Deferred tax expense			
Origination and reversal of temporary differences	(1,047)	768	(7,361)
Other deferred charges	(134)	121	38
	(1,181)	889	(7,323)
Total income tax expense/(benefit)	<u>1,014</u>	<u>3,210</u>	<u>(3,654)</u>

There were no income tax expense/(benefit) recognised in other comprehensive income or directly in equity during the years ended December 31, 2014, 2015 and 2016.

	2014 US\$'000	2015 US\$'000	2016 US\$'000
Reconciliation of effective tax rate			
Profit/(loss) before tax	21,346	(17,146)	(63,270)
Income tax using Singapore tax rate of 17%	3,629	(2,915)	(10,756)
Effect of different tax rate in foreign jurisdictions	299	2,298	(1,714)
Non-deductible expenses	945	1,069	2,372
Unrecognised tax losses	(27)	—	—
Current year losses for which no deferred tax asset was recognised	—	4,441	5,767
Tax incentives	(3,943)	(1,242)	390
Others	111	(441)	287
	<u>1,014</u>	<u>3,210</u>	<u>(3,654)</u>

Tax incentives

The Company was granted the Development and Expansion Incentive ("DEI") under the International Headquarters ("IHQ") Award (the "Incentive") by the Ministry of Trade & Industry ("MTI") on July 30, 2012. The income arising from the qualifying activities in excess of US\$2,036,000 (equivalent to SGD2,699,000) will be taxed at a concessionary rate for an initial period of 5 years starting on October 1, 2011 and an additional period of 2 years subject to the Company meeting the qualifying conditions as set out in the offer letter by MTI. Income arising from activities not covered under the Incentive will be taxed at the prevailing Singapore corporate tax rate.

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11 Earnings/(loss) per share

Basic earnings/(loss) per share

For the years ended December 31, 2014, 2015 and 2016, the calculation of basic earnings/(loss) per share at each reporting date was based on the profit/(loss) attributable to equity shareholders of the Company of approximately profit of \$20,332,000, loss of \$20,356,000, loss of \$59,332,000 divided by the weighted average number of ordinary shares of 599,992, 597,837, 599,514 in issue during the year.

Weighted average number of ordinary shares:

	2014	2015	2016
		(number of shares)	
Issued ordinary shares at January 1	656,572	656,572	656,572
Effect of treasury shares	(55,861)	(58,738)	(57,587)
Effect of purchase of treasury shares	(719)	—	(767)
Effect of shares issued in December			
2015	—	3	—
Effect of shares issued related to a business combination in October 2016	—	—	1,270
Effect of shares issued in exchange for services in December 2016	—	—	26
Weighted average number of ordinary shares at December 31	<u>599,992</u>	<u>597,837</u>	<u>599,514</u>

Diluted earnings/(loss) per share:

For the years ended December 31, 2014, 2015 and 2016, the calculation of diluted earnings/(loss) per share at each reporting date was based on the profit/(loss) attributable to equity shareholders of the Company of approximately profit of US\$20,332,000, loss of US\$20,356,000, loss of US\$59,332,000 divided by the weighted average number of ordinary shares of 758,886, 597,837, 599,514 in issue during the year.

Weighted average number of ordinary shares (diluted):

	2014	2015	2016
		(number of shares)	
Weighted average number of ordinary shares at December 31	599,992	597,837	599,514
Effect of conversion of convertible preference shares	158,894	—	—
Weighted average number of ordinary shares at December 31 (diluted)	<u>758,886</u>	<u>597,837</u>	<u>599,514</u>

As at December 31, 2015 and 2016, 161,771 and 214,140 shares, respectively, were excluded from the diluted weighted average number of ordinary shares calculation, as their effect would have been anti-dilutive. There is no such exclusion for 2014.

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12 Property, plant and equipment

	Office equipment US\$'000	Computer software and equipment US\$'000	Leasehold improvements US\$'000	Furniture and fittings US\$'000	Motor vehicles US\$'000	Retail fixtures US\$'000	Tooling assets US\$'000	Construction in progress US\$'000	Total US\$'000
Cost									
At January 1, 2014	715	4,584	1,178	251	512	368	12,159	880	20,647
Additions	131	715	197	10	—	359	2,918	556	4,886
Disposals	—	(41)	—	—	—	(156)	(4,154)	(3)	(4,354)
Transfer	—	263	—	—	—	54	695	(1,012)	—
Effect of movement in exchange rate	(1)	(10)	—	—	—	—	—	—	(11)
At December 31, 2014	845	5,511	1,375	261	512	625	11,618	421	21,168
Additions	403	305	461	643	—	479	558	5,650	8,499
Disposals	(3)	(8)	(6)	(40)	—	(1)	(152)	(39)	(249)
Transfer	3	134	46	—	—	147	2,664	(2,994)	—
Effect of movement in exchange rate	(3)	(8)	3	(1)	(4)	—	—	—	(13)
At December 31, 2015	1,245	5,934	1,879	863	508	1,250	14,688	3,038	29,405
Additions	622	568	959	130	—	1,257	1,082	7,603	12,221
Additions through business combinations	1,072	812	614	378	—	—	—	—	2,876
Disposals	(4)	(121)	(30)	(4)	—	(9)	—	(48)	(216)
Transfer	11	217	68	12	—	7	7,604	(7,919)	—
Effect of movement in exchange rate	(1)	(11)	(7)	(1)	(6)	—	—	(6)	(32)
At December 31, 2016	2,945	7,399	3,483	1,378	502	2,505	23,374	2,668	44,254

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	Office equipment US\$'000	Computer software and equipment US\$'000	Leasehold improvements US\$'000	Furniture and fittings US\$'000	Motor vehicles US\$'000	Retail fixtures US\$'000	Tooling assets US\$'000	Construction in progress US\$'000	Total US\$'000
Accumulated depreciation									
At January 1, 2014	430	2,666	890	172	89	41	7,891	—	12,179
Depreciation for the year	102	1,362	155	29	98	177	4,076	—	5,999
Disposals	—	(40)	—	—	—	(48)	(3,533)	—	(3,621)
Effect of movement in exchange rate	—	(9)	—	—	—	—	—	—	(9)
At December 31, 2014	532	3,979	1,045	201	187	170	8,434	—	14,548
Depreciation for the year	146	1,054	344	81	96	518	2,786	—	5,025
Disposals	(3)	(6)	(4)	(35)	—	—	(152)	—	(200)
Effect of movement in exchange rate	(1)	(7)	(1)	(1)	(2)	—	—	—	(12)
At December 31, 2015	674	5,020	1,384	246	281	688	11,068	—	19,361
Depreciation for the year	273	715	908	164	86	555	5,599	—	8,300
Additions through business combinations	926	749	378	361	—	—	—	—	2,414
Disposals	(1)	(116)	(25)	(2)	—	(1)	—	—	(145)
Effect of movement in exchange rate	(1)	(3)	(3)	—	(3)	—	—	—	(10)
At December 31, 2016	1,871	6,365	2,642	769	364	1,242	16,667	—	29,920
Net book value									
At December 31, 2014	313	1,532	330	60	325	455	3,184	421	6,620
At December 31, 2015	571	914	495	617	227	562	3,620	3,038	10,044
At December 31, 2016	1,074	1,034	841	609	138	1,263	6,707	2,668	14,334

Assets held under finance leases

The Group acquired office equipment with an aggregate cost of US\$Nil, US\$74,000, US\$134,000 by means of finance leases for the years ended December 31, 2014, 2015 and 2016 respectively.

The carrying amount of motor vehicles and office equipment held under a finance lease as at December 31, 2014, 2015 and 2016 was US\$236,000, US\$243,000, US\$275,000 respectively.

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13 Intangible assets and goodwill

	Development costs US\$’000	Purchased technology assets US\$’000	Patents US\$’000	Trademarks US\$’000	Customer relationships US\$’000	Goodwill US\$’000	Total US\$’000
Cost							
At January 1, 2014	5,285	—	—	—	—	—	5,285
Additions	2,408	—	—	—	—	—	2,408
Disposals	(2,280)	—	—	—	—	—	(2,280)
At December 31, 2014	5,413	—	—	—	—	—	5,413
Additions	2,623	—	—	—	—	—	2,623
Additions through business combinations	—	2,574	—	—	—	805	3,379
Disposals	(43)	—	—	—	—	—	(43)
At December 31, 2015	7,993	2,574	—	—	—	805	11,372
Additions	6,674	—	—	—	—	—	6,674
Additions through business combinations	—	—	5,460	2,736	407	9,620	18,223
Disposals	(14)	—	—	—	—	—	(14)
At December 31, 2016	14,653	2,574	5,460	2,736	407	10,425	36,255
Accumulated amortisation							
At January 1, 2014	4,431	—	—	—	—	—	4,431
Amortisation for the year	1,128	—	—	—	—	—	1,128
Disposals	(2,025)	—	—	—	—	—	(2,025)
At December 31, 2014	3,534	—	—	—	—	—	3,534
Amortisation for the year	1,456	489	—	—	—	—	1,945
Disposals	(43)	—	—	—	—	—	(43)
At December 31, 2015	4,947	489	—	—	—	—	5,436
Amortisation for the year	4,968	849	108	—	5	—	5,930
Disposals	(2)	—	—	—	—	—	(2)
Impairment loss	—	—	—	—	—	805	805
At December 31, 2016	9,913	1,338	108	—	5	805	12,169
Net book value							
At December 31, 2014	1,879	—	—	—	—	—	1,879
At December 31, 2015	3,046	2,085	—	—	—	805	5,936
At December 31, 2016	4,740	1,236	5,352	2,736	402	9,620	24,086

In connection with the Group’s acquisition of business from SST on October 5, 2016 (note 23), the Group recognised goodwill of US\$9,620,000 and trademarks with indefinite useful lives of US\$2,736,000.

Trademarks arising from the Group’s business acquisition from SST (note 23) have an estimated indefinite useful life. Intangible assets with an indefinite useful life are required to be tested annually for impairment or whenever impairment indicators exist. The Group has performed its annual impairment analysis over these acquired trademarks, and does not believe there are any impairment as of the reporting date.

As of December 31, 2016, the Group has not completed the allocation of the goodwill arising from this acquisition to any CGU(s).

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

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14 Investments in subsidiaries

	As of December 31, 2014 US\$'000	As of December 31, 2015 US\$'000	As of December 31, 2016 US\$'000
Unlisted shares, at cost	41,357	45,162	95,981

Please refer to note 1 for the particulars of subsidiaries during the Relevant Periods.

