RAZER INC.

雷蛇*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1337)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2018

The board of directors of Razer Inc. (the "Company", together with its subsidiaries, the "Group") is pleased to announce the unaudited results of the Group for the six months ended June 30, 2018. This announcement, containing the full text of the 2018 Interim Report of the Company, is prepared with reference to the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results. This results announcement will be published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.razer.com. The Company's 2018 Interim Report will be dispatched to the Company's shareholders and published on the websites of The Stock Exchange of Hong Kong Limited and of the Company in due course.

By order of the Board
Razer Inc.
Min-Liang TAN
Chairman

Hong Kong, August 30, 2018

As at the date of this announcement, the board of directors of the Company comprises Mr. Min-Liang Tan as Chairman and Executive Director, Mr. Khaw Kheng Joo and Mr. Chan Thiong Joo Edwin as Executive Directors, Mr. Lim Kaling as Non-executive Director, and Mr. Gideon Yu, Mr. Chau Kwok Fun Kevin and Mr. Lee Yong Sun as Independent Non-executive Directors.

* *For identification purposes only*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. LIM Kaling

Independent Non-executive Directors

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

AUDIT AND RISK MANAGEMENT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. CHOO Wei Pin
Ms. CHAN Wai Ling

AUDITORS

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10 Chater Road, Central
Hong Kong

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Hong Kong

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Grand Cayman KY1-1104, Cayman Islands

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Grand Cayman KY1-1102, Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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INVESTOR RELATIONS CONTACT

Email: ir@razer.com

CORPORATE WEBSITE

www.razer.com

STOCK CODE

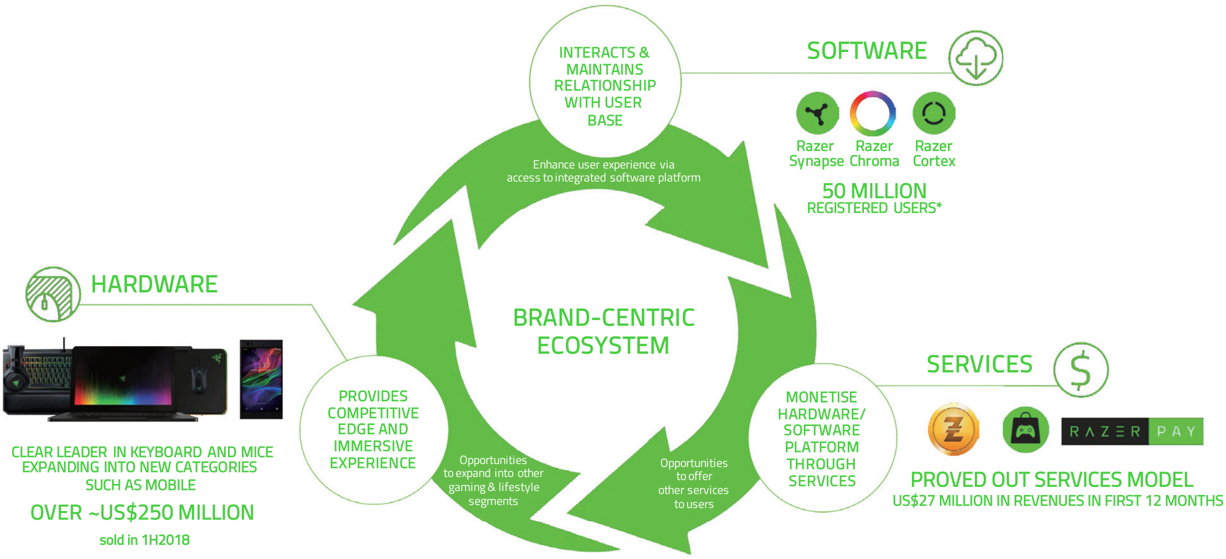
1337

HIGHLIGHTS

KEY HIGHLIGHTS OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2018

- Revenues grew 38.5% year-on-year to US$274.2 million
- Gross profit grew 45.9% year-on-year to US$79.5 million
- Gross margin expanded 150bps year-on-year to 29.0%
- Loss from operations improved 4.3% year-on-year to US$53.6 million
- Hardware:
  - Solid 30.6% year-on-year growth in revenues to over US$250 million
- Software:
  - 42.9% year-on-year growth to over 50 million total registered users as of June 30, 2018
- Services:
  - Proved out high-margin model with revenues of approximately US$27 million in first 12 months of operations

THE WORLD'S LARGEST INTEGRATED GAMING ECOSYSTEM



*As of Jun 30, 2018, inclusive of 5.3 million total registered users gained as a result of the full integration with MOL Global

CHAIRMAN'S STATEMENT

2018 is shaping up to be another exciting year for Razer as we continue to extend our leadership position in the gaming industry, leveraging on the strength of our brand and the unique ecosystem of hardware, software and services for gamers that we have built.