15 Other tax liabilities

Recognised income tax positions are measured at the best estimate of the tax amounts to be paid. Changes in recognition or measurement are reflected in the year in which the change in judgment occurs. The Group recognised tax effect of uncertain income tax positions of US\$3,252,000, US\$3,519,000, US\$2,796,000 as at December 31, 2014, 2015 and 2016 respectively.

16 Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities of the Group during the year are as follows:

	At January 1, 2014 US\$'000	Recognised in/(credited to) profit or loss (Note 10) US\$'000	At December 31, 2014 US\$'000	Recognised in/(credited to) profit or loss (Note 10) US\$'000	At December 31, 2015 US\$'000	Recognised in profit or loss (Note 10) US\$'000	At December 31, 2016 US\$'000
Assets							
Unutilised research credits	—	5	5	5	10	277	287
Tax loss carry-forwards	933	9	942	(942)	—	—	—
Allowance for trade receivables	1,695	127	1,822	373	2,195	1,432	3,627
Share-based compensation	—	—	—	—	—	4,688	4,688
Other provisions	920	810	1,730	(633)	1,097	574	1,671
Other items	436	156	592	(13)	579	142	721
	3,984	1,107	5,091	(1,210)	3,881	7,113	10,994
Liabilities							
Property, plant and equipment	(676)	(60)	(736)	442	(294)	248	(46)
Net deferred tax assets	3,308	1,047	4,355	(768)	3,587	7,361	10,948

In 2016, the Group granted restricted stock units and the corresponding share-based compensation expense is recognised in the respective subsidiaries. Under current U.S. tax law, such share-based compensation expense is not deductible for U.S. tax purposes until such restricted stock units vest. Therefore, deferred tax assets have been recognised in relation to the temporary timing difference arising from these share-based compensation expense in relation to the Group's US 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.

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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 statements of financial position as follows:

	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Deferred tax assets	5,040	3,620	11,054
Deferred tax liabilities	(685)	(33)	(106)
	<u>4,355</u>	<u>3,587</u>	<u>10,948</u>

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.

Unrecognised deferred tax assets

	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Deductible temporary differences	—	270	(4,766)
Tax losses	<u>962</u>	<u>27,820</u>	<u>65,403</u>

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.

Unrecognised tax losses

As at December 31, 2014, 2015 and 2016, the Group has tax losses of US\$962,000, US\$27,820,000, US\$65,403,000, that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. As at December 31, 2014, 2015 and 2016, the tax losses of US\$962,000, US\$27,770,000, US\$63,541,000 can be carried forward indefinitely. The remaining losses of US\$1,862,000 as at December 31, 2016 can be carried forward for 20 years (2015: US\$50,000 can be carried forward for 5 years).

17 Inventories

	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Raw materials	839	1,073	2,258
Finished goods	19,782	17,763	25,261
	<u>20,621</u>	<u>18,836</u>	<u>27,519</u>

For the years ended December 31, 2014, 2015 and 2016, raw materials and changes in finished goods recognised in cost of sales during the financial year amounted to US\$207,274,000, US\$219,505,000, \$282,648,000 respectively including write-down to net realisable value amounting to US\$1,681,000, US\$4,423,000, US\$6,081,000 respectively for the Group.

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18 Trade and other receivables

	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Trade receivables	70,603	80,010	107,073
Less: Allowance for trade receivables	(8,816)	(14,112)	(18,796)
Less: Allowance for impairment	(1,272)	(1,637)	(916)
	<u>60,515</u>	<u>64,261</u>	<u>87,361</u>
Deposits	1,106	470	531
Other receivables	4,621	4,074	13,445
Forward contracts	—	113	16
Loan to vendor	460	—	—
	<u>66,702</u>	<u>68,918</u>	<u>101,353</u>
Deferred rent credit	—	1,808	1,315
	<u>66,702</u>	<u>70,726</u>	<u>102,668</u>
Trade and other receivables	<u>66,702</u>	<u>70,726</u>	<u>102,668</u>
Non-current	363	2,501	1,659
Current	<u>66,339</u>	<u>68,225</u>	<u>101,009</u>
	<u>66,702</u>	<u>70,726</u>	<u>102,668</u>

Impairment losses

The ageing of trade and other receivables at the reporting date is:

	2014		2015		2016	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	US\$'000	losses	US\$'000	losses	US\$'000	losses
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Neither past due nor impaired	52,790	—	60,337	—	88,369	—
Past due 1-30 days	10,021	—	8,370	—	9,650	—
Past due 31-60 days	776	—	1,451	—	1,828	—
Past due 61-90 days	290	—	91	—	525	—
More than 90 days	4,097	(1,272)	2,114	(1,637)	3,212	(916)
	<u>67,974</u>	<u>(1,272)</u>	<u>72,363</u>	<u>(1,637)</u>	<u>103,584</u>	<u>(916)</u>
Trade and other receivables	<u>67,974</u>	<u>(1,272)</u>	<u>72,363</u>	<u>(1,637)</u>	<u>103,584</u>	<u>(916)</u>

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

	2014	2015	2016
	US\$'000	US\$'000	US\$'000
At January 1	1,420	1,272	1,637
Impairment loss (reversed)/recognised on trade receivables	<u>(148)</u>	<u>365</u>	<u>(721)</u>
At December 31	<u>1,272</u>	<u>1,637</u>	<u>916</u>

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

The Group's exposures to credit and currency risks related to trade and other receivables are disclosed in note 25.

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19 Cash and bank balances

	The Group		
	2014	2015	2016
	US\$’000	US\$’000	US\$’000
Cash at bank and in hand.....	43,230	34,220	37,686
Fixed deposits and money market funds ..	30,996	40,511	83,443
Cash and cash equivalents in the consolidated cash flow statements	74,226	74,731	121,129
Short-term fixed deposits	10,000	—	10,000
Cash and bank balances in the consolidated statements of financial position	84,226	74,731	131,129

For the years ended December 31, 2014, 2015 and 2016, the effective interest rate relating to fixed deposits at the reporting date for the Group ranges from 0.01% to 2.61%, 0.27% to 0.40%, 0.1% to 1.17% per annum respectively. Interest rates are repriced at monthly intervals.

As at December 31, 2014, 2015 and 2016, the short-term fixed deposits of US\$10,000,000, US\$Nil and US\$10,000,000 are bank deposits with original maturities over three months and redeemable on maturity. The short-term fixed deposits are denominated in US\$ and the weighted average effective interest rate are 0.60%, nil and 1.17% for the years ended December 31, 2014, 2015 and 2016, respectively.

	The Company		
	2014	2015	2016
	US\$’000	US\$’000	US\$’000
Cash at bank and in hand.....	232	753	212
Fixed deposits and money market funds ..	6,931	14,798	74,305
Cash and cash equivalents	7,163	15,551	74,517
Short-term fixed deposits	10,000	—	10,000
Cash and bank balances	17,163	15,551	84,517

20 Trade and other payables

	2014	2015	2016
	US\$’000	US\$’000	US\$’000
Trade payables	62,719	76,836	123,231
Accrued operating expenses.....	21,941	21,653	25,941
Provision for warranty expenses	980	1,351	5,771
Accrued liabilities for materials	1,932	2,057	2,677
Forward contracts	—	195	8
Amount due to shareholders (non-trade) ..	4	4	—
Other payables	2,480	919	3,676
	<u>90,056</u>	<u>103,015</u>	<u>161,304</u>
Non-current	431	428	537
Current.....	89,625	102,587	160,767
	<u>90,056</u>	<u>103,015</u>	<u>161,304</u>

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

	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Up to 3 months	62,517	76,659	122,938
Over 3 months but within 6 months	93	107	38
Over 6 months but within 12 months	20	33	64
Over 12 months	89	37	191
	<u>62,719</u>	<u>76,836</u>	<u>123,231</u>

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

	2016
	US\$'000
At January 1	1,351
Provision made during the year	15,042
Provision utilised during the year	<u>(10,622)</u>
At December 31	<u>5,771</u>

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 25.

21 Share-based compensation expense

During the Relevant Periods, the Group has the following share-based payment arrangements:

Restricted Stock Units

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

RSUs granted to employees and consultants shall vest upon the satisfaction of both a service condition and a liquidity condition. The service condition for these awards is satisfied over four tranches and becomes exercisable at the rate of 25% on January 1, 2017, January 1, 2018, January 1, 2019 and January 1, 2020. 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 initial public offering. 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 (see note 2(k)(iv)).

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

RSUs granted to the Company's directors are not subject to a liquidity condition in order to vest and the service condition for this award is satisfied over four tranches and becomes exercisable at the rate of 25% on grant date, January 1, 2017, January 1, 2018 and January 1, 2019. Compensation expense related to these grants is based on the grant date fair value of the RSUs and is recognised on a graded acceleration vesting amortisation method over the four tranches.

The grant date fair value is based on the price of recent investments in the Company by third-party investors. The weighted average grant date fair value of RSUs granted was US\$1,737.43 per share.

Other share-based compensation expense

On May 6, 2015, the Group's CEO transferred 2,880 ordinary shares held in his personal capacity to certain employees. Such transfer of shares is accounted for as a share-based payment given to these employees and accounted for as a capital contribution to the Company from the CEO who is also a shareholder of the Company. Management determined the fair value of the transferred shares with the assistance of an independent third-party valuation firm. Accordingly, the Group recognised related share-based compensation expense of US\$3,805,000 in 2015.

In addition, on December 31, 2015, the Group granted a share award of 1,151 ordinary shares to one of its directors in consideration of his services to the Company in his capacity as a member of the Company's board of directors. Management determined the fair value of the awarded shares with the assistance of an independent third-party valuation firm. Accordingly, the Group recognised related share-based compensation expense of US\$2,000,000 in 2015.

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22 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 statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	The Company					
	Share capital US\$'000	Share premium US\$'000	Reserve for treasury shares US\$'000	Share-based payment reserve US\$'000	Retained earnings US\$'000	Total US\$'000
At January 1, 2014 ..	8	51,451	(511)	—	7,476	58,424
Changes in equity for 2014:						
Profit for the year ...	—	—	—	—	303	303
Repurchase of ordinary shares	—	—	(4,999)	—	—	(4,999)
At December 31, 2014	<u>8</u>	<u>51,451</u>	<u>(5,510)</u>	<u>—</u>	<u>7,779</u>	<u>53,728</u>
At January 1, 2015 ..	8	51,451	(5,510)	—	7,779	53,728
Changes in equity for 2015:						
Loss for the year	—	—	—	—	(4,483)	(4,483)
Issuance of Series B convertible preference shares ..	—	5,000	—	—	—	5,000
Share-based compensation expense	—	—	11	5,794	—	5,805
At December 31, 2015	<u>8</u>	<u>56,451</u>	<u>(5,499)</u>	<u>5,794</u>	<u>3,296</u>	<u>60,050</u>
At January 1, 2016 ..	8	56,451	(5,499)	5,794	3,296	60,050
Changes in equity for 2016:						
Loss for the year	—	—	—	—	(2,025)	(2,025)
Issuance of ordinary shares, as part of business combinations	—	8,823	—	—	—	8,823
Issuance of ordinary shares	—	1,100	—	—	—	1,100
Issuance of Series C convertible preference shares ..	—	121,158	—	—	—	121,158
Repurchase of ordinary shares and convertible preference shares ..	—	—	(45,000)	—	—	(45,000)
Retirement of treasury shares	—	(321)	321	—	—	—
Share-based compensation expense	—	—	—	38,548	—	38,548
At December 31, 2016	<u>8</u>	<u>187,211</u>	<u>(50,178)</u>	<u>44,342</u>	<u>1,271</u>	<u>182,654</u>

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(b) Share capital and share premium

	As of December 31, 2014		As of December 31, 2015		As of December 31, 2016	
	No. of shares	Amount US\$'000	No. of shares	Amount US\$'000	No. of shares	Amount US\$'000
Authorised:						
Ordinary shares of US\$0.01 each	4,000,000	40	4,000,000	40	4,000,000	40
Ordinary shares, issued and fully paid:						
At the beginning of the year	656,572	6,566	656,572	6,566	656,572	6,566
Issued in business combination	—	—	—	—	5,078	8,823
Issued in exchange for services	—	—	—	—	633	1,100
Retirement of treasury shares	—	—	—	—	(35,076)	(321)
At the end of the year	656,572	6,566	656,572	6,566	627,207	16,168
Convertible preference shares						
At the beginning of the year	158,894	44,893	158,894	44,893	161,771	49,893
Issue of shares	—	—	2,877	5,000	71,945	121,158
At the end of the year	158,894	44,893	161,771	49,893	233,716	171,051

(c) Ordinary shares

The Company has an authorised share capital of 4,000,000 ordinary shares with par value of US\$0.01 per share; 627,207 ordinary shares issued and fully paid and 595,494 ordinary shares outstanding as at December 31, 2016.

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

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

During the year ended December 31, 2016, the Group issued 5,078 ordinary shares as a result of the business acquisition from SST, with 1,220 ordinary shares to be issued after the holdback period which ends October 5, 2017 (see note 23).

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(d) Series A convertible preference shares

The Company has an authorised share capital of 500,000 Series A convertible preference shares ("Series A Shares") with par value of US\$0.01 per share; 88,541 Series A Shares issued and 78,051 Series A Shares outstanding as at December 31, 2016. Each Series A Share is convertible, at the option of the holders, into fully paid ordinary shares of the Company. The conversion is based on the original purchase price, initially one share of ordinary share for each share of Series A Share, subject to anti-dilution adjustments. More specifically, the conversion price is subject to adjustment to prevent dilution on a weighted-average basis in the event that the Company issues additional shares of ordinary shares or securities convertible or exercisable for ordinary shares at a purchase price less than the then conversion price. All Series A Shares are also automatically converted into ordinary shares upon the earlier of (i) a Qualified Public Offering (as defined in the Articles of Association), (ii) the consummation of a Change in Control Event (as defined in the Articles of Association) and (iii) transfer of any Preference Shares to a competitor.

The holders of Series A Shares are entitled to receive, on an as-converted to voting ordinary shares basis, any dividend or distribution when, as and if declared by the board of directors, in preference to ordinary shareholders but junior in right of payment to Series B and Series C holders. Holders of Series A Shares are entitled to the number of votes equal to the number of shares of voting common stock into which their shares of Series A Shares could be converted. In the event of liquidation, dissolution or winding up of the Company (collectively known as "Liquidation Event"), each holder of Series A Shares is entitled to receive, after the distribution to holders of Series B and Series C Shares, but prior to any distribution to the holders of ordinary shares, out of the remaining assets of the Company, if any, an amount equal to the original issuance price plus all declared and unpaid dividends. If, upon the Liquidating Event, the assets of the Company are insufficient to fully pay the amounts owed to Series A Shares holders, all distributions would be made ratably in proportion to the full amounts to which the Series A Shares holders would have otherwise been entitled.

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

(e) Series B convertible preference shares

The Company has an authorised share capital of 500,000 Series B convertible preference shares ("Series B Shares") with par value of US\$0.01 per share; 73,230 Series B Shares issued and 64,144 Series B Shares outstanding as at December 31, 2016. No warrant or call options were granted in connection with this issuance. Each Series B Share is convertible, at the option of the holders, into fully paid ordinary shares. The conversion is based on the original purchase price, initially one share of ordinary share for each share of Series B Share, subject to anti-dilution adjustments. More specifically, the conversion price is subject to adjustment to prevent dilution on a weighted-average basis in the event that the Company issues additional shares of ordinary shares or securities convertible or exercisable for ordinary shares at a purchase price less than the then conversion price. All Series B Shares are also automatically converted into ordinary shares upon the earlier of (i) a Qualified Public Offering (as defined in the Articles of Association), (ii) the consummation of a Change in Control Event (as defined in the Articles of Association) and (iii) transfer of any Preference Shares to a competitor.

The holders of Series B and Series C Shares are entitled to receive, on an as-converted to voting common stock basis, any dividend or distribution when, as and if declared by the board of directors, in preference to holders of Series A Shares and ordinary shares. Holders of Series B Shares are entitled to the number of votes equal to the number of shares of voting common stock into which their shares of Series B Shares could be converted. If, upon the Liquidation Event, each holder of Series B and Series C Shares is entitled to receive, in preference to holders of Series A Shares and ordinary shares, an amount equal to the original issuance price

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plus all declared and unpaid dividends. If, upon the Liquidating Event, the assets of the Company are insufficient to fully pay the amounts owed to Series B and Series C Shares holders, all distributions would be made ratably in proportion to the full amounts to which the Series B and Series C Shares holders would have otherwise been entitled.

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

(f) *Series C convertible preference shares*

The Company has an authorised share capital of 500,000 Series C convertible preference shares ("Series C Shares") with par value of US\$0.01 per share; 71,945 Series C Shares issued and outstanding as at December 31, 2016. No warrant or call options were granted in connection with this issuance. Each Series C Share is convertible, at the option of the holders, into fully paid ordinary shares. The conversion is based on the original purchase price, initially one share of ordinary share for each share of Series C Share, subject to anti-dilution adjustments. More specifically, the conversion price is subject to adjustment to prevent dilution on a weighted-average basis in the event that the Company issues additional shares of ordinary shares or securities convertible or exercisable for ordinary shares at a purchase price less than the then conversion price. All Series C Shares are also automatically converted into ordinary shares upon the earlier of (i) a Qualified Public Offering (as defined in the Articles of Association), (ii) the consummation of a Change in Control Event (as defined in the Articles of Association) and (iii) transfer of any Preference Shares to a competitor.

The holders of Series B and Series C Shares are entitled to receive, on an as-converted to voting common stock basis, any dividend or distribution when, as and if declared by the board of directors, in preference to holders of Series A Shares, and ordinary shares. Holders of Series C Shares are entitled to the number of votes equal to the number of shares of voting common stock into which their shares of Series C Shares could be converted. If, upon the Liquidation Event, each holder of Series B and Series C Shares is entitled to receive, in preference to holders of Series A Shares and ordinary shares, an amount equal to the original issuance price plus all declared and unpaid dividends. If, upon the Liquidating Event, the assets of the Company are insufficient to fully pay the amounts owed to Series B and Series C Shares holders, all distributions would be made ratably in proportion to the full amounts to which the Series B and Series C Shares holders would have otherwise been entitled.

(g) *Treasury shares*

The Company's treasury shares comprise the cost of the Company's shares held by the Group. At December 31, 2014, 2015 and 2016, the Group held 58,738, 57,587, 51,289 of the Company's shares, respectively.

(h) *Capital management*

The Group defines "capital" to be the share capital, treasury shares, merger reserve, foreign currency translation reserve and accumulated profits. 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.

(i) *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.

(j) *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.

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(k) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of RSUs granted to the directors, employees and consultants of the Company and its subsidiaries that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(k)(iv).

23 Business combination

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

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

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

Consideration transferred

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

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

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Identifiable assets acquired and liabilities assumed

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

	US\$'000
Property, plant and equipment	466
Intangible assets	8,603
Restricted cash	525
Other receivables	250
Trade and other receivables (note a)	467
Cash and cash equivalents	415
Trade and other payables	(992)
Total net identifiable assets acquired	<u>9,734</u>

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

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

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

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

24 Significant related party transactions

For the purpose of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making the financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. Other than disclosed below, there are no other significant related party transactions.

Key director transaction

In connection with the business acquisition from SST by the Group during 2016 (see note 23), 5,078 ordinary shares of the Company and 20 ordinary shares of THX Ltd. were issued as consideration to the seller which is an entity wholly-owned by a director of the Company. As a result of this transaction, the director of the Company, through its wholly-owned entity, holds 20% equity interest in THX Ltd. and increased the director's equity interest in the Company from 28.7% to 29.3%.

25 Financial risk management

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.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer to settle its financial and contractual obligations to the Company, as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Group's top five major customers accounted for approximately 42%, 49% and 50%, of total trade receivables as at December 31, 2014, 2015 and 2016 respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position.

Foreign currency risk

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

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

	<u>As of December 31, 2014</u>		<u>As of December 31, 2015</u>		<u>As of December 31, 2016</u>	
	<u>SGD</u>	<u>Euro</u>	<u>SGD</u>	<u>Euro</u>	<u>SGD</u>	<u>Euro</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Trade and other receivables . . .	3,075	12,942	311	17,694	591	15,571
Cash and bank balances	9,841	6,069	2,051	10,056	1,820	7,227
Trade and other payables	(3,295)	(1,467)	(5,239)	(1,885)	(3,734)	(2,377)
	<u>9,621</u>	<u>17,544</u>	<u>(2,877)</u>	<u>25,865</u>	<u>(1,323)</u>	<u>20,421</u>

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Sensitivity analysis

A 10% strengthening of US\$ against the following currencies at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant.

	2014	2015	2016
	US\$'000	US\$'000	US\$'000
SGD	(962)	288	132
Euro	(1,754)	(2,587)	(2,042)

A 10% weakening of US\$ against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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 18. The Group does not use derivative financial instruments to hedge its debt obligations. As at the reporting date, the Group is not significantly exposed to interest rate risk.