We have witnessed significant developments in the gaming industry in the first six months of the year alone and expect this trend to continue in the second half of 2018. The growth of the gamer total addressable market (TAM) is expected to reach 2.35 billion in 2018 and 2.76 billion by 2021[1]. The pipeline of new AAA gaming titles to be released across the various gaming platforms, be it console, PC or mobile, in the coming months has never been stronger.

Investments into the industry, focused on gaming and esports have also continued to pile in as a result. The exponential growth of new PC games such as Fortnite and PUBG have driven the industry to new heights. The emergence of mobile e-sports, fuelled by the insanely successful cross-over of the same AAA gaming titles (such as Fortnite and PUBG) from PC to mobile, has also taken the industry by storm, paving the way forward for an accelerated growth trajectory for mobile gaming.

And we at Razer, as the world's leading lifestyle brand for gamers with our ecosystem of hardware, software and services, are well-positioned to be at the forefront of this massive growth across various fronts.

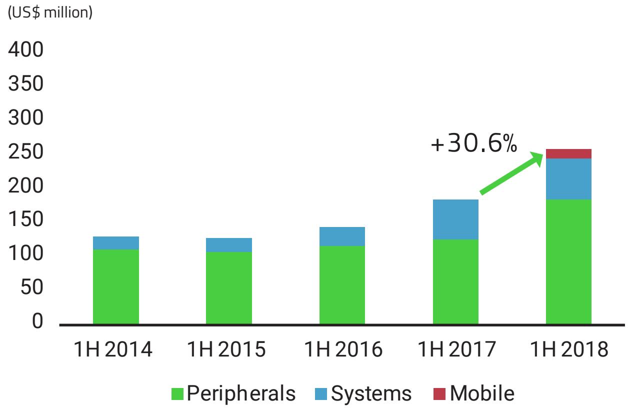
FIRST HALF OF 2018: STRONG REVENUE GROWTH, EXPANSION OF GROSS PROFIT AND GROSS MARGIN, IMPROVING LOSS POSITION

We continue to execute to plan as communicated during our initial public offering in 2017, demonstrating strong business fundamentals and delivering a solid set of results for the first half of 2018.

We delivered an impressive year-on-year revenue growth of 38.5%, with revenue rising to US$274.2 million for the first half of 2018. Our gross margin expanded to 29.0% from 27.5%. Our loss from operations improved 4.3% on a year-on-year basis to US$53.6 million.

In particular, the first half of 2018 also saw the Services business be proved out since its launch in the first half of 2017, raking in revenues of approximately US$27 million from its first 12 months of operations.

HARDWARE: SOLID 30.6%[2] GROWTH IN REVENUES YEAR-ON-YEAR



Our Hardware business saw solid growth across all geographies buoyed by the success of PC games like Fortnite and PUBG.

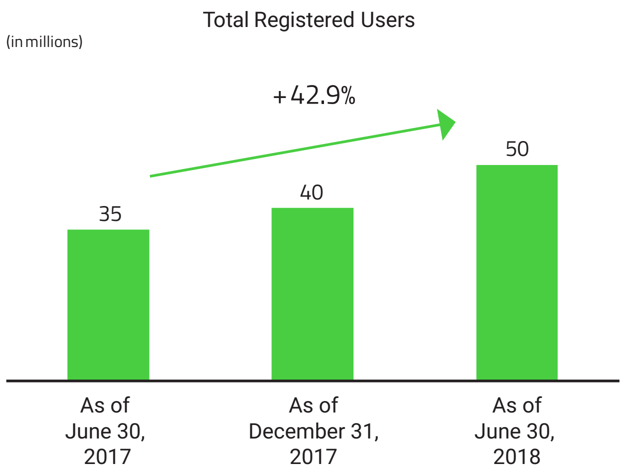
We remained a clear leader in the gaming peripherals space in the U.S., Europe and China. The business grew 32.8% year-on-year to US$176.0 million in revenues, with a sustained industry-leading gross margin of 35.4%, driven by the strong performance of refreshes to our flagship products and the introduction of new products, bringing high-volume growth in all our key categories – Audio, Mice and Keyboards.