Fair values

The carrying amounts of the Group's financial assets and liabilities, such as trade and other receivable, 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).

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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
December 31, 2015				
Financial assets				
Fair values of forward exchange contracts	—	113	—	113
Financial liabilities				
Fair values of forward exchange contracts	—	195	—	195
December 31, 2016				
Financial assets				
Money market funds	—	44,116	—	44,116
Fair values of forward exchange contracts	—	16	—	16
	—	44,132	—	44,132
Financial liabilities				
Fair values of forward exchange contracts	—	8	—	8
Payable relating to holdback shares (note 23)	—	—	2,120	2,120
	—	8	2,120	2,128

The money market funds and the forward contracts are measured on a recurring basis at fair value, based on indicative price information obtained from a third-party financial institution that is the counterparty to the transaction.

The Group does not have any other financial instruments that are measured using fair values as at December 31, 2016.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuation in cash flows.

The expected contractual undiscounted cash outflows of trade and other payables are expected to occur within one year and equivalent to their carrying amounts. The effects of expected contractual undiscounted cash flows of other payables that are expected to occur beyond one year are not expected to be material.

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26 Lease commitments

Finance leases

The Group has commitments for future minimum lease payments under finance leases as follows:

	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Within one year	33	50	115
After one year but within two years	33	50	49
After two years but within five years	63	80	31
Total minimum lease payments	129	180	195
Less: amount representing interest	(15)	(26)	(16)
Total	<u>114</u>	<u>154</u>	<u>179</u>

The Group's finance leases comprise obligations pertain to a motor vehicle and office equipment. These obligations are payable in monthly instalments through 2020.

Operating leases

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

	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Within one year	2,292	2,909	3,635
After one year but within five years	7,923	7,940	9,789
After five years	5,645	3,866	2,087
Total minimum lease payments	<u>15,860</u>	<u>14,715</u>	<u>15,511</u>

The Group leases office premises and warehouse facilities under operating leases. The leases typically run from three to eight years, with an option to renew the lease after that date.

27 Convertible notes

On September 30, 2014, the Company received US\$5,000,000 from Middlefield Ventures, Inc ("MVI") with the obligation to issue a certain number of Series B-3 convertible preference shares of the Company to MVI ("convertible notes") upon the earlier of (1) an initial public offering or (2) a change in control or (3) March 31, 2015 (collectively known as "the three conversion options"). Upon an initial public offering or a change in control of the Company, the number of shares to be issued to MVI was to be determined at a 15% discount to the then applicable transaction price. Management evaluated each of the conversion options and concluded that they should not be bifurcated for accounting recognition and measurement purposes. There was no beneficial conversion feature. The initial carrying amount of the convertible notes was stated at its fair value as of the date of issuance.

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In connection with the above arrangement, during 2014, the Company acquired 2,877 ordinary shares of the Company ("Redemption Shares") at US\$1,737.43 per share from its chief executive officer ("CEO") for a cash consideration of US\$4,999,000. The number of Redemption Shares received by the Company from its CEO was based on the actual number of Series B-3 convertible preference shares issued to MVI. On a net basis, the Company did not receive or pay any proceeds apart from related transaction costs, and the Redemption Shares were exchanged for Series B-3 convertible preference shares. The transaction costs related to the buy-back of the Redemption Shares were incurred by the Company's CEO. A holder of Series B-3 convertible preference shares enjoys the same rights and preference as any other holder of Series B shares (note 22(e)). On March 31, 2015, the Company issued 2,877 Series B-3 convertible preference shares to MVI at US\$1,737.43 per share.

28 [Subsequent events

On January 26, 2017, the Group acquired certain assets of Nextbit Systems Inc. in exchange of 8,633 ordinary shares of the Company, of which (i) 1,295 ordinary shares of the Company are holdback shares and will be issued to Nextbit Systems Inc. within 30 days after the second anniversary of the closing date (i.e. on January 26, 2019); and (ii) 1,727 ordinary shares of the Company will be issued to Nextbit Systems Inc. on or before January 26, 2019 upon the satisfaction of certain conditions as designated in the assets purchase agreement. The Group is in the process of obtaining third-party valuations of certain intangible assets. The allocation of the purchase price is not yet completed.

On May 15, 2017, the Group issued 18,804 Series D convertible preference shares ("Series D Shares") to the investors at US\$2,304.80 per share. The holders of Series D Shares are entitled to receive, on an as-converted to voting common stock basis, any dividend or distribution when, as and if declared by the board of directors, in preference to holders of Series A Shares, and ordinary shares. Holders of Series D Shares are entitled to the number of votes equal to the number of shares of voting common stock into which their shares of Series D Shares could be converted. If, upon the Liquidation Event, each holder of Series D Shares is entitled to receive, in preference to holders of Series A, B, C Shares and ordinary shares, an amount equal to the original issuance price plus all declared and unpaid dividends. If, upon the Liquidating Event, the assets of the Company are insufficient to fully pay the amounts owed to Series D Shares holders, all distributions would be made ratably in proportion to the full amounts to which the Series D Shares holders would have otherwise been entitled.

On May 12, 2017, the Group completed the investment in 19.9% of MOL Global, Inc.'s equity interest in exchange for 8,634 ordinary shares of the Company. The investment is accounted for as an available-for-sale equity investment.]

C SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to December 31, 2016.

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company was adopted on [●] and will become effective on the [REDACTED], and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Islands or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in the section headed "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection" in this document.

2. ARTICLES OF ASSOCIATION

The Articles of Association of the Company were adopted on [●] and will become effective on the [REDACTED], and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of shares. The capital of the Company at the date of adoption of the Articles is US\$100,000,000 divided into 10,000,000,000 Shares of US\$0.01 each.

2.2 *Directors*

(a) **Power to allot and issue Shares**

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) **Power to dispose of the assets of the Company or any subsidiary**

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) **Compensation or payment for loss of office**

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

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(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be entered by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

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- (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and which does not provide in respect of any Director or any of his close associates, any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) is to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission, participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission, participation in profits or otherwise or by all or any of those modes and with such other benefits (including share options and/or pensions and/or gratuities and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

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The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns from his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment to or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company, 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 (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company, at any annual general meeting at which any Directors retire, may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge the Company's undertaking, property and assets (present and future) and uncalled capital or any part thereof.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

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(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

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- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

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Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter, as prescribed under the Listing Rules, to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall, not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company, provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

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The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that, in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

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If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 Business Days' notice (or on 6 Business Days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

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Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent by post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

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Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times, and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 Business Days' notice (or on 6 Business Days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1. INTRODUCTION

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. INCORPORATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 18, 2012 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3. SHARE CAPITAL

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. DIVIDENDS AND DISTRIBUTIONS

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5. SHAREHOLDERS' SUITS

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. PROTECTION OF MINORITIES

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

7. DISPOSAL OF ASSETS

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. ACCOUNTING AND AUDITING REQUIREMENTS

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. REGISTER OF MEMBERS

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10. INSPECTION OF BOOKS AND RECORDS

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11. SPECIAL RESOLUTIONS

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12. SUBSIDIARY OWNING SHARES IN PARENT

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

13. MERGERS AND CONSOLIDATIONS

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14. RECONSTRUCTIONS

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15. TAKE-OVERS

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16. INDEMNIFICATION

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

17. LIQUIDATION

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18. STAMP DUTY ON TRANSFERS

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19. TAXATION

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from June 12, 2012.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company or investors in the Company's shares levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20. EXCHANGE CONTROL

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21. GENERAL

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Appendix V — Documents Delivered to the Registrar of the Companies and Available for Inspection" in this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

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STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated under the Cayman Islands Companies Law as an exempted company with limited liability on May 18, 2012. Accordingly, our Company's corporate structure and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Articles is set out in the section headed "Appendix III — Summary of the Constitution of our Company and Cayman Islands Companies Law" in this document.

Our registered place of business in Hong Kong is at Room 2008, 20/F., Fortress Tower, 250 King's Road, North Point. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 12, 2017. Ms. Maggie Quek has been appointed as our authorized representative for the acceptance of service of process in Hong Kong. The address for service of process is in Room 2008, 20/F., Fortress Tower, 250 King's Road, North Point.

Our Company's registered office is located as of the date of this document at Maples Corporate Services Limited, PO Box 309, Ugland House Grand Cayman, KY1-1104, Cayman Islands. Our Company's dual global headquarters are located as of the date of this document at 201 3rd Street, Suite 900, San Francisco, CA 94103, the United States and 514 Chai Chee Lane, #07-05, Singapore 469029, respectively.

2. Changes in the share capital of our Company

At the date of incorporation of the Company, our authorized share capital was US\$50,000, divided into 50,000,000 Shares with a par value of US\$0.001 each. On November 7, 2012, the authorized share capital of the Company was changed to US\$50,000 divided into 4,000,000 Shares of par value of US\$0.01 each, 500,000 Series A Preferred Shares of par value of US\$0.01 each and 500,000 Series B Preferred Shares of par value of US\$0.01 each.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this Document:

- (a) On March 30, 2016, the authorized share capital of the Company was changed to US\$55,000 divided into 4,000,000 Shares of par value of US\$0.01 each, 500,000 Series A Preferred Shares of par value of US\$0.01 each, 500,000 Series B Preferred Shares of par value of US\$0.01 each and 500,000 Series C Preferred Shares of par value of US\$0.01 each;
- (b) On March 30, 2016, the Company allotted and issued 43,167 Series C Preferred Shares with a par value of US\$0.01 each to Digital Grid (Hong Kong) Technology Co., Limited;
- (c) On October 26, 2016, the Company allotted and issued 5,078 Shares with a par value of US\$0.01 each to Archview Capital Ltd.;
- (d) On December 1, 2016, the Company:
 - (i) repurchased 9,202 Shares, including 8,001 Shares from Primerose Ventures Inc., 600 from Mr. Khaw Kheng Joo, 480 from Mr. Chan Thiong Joo Edwin and 121 from Ms. Chan Cheng Mun;
 - (ii) repurchased 10,490 Series A Preferred Shares, including 2,557 from Pi Holdings Limited, 2,155 from Mr. Loh Kim Kang David, 1,370 from Mr. Dilhan Pillay Sandrasegara, 1,251 from Mr. Lee Hsien Yang, 1,030 from Sandmount Investments Limited, 962 from Mr. Han Seng Juan, 956 from Razer Employee Pte. Ltd. and 209 from The Lip Oei @ Suliwi;
 - (iii) repurchased 9,086 Series B-2 Preferred Shares, including 815 from Sirius Financial Group Ltd, 666 from Davinia Investment Ltd and 267 from Mr. Chandra Mohan s/o Rethnam; and
 - (iv) allotted and issued 28,778 Series C Preferred Shares with a par value of US\$0.01 to HF Technology Investment Limited;
- (e) On January 26, 2017, the Company allotted and issued 5,661 Shares with a par value of US\$0.01 each to Nextbit Systems Inc.;

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- (f) On May 15, 2017, the authorized share capital of the Company was changed to US\$60,000 divided into 4,000,000 Shares of par value of US\$0.01 each, 500,000 Series A Preferred Shares of par value of US\$0.01 each, 500,000 Series B Preferred Shares of par value of US\$0.01 each, 500,000 Series C Preferred Shares of par value of US\$0.01 each and 500,000 Series D Preferred Shares of par value of US\$0.01 each;
- (g) On May 12, 2017, the Company allotted and issued 8,634 Shares with a par value of US\$0.01 each to Hotel Resort Enterprise Sdn. Bhd.;
- (h) On May 15, 2017, the Company allotted and issued 18,804 Series D Preferred Shares with a par value of US\$0.01 each in the following manner:
 - (i) 10,846 Series D Preferred Shares to Redmount Ventures Limited;
 - (ii) 3,037 Series D Preferred Shares to Binary Capital Fund I LP;
 - (iii) 1,301 Series D Preferred Shares to Mr. Chandra Mohan s/o Rethnam;
 - (iv) 1,301 Series D Preferred Shares to Binary Capital Fund II LP;
 - (v) 954 Series D Preferred Shares to Lager-Moss LLC;
 - (vi) 867 Series D Preferred Shares to BYD Electronic Company Limited;
 - (vii) 433 Series D Preferred Shares to Strength Luck Limited; and
 - (viii) 65 Series D Preferred Shares to Procurator Holdings, LLC.

For further details of the consideration relating to the allotment of Preferred Shares above, please see the section headed "History and Corporate Structure — [REDACTED] Investments" in this document.

Save as disclosed above, there has been no alternation in our share capital within two years immediately preceding the date of this document.

3. Changes in the share capital of our subsidiaries

The following change in the share capital of our subsidiaries has taken place within two years immediately preceding the issue of this document:

Razer Chengdu Pte. Ltd.

On September 2015, Experience Corporation transferred its 50% equity interest in Razer Chengdu Pte. Ltd. to Razer (Asia-Pacific) for a total consideration of US\$300,000. After the transfer, Razer Chengdu Pte. Ltd. became a wholly-owned subsidiary of Razer (Asia-Pacific).

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this document.

4. Written Resolutions of the Shareholders Passed on [●], 2017

Written resolutions of the Shareholders were passed on [●], 2017 approving, among others, the following:

- (a) the adoption of the Memorandum and the Articles with effect from the [REDACTED];
- (b) all the issued and unissued Preferred Shares be re-designated and re-classified as Shares of US\$0.01 each and all the issued and unissued Shares of US\$0.01 each be designated as Shares of US\$0.01 each, each having the rights and restrictions as set out in the Memorandum and the Articles, with effect from the [REDACTED];

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- (c) the acknowledgement by all the Preferred Shareholders of the agreed conversion number as applicable before the [REDACTED] and the resolution not to exercise the right to further adjustment of conversion ratio;
- (d) the approval of the [REDACTED], the [REDACTED] and the [REDACTED], subject to such modifications as our Directors (or any committee established by the Board) may in their sole discretion determine, and the authorization of our Directors or any committee established by the Board to do all such things as they consider necessary to give effect to the [REDACTED], the [REDACTED] and the [REDACTED];
- (e) the grant of a general mandate, generally and unconditionally, to our Directors to exercise all the powers of the Company to allot, issue and deal with any Shares or securities convertible into Shares, and to make or grant offers, agreements or options (including any warrants, options, bonds, notes, securities and debentures conferring any rights to subscribe for or otherwise receive Shares) which would or might require Shares to be allotted and issued or dealt with at any time subject to the requirement that the number of Shares so allotted and issued or dealt with or agreed conditionally or unconditionally to be allotted and issued or dealt with, shall not exceed the sum of (i) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the [REDACTED] (excluding any Shares which may be issued pursuant to the [REDACTED] and the Deferred Settlement Shares); and (ii) the aggregate nominal amount of the share capital of the Company repurchased by the Company (if any) pursuant to the authority granted to our Directors as referred to in paragraph (e) below.

This mandate does not cover Shares to be allotted, issued, or dealt with pursuant to or in consequence of the [REDACTED], under a rights issue, scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants, or a special authority granted by the Shareholders. This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition;
 - (ii) the end of the period within which the next annual general meeting of our Company is required to be held under the applicable laws of the Cayman Islands or the Memorandum and the Articles; and
 - (iii) when revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company;
- (f) the grant of a general mandate, generally and unconditionally, to our Directors to exercise all the powers of our Company to repurchase Shares of such number not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and the Deferred Settlement Shares).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time. Such mandate will expire whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition;
- (ii) the end of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and the Articles; and
- (iii) when revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company;

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- (g) the general mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED], excluding any Shares which may be sold pursuant to the exercise of the [REDACTED] or the Deferred Settlement Shares). This extension will remain effective until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company following the passing of this resolution unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition;
 - (ii) the end of the period within which the next annual general meeting of our Company is required to be held under the applicable laws of the Cayman Islands or the Memorandum and the Articles; and
 - (iii) when revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company;
- (h) the authorization of our Directors to allot and issue, on the [REDACTED], a total of (i) [REDACTED] Shares credited as fully paid at par value to the holders of the Shares and Preferred Shares of our Company whose name appear on the register of members of our Company at the close of business on the business day preceding the [REDACTED], in proportion to their then existing respective shareholdings (save that no holder of Shares and Preferred Shares shall be entitled to be allotted or issued any fraction of a Share), and (ii) a total of [REDACTED] Shares credited as fully paid at par value to RSU Trustee(s) for the RSUs granted and outstanding pursuant to the terms of the 2016 Equity Incentive Plan (after adjustment pursuant to the terms of such plan), by way of capitalization of the sum of approximately US\$[REDACTED] standing to the credit of the share premium account of our Company, and the Shares allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares; and
- (i) the authorization of our Directors to exercise during the Relevant Period (as defined below) all of the powers of the Company to allot, issue and deal with additional shares to be issued under the 2016 Equity Incentive Plan, provided that the aggregate nominal amount of additional Shares allotted, issued or dealt with, by the Directors shall not exceed [REDACTED] Shares (reflecting [REDACTED]% of the our enlarged share capital upon the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares)). "Relevant Period" in this resolution means the period from the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; and
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and
- (j) the amendment of the terms of the 2016 Equity Incentive Plan in connection with the [REDACTED] of the Shares on the Stock Exchange and increase of the maximum number of Shares underlying all grants made under the 2016 Equity Incentive Plan to [REDACTED] Shares (reflecting [REDACTED]% of our enlarged share capital upon the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares)).

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B. RESTRICTION ON SHARE REPURCHASES

This section sets out information required by the Stock Exchange to be included in this document concerning the repurchase by us of our own securities.

1. Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) Shareholders' approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association and the Listing Rules and the applicable laws of Hong Kong. A [REDACTED] company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by us may be made out of profits of our Company, out of share premium, or out of the [REDACTED] of a new issue of shares made for the purpose of the repurchase or, subject to the Cayman Islands Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of profits of our Company, out of share premium, or, subject to the Companies Law, out of capital.

(c) Trading restrictions

The total number of shares which a [REDACTED] company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a [REDACTED] company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a [REDACTED] company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(d) Status of repurchased shares

A [REDACTED] company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a [REDACTED] company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a [REDACTED] company has breached the Listing Rules.

(e) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement

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of the morning trading session or any pre-opening session on the following Business Day. In addition, a [REDACTED] company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(f) Connected persons

A [REDACTED] company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

2. Reasons for Repurchase

The Directors believe that it is in the best interest of us and our Shareholders for the Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit us and our Shareholders.

3. Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules, the Cayman Islands Companies Law and the applicable laws of the Cayman Islands. On the basis of our current financial condition as disclosed in this document and taking into account our current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this document. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate for us.

4. General

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue after completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares), could accordingly result in up to [REDACTED] Shares being repurchased by us during the period prior to:

- (a) the conclusion of our next annual general meeting;
- (b) the expiration of the period within which our next annual general meeting is required by the Articles of Association, the Cayman Islands Companies Law or any other applicable laws of Cayman Islands to be held; or
- (c) the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries. The Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, the Cayman Islands Companies Law or any other applicable laws of Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Hong Kong Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

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No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

C. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of material contracts





The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) the Series C investment agreement dated February 21, 2016 entered into between our Company and Digital Grid (Hong Kong) Technology Co., Limited, as further described in the section headed “History and Corporate Structure — [REDACTED] Investments”;
- (b) the Series C investment agreement dated September 4, 2016 entered into between our Company and HF Technology Investment Limited, as further described in the section headed “History and Corporate Structure — [REDACTED] Investments”;
- (c) the Series D investment agreement dated April 12, 2017 entered into between our Company and Redmount Ventures Limited, and the joinder agreements to the Series D investment agreement dated May 12, 2017 entered into by Lager-Moss LLC, BYD Electronic Company Limited, Mr. Chandra Mohan s/o Rethnam, Strength Luck Limited and Procurator Holdings, LLC with the Company, as further described in the section headed “History and Corporate Structure — [REDACTED] Investments”;
- (d) the Hong Kong [REDACTED]; and
- (e) [●].

2. Our material intellectual property rights

(a) Trademarks

As of the Latest Practicable Date, the key trade marks in relation to the business of our Group as a whole were:

Trademark		Registered Owner
RAZER		Razer (Asia-Pacific)
Razer logo		Razer (Asia-Pacific)
For Gamers. By Gamers.		Razer (Asia-Pacific)
Triple-headed snake logo		Razer (Asia-Pacific)
ZVAULT		Razer (Asia-Pacific)
THX logo		THX Ltd.

Our Group has approximately 482 trade mark registrations for, and approximately 241 applications for registrations relating to, the logos above in countries throughout the world including in all countries in which our Group currently operates. Of these trade marks, as of the Latest Practicable Date, members of our Group have seven trade marks registered in Hong Kong and six applications for registrations in Hong Kong.

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(b) Domain names

As of the Latest Practicable Date, the following were the key domain name registrations of our Group:

www.razerzone.com
www.razerstore.com

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group’s business.

D. FURTHER INFORMATION ABOUT DIRECTORS

1. Disclosure of Interests

(a) *Interests of the Directors and chief executives in our share capital and our associated corporations following the [REDACTED] and the [REDACTED] (without taking into account the Deferred Settlement Shares)*

The following table sets out the interests of the Directors of the Company immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account the Deferred Settlement Shares) in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are [REDACTED]:

Name of Director/ Chief Executive	Capacity/ nature of interest	The relevant company	Number and approximate percentage of Shares held as of the date of this document of the relevant Company		Number of underlying shares and approximate percentage of shareholding in the total issued share capital of the Company after the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised)	Number of underlying shares and approximate percentage of shareholding in the total issued share capital of the Company after the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is fully exercised)
Mr. Min-Liang Tan (陳民亮) ⁽¹⁾	Settlor of a trust	The Company	347,667	(41.3%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
	Beneficial interest	The Company	840	(0.1%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
Mr. Lim Kaling (林嘉林) ⁽²⁾	Interest of controlled corporations	The Company	252,147	(29.9%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
	Beneficial interest	The Company	62	(0.0%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
	Interest of a controlled corporation	THX	20	(20%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
Mr. Chan Thiong Joo Edwin (曾辰裕) ⁽³⁾	Beneficial interest	The Company	6,760	(0.8%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
Mr. Khaw Kheng Joo (許慶裕) ⁽⁴⁾	Beneficial interest	The Company	10,832	(1.3%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)
Mr. Gideon Yu ⁽⁵⁾	Beneficial interest	The Company	465	([●]%)	[REDACTED] ([REDACTED]%)	[REDACTED] ([REDACTED]%)

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Notes:

- (1) Chen Family (Hivemind) Holdings Limited is an investment company incorporated in the British Virgin Islands, and is jointly controlled by Chen Family (Global) Holdings Limited and Mr. Tan. Chen Family (Global) Holdings Limited is an investment company incorporated in the British Virgin Islands, under the Chen Family Trust established by Mr. Tan, our co-founder and executive Director, as the settlor. Julius Baer Trust Company Guernsey Limited is the trustee of the Chen Family Trust, and Mr. Tan and his family members are the beneficiaries of the Chen Family Trust. Mr. Tan is also the sole director of Chen Family (Hivemind) Holdings Limited.

As of the Latest Practicable Date, Mr. Tan had also been granted 840 RSUs, all of which are outstanding, pursuant to the 2016 Equity Incentive Plan.

Following the conversion of the Preferred Shares and the [REDACTED], Mr. Tan will have a long position in [REDACTED] Shares, including an interest in [●] Shares underlying the RSUs granted to him pursuant to the 2016 Equity Incentive Plan.

- (2) As of the Latest Practicable Date, Mr. Lim Kaling, our non-executive Director, owned 252,147 Shares through his controlled corporations — Voyager Equity Limited, Lim Teck Lee Land Pte Ltd, Primerose Ventures Inc., Archview Capital Ltd. and Sandalwood Associates Limited.

Voyager Equity Limited is a company wholly-owned by Excelsior Equity Limited, a company incorporated in the British Virgin Islands which holds its shares in the Company on trust for Mr. Lim and his family members. It owns 159,758 Shares.

Lim Teck Lee Land Pte Ltd is a company incorporated in Singapore engaged in the business of general wholesale trade and investment holding. It is 92% owned by Mr. Lim Kaling. It owns 40,105 Shares and 1,955 Series B-2 Preferred Shares.

Primerose Ventures Inc., Archview Capital Ltd. and Sandalwood Associates Limited are investment holding companies incorporated in the British Virgin Islands and are indirectly wholly-owned by Mr. Lim through Immoillari Limited. Primerose Ventures Inc. owns 23,038 Shares, 14,774 Series A Preferred Shares and 977 Series B-2 Preferred Shares. Archview Capital Ltd. owns 5,078 Shares. Sandalwood Associates Limited owns 6,462 Series B-1 Preferred Shares.

As of the Latest Practicable Date, Mr. Lim had also been granted 62 RSUs, all of which are outstanding, pursuant to the 2016 Equity Incentive Plan.

Following the conversion of the Preferred Shares and the [REDACTED], Mr. Lim will have a long position in [REDACTED] Shares, including an interest in [REDACTED] Shares underlying the RSUs granted to him pursuant to the 2016 Equity Incentive Plan.

In addition, Archview Capital Ltd., indirectly wholly-owned by Mr. Lim through Immoillari Limited, owns 20 shares of THX.

- (3) As of the Latest Practicable Date, Mr. Chan Thiong Joo Edwin, our executive Director, owned 671 Shares and had been granted 6,089 RSUs, all of which are outstanding, pursuant to the 2016 Equity Incentive Plan. Following the conversion of the Preferred Shares and the [REDACTED], Mr. Chan will have a long position in [REDACTED] Shares, including an interest in [REDACTED] Shares underlying the RSUs granted to him pursuant to the 2016 Equity Incentive Plan.

- (4) As of the Latest Practicable Date, Mr. Khaw Kheng Joo, our executive Director, owned 839 Shares and had been granted 9,993 RSUs, all of which are outstanding, pursuant to the 2016 Equity Incentive Plan. Following the conversion of the Preferred Shares and the [REDACTED], Mr. Khaw will have a long position in [REDACTED] Shares, including an interest in [REDACTED] Shares underlying the RSUs granted to him pursuant to the 2016 Equity Incentive Plan.

- (5) Mr. Gideon Yu, our independent non-executive Director, was granted 465 RSUs, all of which are outstanding, pursuant to the 2016 Equity Incentive Plan. Following the [REDACTED], Mr. Yu will have a long position in [REDACTED] Shares.

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(b) Negative statements regarding interests in securities

None of the Directors or our chief executive will immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares) have any disclosure interests (as referred to in (a) above), other than as disclosed at (a) above.

2. Particulars of Directors’ letters of appointment

(a) Executive Directors

Each of our executive Directors [has entered] into an appointment letter with our Company pursuant to which they agreed to act as executive Directors for an initial term of [three] years or until the third annual general meeting of our Company since the [REDACTED] (whichever is sooner). Either party has the right to give not less than [●] months’ written notice to terminate the agreement.

The fees of the executive Directors payable by the Company are as follows:

Executive Directors	US\$
Mr. Min-Liang Tan (陳民亮)	[●]
Mr. Khaw Kheng Joo (許慶裕)	[●]
Mr. Chan Thiong Joo Edwin (曾辰裕)	[●]

(b) Non-executive Directors

Our non-executive Director [has entered] into an appointment letter with our Company pursuant to which he agreed to act as a non-executive Director for an initial term of [three] years or until the third annual general meeting of our Company since the [REDACTED] (whichever is sooner). Either party has the right to give not less than [●] months’ written notice to terminate the agreement.

The fees of the non-executive Director payable by the Company is as follows:

Non-executive Director	US\$
Mr. Lim Kaling (林嘉林)	[●]

(c) Independent non-executive Directors

Each of our independent non-executive Directors [has entered] into an appointment letter with our Company pursuant to which they agreed to act as independent non-executive Directors for an initial term of [three] years with effect from the [REDACTED] or until the third annual general meeting of our Company since the [REDACTED] (whichever is sooner). Either party has the right to give not less than [●] months’ written notice to terminate the agreement.

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The fees of the independent non-executive Directors payable by the Company are as follows:

Independent non-executive Directors	US\$
Mr. Gideon Yu	[●]
Mr. Chau Kwok Fun Kevin (周國勳)	[●]
Mr. Lee Yong Sun (李鏞新)	[●]

Details of the Company’s remuneration policy is described in the section headed “Directors and Senior Management — Compensation of Directors and Senior Management.”

Save as disclosed in this document, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

Our Directors receive compensation in the form of salaries, bonuses, share-based awards, and other benefits-in-kind. We determine the salaries of our Directors based on each Director’s qualification, position and seniority.

The aggregate amount of remuneration (including salaries, discretionary bonuses and other benefits) which were paid to our Directors for the years ended December 31, 2014, 2015 and 2016 were approximately US\$1.4 million, US\$3.3 million and US\$3.4 million, respectively. The aggregate amount of the Company’s contributions to the Central Provident Fund on behalf of Mr. Tan in his capacity as a member of the senior management of the Company for each of the three years ended December 31, 2014, 2015 and 2016 were approximately US\$12,549.7, US\$10,371.1 and US\$10,722.2, respectively.

Save as disclosed in this document, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended December 31, 2014, 2015 and 2016.

No remuneration was paid to our Directors as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Under the arrangement currently in force, the aggregate amount of remuneration payable by our Group to our Directors for the year ended December 31, 2017 will be approximately US\$7.5 million.

4. Agency fees or commission

Save as disclosed in this document, within the two years preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of us or any of our subsidiaries.

5. Related party transactions

Please refer to Note 24 of the Accountants’ Report in Appendix I to this document for details of the related party transactions. Our Directors confirm that all Related Party Transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

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E. 2016 EQUITY INCENTIVE PLAN

1. Summary of Terms

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

(a) Purposes of the 2016 Equity Incentive Plan

The purposes of the 2016 Equity Incentive Plan are:

- (i) to recognize the contributions by grantees of the 2016 Equity Incentive Plan ("**Grantee(s)**") and to give incentives thereto in order to retain them for the continual operation and development of the Group; and
- (ii) to attract suitable personnel for further development of the Group.

(b) Awards

An award of RSUs under the 2016 Equity Incentive Plan ("**Award(s)**") gives a participant in the 2016 Equity Incentive Plan a conditional right when the Award vests to obtain cash, Shares or a combination of both with reference to the market value of the Shares on or about the date of vesting, as determined by the Committee (as defined below) in its absolute discretion.

For the purposes of the 2016 Equity Incentive Plan, "**Committee**" means the Remuneration Committee of the Board, any committee created and appointed by the Board to administer the 2016 Equity Incentive Plan, the Board or those person(s) to whom administration of the 2016 Equity Incentive Plan has been delegated under the terms of the 2016 Equity Incentive Plan.

(c) Limitation on number of RSUs

Unless otherwise duly approved by the Shareholders of the Company, the total number of Shares underlying RSUs under the 2016 Equity Incentive Plan shall not exceed [REDACTED], equivalent to [REDACTED]% of the total number of issued Shares immediately following the completion of the [REDACTED] and the [REDACTED] (the "**Scheme Limit**") (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares).

As of the Latest Practicable Date, RSUs in respect of 67,116 Shares had been granted under the 2016 Equity Incentive Plan and are outstanding. As a result of the [REDACTED] of Shares to the existing holders of Shares and Preferred Shares whose names appear on the share register, the number of Shares underlying the outstanding RSUs will be adjusted pursuant to the terms of the 2016 Equity Incentive Plan to [REDACTED] Shares on the [REDACTED], representing [REDACTED]% of the Shares in issue following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised).

(d) Annual Mandate

At each annual general meeting of the Company, the Company shall propose and the Shareholders shall consider and if thought fit, pass an ordinary resolution approving a mandate specifying:

- (i) the maximum number of Shares that may be the subject of RSUs granted pursuant to the 2016 Equity Incentive Plan during the period between one annual general meeting and the subsequent annual general meeting of the Company; and
- (ii) that the Board has the power to deal with, allot and issue the Shares that are the subject of the RSUs granted pursuant to the 2016 Equity Incentive Plan as and when they vest.

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The mandate referred shall remain in effect until the earliest of:

- (i) the conclusion of the subsequent annual general meeting;
- (ii) the expiration of the period within which the subsequent annual general meeting is required by the laws applicable to the Company and the Articles of Association of the Company to be held; or
- (iii) the variation of or revocation of such mandate by the ordinary resolution of the Shareholders at a general meeting.

(e) Refresh of the Scheme Limit

The Scheme Limit may be refreshed from time to time subject to prior Shareholders' approval, but in any event, the total number of Shares that may underlie the RSUs granted following the date of approval of the refreshed limit (the "**New Approval Date**") under the limit as refreshed from time to time must not exceed [15]% of the number of Shares in issue as of the New Approval Date. Shares underlying the RSUs granted pursuant to 2016 Equity Incentive Plan (including those outstanding, cancelled, lapsed or vested RSUs) prior to the New Approval Date will not be counted for the purpose of determining the maximum aggregate number of Shares that may underlie the RSUs granted following the New Approval Date under the limit as renewed. For the avoidance of doubt, Shares issued prior to the New Approval Date pursuant to the vesting of RSUs granted pursuant to the 2016 Equity Incentive Plan will be counted for the purpose of determining the number of Shares in issue as of the New Approval Date.

(f) Selected Persons of the 2016 Equity Incentive Plan

The Committee may select the following persons to be granted with RSUs under the 2016 Equity Incentive Plan pursuant to the 2016 Equity Incentive Plan:

- (i) employees (i.e. any person, including any officer or Director, employed by the Company or any subsidiary of the Company);
- (ii) consultants (i.e. any natural person, including an adviser or independent contractor, engaged by the Company or any subsidiary of the Company to render services to such entity); and
- (iii) Directors (i.e. any member of the Board including a non-employee Director);

selected by the Committee, provided that such employees, consultants and Directors render bona fide services to the Company or any subsidiary of the Company not in connection with the offer and sale of securities in a capital-raising transaction.

(g) Duration of the 2016 Equity Incentive Plan

Subject to the fulfillment of the conditions of the 2016 Equity Incentive Plan and [the termination clause in paragraph (u)], the 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.

(h) Administration of the 2016 Equity Incentive Plan

This 2016 Equity Incentive Plan shall be subject to the administration of the Committee in accordance with the rules of such Plan. The Committee has the power to construe and interpret the rules of such Plan and the terms of the Awards granted hereunder. The Committee may also appoint one or more independent third party contractors (including RSU Trustee(s)) to assist in the administration of the 2016 Equity Incentive Plan. Any decision of the Committee made in accordance with the rules of such Plan shall be final and binding, provided in each case that such decision is made in accordance with the Articles and any applicable laws.

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(i) Appointment of RSU Trustee(s)

The RSU Trustee(s) shall assist with the administration and vesting of RSUs granted pursuant to the 2016 Equity Incentive Plan. Our Company will (i) allot and issue Shares to the RSU Trustee(s) to be held by them and which will be used to satisfy the RSUs upon vesting and/or (ii) direct and procure the RSU Trustee(s) to purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. Our Company shall procure that sufficient funds are provided to the RSU Trustee(s) by whatever means as our Board may in its absolute discretion determine to enable the RSU Trustee(s) to satisfy their obligations in connection with the administration of and the vesting of RSUs granted pursuant to the 2016 Equity Incentive Plan.

For the purpose of satisfying RSU grants made under the 2016 Equity Incentive Plan, pursuant to the [REDACTED], the Company will allot and issue [REDACTED] Shares at par value to the RSU Trustee(s) on the [REDACTED], and such Shares will be held on trust for the benefit of the RSU Grantees pending the vesting of the outstanding RSUs. The Shares to be issued to the RSU Trustee(s) represent [REDACTED]% of the Shares in issue following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares).

(j) Grant of RSUs

On and subject to the terms of the 2016 Equity Incentive Plan and the terms and conditions that the Committee imposes and/or are required by applicable law, the Committee shall be entitled at any time during the life of the 2016 Equity Incentive Plan to make a grant to any RSU Participant as the Committee may in its absolute discretion determine.

Awards may be granted on such terms and conditions (e.g. by linking the vesting of the RSUs to the attainment or performance of goals by the Company as a whole or any business unit or subsidiary) as the Committee may determine.

A grant shall be made to an RSU Participant by delivery of a written or electronic agreement between the Company and the RSU Participant (setting forth the terms and conditions of the Award, and any country-specific appendix thereto, which shall be in substantially a form that the Committee has from time to time approved) (the "RSU Award Agreement") to a RSU Participant in any manner (including electronic distribution or posting, including through any automated system) that meets the requirements of applicable law.

(k) Grant to Connected Persons

Any grant of an Award to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors (excluding the independent non-executive Director(s) who is or are the proposed grantee(s) of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules.

(l) Acceptance of Awards

If the selected person intends to accept the offer of grant of RSUs as specified in the notice of RSU Award, he or she is required to sign the notice of RSU Award to which the RSU Award Agreement is annexed and return it to the Company.

The RSU Participant shall undertake to hold the Award on the terms on which it is granted and be bound by the provisions of the 2016 Equity Incentive Plan.

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(m) Rights attached to Awards

A Grantee does not have any ownership in any Shares underlying RSUs unless and until these Shares are actually transferred to the Grantee in settlement of vested RSUs. Furthermore, a Grantee does not have any right to dividends in respect of and may not exercise any voting right in respect of the Shares underlying RSUs.

(n) Rights attached to Shares

A Grantee who has been transferred any Shares in respect of any RSUs will have all of the rights of a Shareholder of the Company with respect to the Share from and after the date the Shares are issued to the Grantee until such time as the Grantee disposes of the Shares or the Company exercises the refusal right under the RSU Award Agreement.

(o) Rights on a Takeover

In the event a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (p) below) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the vesting date of any RSU, the Board shall, prior to the offer becoming or being declared unconditional determine at its absolute discretion whether such RSU shall vest and the period within which such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the grantee that the RSU shall vest and the period within which such RSU shall vest.

(p) Rights on a Scheme of Arrangement

In the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting of any RSU, the Board shall, prior to such meetings, determine at its absolute discretion whether such RSU shall vest and the period within such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the grantee that the RSU shall vest and the period within which such RSU shall vest.

(q) Rights on a Voluntary Winding-up

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any RSU, the Board shall determine at its discretion whether such RSU shall vest, and the period when such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the grantee that the RSU shall vest and the period within which such RSU shall vest.

(r) Awards to be personal to Grantees

Awards granted pursuant to this 2016 Equity Incentive Plan are not transferable and may not be sold, pledged, assigned, hypothecated, transferred or otherwise disposed of by the Grantee in any manner other than by will, intestacy laws or by the laws of descent or distribution or unless otherwise permitted by the Company on a case-by-case basis in accordance with the 2016 Equity Incentive Plan. The Award and the RSUs shall lapse to the extent that a Grantee purports to so sell, pledge, assign, hypothecate, transfer or otherwise dispose of them, unless otherwise approved by the Committee.

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(s) Vesting

Settlement of the RSUs is conditioned on satisfaction of two vesting requirements before the expiration of the 2016 Equity Incentive Plan. The RSUs will only vest if both of the following vesting requirements if both of the two requirements are satisfied:

- i. time and service based requirement — provided that the Grantee is in service as an employee, consultant, director or non-employee director of the Company or an associated company as defined in the 2016 Equity Incentive Plan, this requirement will be satisfied as to 25% of the total number of RSUs granted to a grantee on each of the dates as may be specified under the vesting schedule contained in the RSU Award Agreement; and
- ii. liquidity event requirement — this requirement will be satisfied on the earlier of March 15 of the calendar year following the year in which the [REDACTED] was declared effective, and the six month anniversary of the effective date of the [REDACTED] or such later date as may be required under the RSU Award Agreement.

Generally, the RSUs vest as to 25% of the number of RSUs initially granted each year starting from the year of grant.

(t) Lapse of RSUs

If the Grantee's service terminates for any reason prior to the first Anniversary Date, the Award, to the extent not vested, shall lapse and all unvested RSUs shall be forfeited to the Company forthwith, and all the Grantee's rights to such RSUs shall immediately terminate, without payment of any consideration to the Grantee.

(u) Alteration or Amendment of the 2016 Equity Incentive Plan

The Company reserves the right to change, by written notice to the Grantee, the provisions of the RSU Award Agreement in any way it may deem necessary or advisable for legal or administrative reasons, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

The 2016 Equity Incentive Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended or suspended by the Company at any time, to the extent permitted by the 2016 Equity Incentive Plan.

(v) Adjustment of RSUs

In the event that any change is made in the Shares, without consideration, through merger, consolidation, reorganization, recapitalization, reincorporation, share split, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, including, for the avoidance of doubt, capitalization of profits or reserves, capital distribution, rights issue, the conversion of one class of share to another or reduction of capital or otherwise, without consideration, then the Committee shall proportionately and appropriately make adjustments to the 2016 Equity Incentive Plan, including but not limited to the following:

- (i) the number of Shares reserved for grant and issuance under the 2016 Equity Incentive Plan;
- (ii) the purchase price to be paid for Shares acquired under the 2016 Equity Incentive Plan and/or number and/or class of Shares subject to other outstanding Awards;
- (iii) the maximum number and/or class of Shares that may be subject to Awards granted to a non-employee Director, subject to any required action by the Board or the Shareholders and in compliance with applicable law;

provided that a fraction of a Share will not be issued. The determination of the Committee shall be final, binding and conclusive.

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(w) Termination of the Plan

The 2016 Equity Incentive Plan is established voluntarily by the Company, it is discretionary in nature, and may be suspended or terminated by the Company at any time, to the extent permitted by the 2016 Equity Incentive Plan. The Company shall notify the RSU Trustee(s) and all Grantees of such termination and of how any property held by the RSU Trustee(s) on trust for the Grantees (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

No amendment, suspension or termination of the 2016 Equity Incentive Plan shall, without the consent of the Grantee, alter or impair any rights or obligations under any Award already granted unless the Award itself otherwise expressly so provides.

(x) General

An application has been made to the Listing Committee of the Stock Exchange for the [REDACTED] of, and permission to deal in, new Shares underlying any Awards which may be granted pursuant to the 2016 Equity Incentive Plan.

As of the Latest Practicable Date, RSUs in respect of 67,116 Shares had been granted and outstanding under the 2016 Equity Incentive Plan and are outstanding. As a result of the [REDACTED] of Shares to the existing holders of Shares and Preferred Shares, the number of Shares underlying the outstanding RSUs will be adjusted pursuant to the terms of the 2016 Equity Incentive Plan to [REDACTED] Shares on the [REDACTED], representing [REDACTED]% of the Shares in issue following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares). As of the Latest Practicable Date, there were 351 Grantees pursuant to the 2016 Equity Incentive Plan, of which five Grantees are Directors and three Grantees are members of our senior management.

As of the Latest Practicable Date based on the Scheme Limit, the Company may grant further RSUs in respect of 420,000,000 Shares, representing 8.9% of the issued share capital of the Company immediately upon the completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account the Deferred Payment Shares).

The grant and vesting of any RSUs which may be granted pursuant to the 2016 Equity Incentive Plan will be in compliance with Rule 10.08 of the Listing Rules.

The Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the 2016 Equity Incentive Plan, including the date of grant, number of Shares involved, the vesting period, the appointment and arrangement with the RSU Trustee(s) and comply with Chapter 14A of the Listing Rules. Details of the 2016 Equity Incentive Plan, including particulars and movements of the RSUs granted during each financial year of our Company, and our employee costs arising from the grant of the RSUs will be disclosed in our annual report.

Details of the RSUs granted under the 2016 Equity Incentive Plans as at the date of this document and details of the vesting period are set out in the paragraph headed "Details of the RSUs granted and outstanding under the 2016 Equity Incentive Plans" below.

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

Name of grantees of RSU	Number of Shares represented by the outstanding RSUs as of the date of this document of the Company	Number of Shares represented by the outstanding RSUs and approximate percentage of shareholding immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the Deferred Settlement Shares) (%)	
<i>Directors of the Company</i>			
Mr. Min-Liang Tan (陳民亮)	840	[REDACTED]	[REDACTED]%
Mr. Khaw Kheng Joo (許慶裕)	9,993	[REDACTED]	[REDACTED]%
Mr. Chan Thiong Joo Edwin (曾辰裕)	6,089	[REDACTED]	[REDACTED]%
Mr. Lim Kaling (林嘉林)	62	[REDACTED]	[REDACTED]%
Mr. Gideon Yu	465	[REDACTED]	[REDACTED]%
<i>Other connected persons of the Company</i>			
Mr. Michael Louis Pfeiffer ⁽²⁾	87	[REDACTED]	[REDACTED]%
Mr. Koh Boon Hwee ⁽²⁾	1,504	[REDACTED]	[REDACTED]%
Mr. He Zhitao (何志濤)	[21]	[REDACTED]	[REDACTED]%
8 Directors and connected			
sub-total persons of our Company	[19,061]	[REDACTED]	[REDACTED]%
343 other employees	[65,207]	[REDACTED]	[REDACTED]%
GRAND TOTAL OF ALL GRANTEES	<u>[84,268]</u>	<u>[REDACTED]</u>	<u>[REDACTED]%</u>

Notes:

- (1) These RSUs shall (unless our Company shall otherwise determine and so notify the RSU Participant in writing) vest according to the vesting schedule as set out under section headed “[— 2016 Equity Incentive Plan — (1) Vesting]”.
- (2) Mr. Michael Louis Pfeiffer, Mr. Koh Boon Hwee and Mr. He Zhitao are former Directors of the Company.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

F. DISCLAIMERS

Save as disclosed herein:

- (a) none of our Directors or chief executives has any interest or short position in the shares, underlying shares or debentures of our Company or any of our associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies once the Shares are [REDACTED];
- (b) none of the Directors or experts referred to in the subsection headed “G. Other Information — Qualifications of Experts” in this section has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of the Directors or experts referred to in the subsection headed “G. Other Information — Qualifications of Experts” in this section is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the [REDACTED] and the [REDACTED] or upon the exercise of the [REDACTED] or the Deferred Settlement Shares, none of the Directors knows of any person (not being a Director or chief executive of us) who will, immediately following completion of the [REDACTED] and the [REDACTED], have an interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to under the section headed “— G. Other Information — Qualifications of Experts” has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of our share capital as of the Latest Practicable Date have any interests in the five largest customers or the five largest suppliers of our Group.

G. OTHER INFORMATION

1. Preliminary expenses

Our preliminary expenses are estimated to be HK\$1,000 and have been paid by us.

2. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [REDACTED] and the [REDACTED] and the related transactions described in this document.

3. Agency fees and commission received

The [REDACTED] will receive an [REDACTED] commission as referred to in the section headed “[REDACTED] — [REDACTED] Arrangements and Expenses — Commissions and Expenses.”

APPENDIX IV STATUTORY AND GENERAL INFORMATION

4. Qualification of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this document are as follows:

Name	Qualifications
Credit Suisse (Hong Kong) Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
UBS Securities Hong Kong Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities as defined under the SFO
Grandall Law Firm	Our PRC legal advisers
Maples and Calder (Hong Kong) LLP	Our Cayman Islands legal advisers
KPMG	Certified Public Accountants
Newzoo International B.V.	Independent Industry Consultant
Frost & Sullivan (S) Pte Ltd.	Independent Industry Consultant

5. Consents

Each of the experts set out in the subsection headed “4. Qualifications of experts” in this section has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

6. [REDACTED]

We have appointed [REDACTED], as our [REDACTED] to provide financial advisory services in relation to the [REDACTED]. The appointment of [REDACTED] is at our own initiative and not pursuant to any requirement of the Listing Rules. The role of the [REDACTED] is separate and distinct from the role of the Joint Sponsors. Principal functions performed by our [REDACTED] include: selection and appointment of [REDACTED] and other professional advisers; assisting the Company in coordinating the work of other professional advisers; reviewing relevant documentation in relation to the [REDACTED]; structuring of the [REDACTED] and the [REDACTED]; and advising the Company on timing and market positioning of the [REDACTED]. The Joint Sponsors have not relied on the work performed by [REDACTED] in fulfilling their duties.

7. Independence of Sponsors; Sponsors’ Fees

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will be paid by the Company a total fee of US\$1.0 million to act as joint sponsors to the Company in connection with the [REDACTED].

8. Binding Effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

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STATUTORY AND GENERAL INFORMATION

9. Taxation of Holders of our Shares

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Shares under the laws of their country of citizenship, residence or domicile.

Cayman Islands Taxation

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Shares. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under Existing Cayman Islands Laws

Payments of dividends and capital in respect of the Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of Shares, nor will gains derived from the disposal of Shares be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Shares or on an instrument of transfer in respect of a Share.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

**The Tax Concessions Law
2011 Revision
Undertaking as to Tax Concessions**

In accordance with the provision of section 6 of The Tax Concessions Law (2011 Revision), the Governor in Cabinet undertakes with Razer Inc. ("the Company").

- 1 That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- 2 In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - 2.1 on or in respect of the shares, debentures or other obligations of the Company; or
 - 2.2 by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).
- 3 These concessions shall be for a period of twenty years from the 12th day of June 2012.

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Hong Kong Taxation

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.1% of the consideration or, if higher, the value of the Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealings in the Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profits tax.

Potential investors in the [REDACTED] are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors or any other person or party involved in the [REDACTED] accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, our Shares.

10. Miscellaneous

- (a) Save as otherwise disclosed in this document:
- (i) within the two years preceding the date of this document, no share or loan capital of our Company or of any of our principal operating subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) within the two years preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iii) within the two years preceding the date of this document, no commission has been paid or is payable (except commissions to underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares or debentures in our Company or any of our subsidiaries;
 - (iv) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (v) no share or loan capital of our Company or any of our consolidated subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (vi) none of the parties (save in connection with the [REDACTED] Agreement) listed in the subsection headed “G. Other Information — 5. Consent” in this section:
 - (aa) is interested legally or beneficially in any securities of any member of our Group;
or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.
- (b) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (c) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.
- (d) There is no arrangement under which future dividends are waived or agreed to be waived.
- (e) None of our Directors or their associates nor, to the knowledge of the Directors, any Shareholder who held more than 5% of the total issued Shares as of the Latest Practicable Date had any interest in any of the five largest customers and in any of the five largest suppliers of our Group.

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

11. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

12. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the [REDACTED]; (ii) copies of each of the material contracts referred to in the section headed “Appendix [IV — Statutory and General Information — Further Information About the Business of Our Company — Summary of Material Contracts” in this document; (iii) the written consents issued by each of the experts and referred to in the section headed “Appendix IV — Statutory and General Information — Other Information — Qualifications of Experts” in this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Davis Polk & Wardwell, Hong Kong Solicitors, 18/F The Hong Kong Club Building, 3A Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountants’ report from KPMG in respect of the historical financial information for each of the years ended December 31, 2014, 2015 and 2016, the text of which is set out in the section headed “Appendix I — Accountants’ Report” in this document;
- (c) the audited consolidated financial statements of our Company for each of the financial years ended December 31, 2014, 2015 and 2016;
- (d) the report on the [REDACTED] of our Group from KPMG, the text of which is set forth in the section headed Appendix II — [REDACTED] in this document;
- (e) the letter dated [●], 2017 issued by Maples and Calder (Hong Kong) LLP, our legal advisers as to Cayman Islands law, summarizing certain aspects of Cayman Islands Companies Law referred to in the section headed “Appendix III — Summary of the Constitution of our Company and Cayman Islands Companies Law in this document;
- (f) the PRC legal opinions issued by Grandall Law Firm, our legal advisers as to PRC law, dated [●], 2017 in respect of our general matters and property interests;
- (g) the service agreements and letters of appointment referred to in the section headed “Appendix IV — Statutory and General Information — D. Further Information about Directors and Substantial Shareholders — 2. Particulars of Directors’ service agreements and letters of appointment” in this document;
- (h) the Cayman Islands Companies Law;
- (i) the material contracts referred to in the section headed “Appendix IV — Statutory and General Information — Further Information About the Business of Our Company — Summary of Material Contracts” in this document;
- (j) the written consents referred to in the section headed “Appendix IV — Statutory and General Information — Other Information — Qualifications of Experts” in this document;
- (k) the Frost & Sullivan Reports; and
- (l) the Newzoo Report.