Even as we continue to invest in our Systems business for a robust second half of 2018, we recorded revenue growth of 3.9% year-on-year to US$64.7 million despite the lack of a graphics chip refresh which is generally the driver of gaming laptop sales.

We did our first global launch of the new 15.6" Razer Blade laptop in China in late May 2018, which attracted highly positive reviews from various leading critics such as receiving the highest-ever rating issued by IGN for any gaming laptop. We also expanded the availability of our laptops outside of North America and as part of our China strategy, we entered into a strategic partnership with JD.com to distribute our laptops in China. The success of the new Blade launch has propelled Razer to be the one of the fastest-growing gaming system brands in China. We expect Systems to see strong year-on-year growth in the second half of 2018 as we ramp up shipping of the new Blades globally, extending into new markets outside the U.S. such as Europe and China.

CHAIRMAN'S STATEMENT

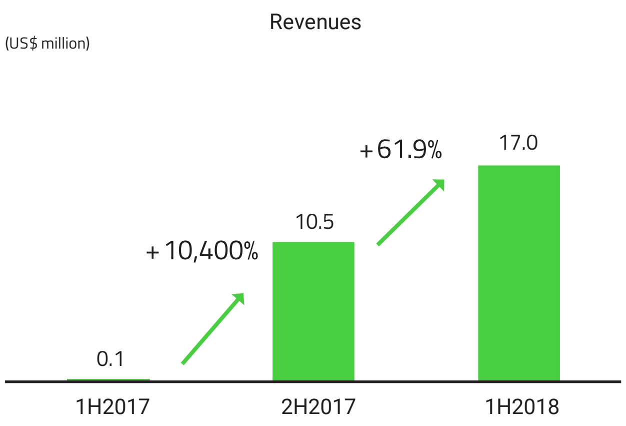
SOFTWARE: 42.9% YEAR-ON-YEAR GROWTH TO 50 MILLION USERS



We have continued to grow and made significant progress in our Software platform in the first half of 2018. As of June 30, 2018, we have more than 50 million[3] total registered users, representing a 42.9% year-on-year growth from 35 million as of June 30, 2017, driven by increase in new users from Razer Synapse, IoT platform, and Razer Chroma, our award-winning proprietary software. Razer Chroma is the world's only immersive lighting platform, with over a hundred natively-integrated games including Overwatch, Fortnite, Quake Champions, and Diablo.

In June 2018, we announced that we will further proliferate the availability of Razer Chroma, allowing non-Razer hardware users to also be part of the Razer ecosystem. The Razer Chroma Connected Devices Program will enable partners like MSI, NZXT, AMD, Thermaltake, Lian Li, Vertagear, Gigabyte, and Ducky to tap into Razer's lighting protocol.

SERVICES: PROVED OUT HIGH-MARGIN MODEL WITH REVENUES OF APPROXIMATELY US$27 MILLION IN THE FIRST 12 MONTHS OF OPERATIONS



Having marked the first anniversary of our efforts in monetising our hardware and software platform through services, our Services business for the first half of 2018 raked in US$17.0 million of revenue with a gross margin of 63.4%. For the first 12 months of operations, the Services business netted approximately US$27 million in revenues.

Virtual Credits: Razer zGold

In May 2018, we completed the full acquisition of MOL Global, the leading virtual credits platform and e-payment network in Southeast Asia, which in combination with our existing zGold virtual credits for games, has cemented Razer's leading position as one of the world's largest virtual credits for games and entertainment with over 10 million[4] wallets as of June 30, 2018, representing a year-on-year growth of 376.2% from 2.1 million, and giving users access to over 2,500 leading game titles.

The zGold virtual credits platform has been recognised as a choice partner for gaming and content companies seeking to further monetise their games and contents in emerging markets.

This has been timely as Chinese media companies have been seeking to expand their footprint outside of China, and in line with the One Belt One Road initiative, emerging markets such as Southeast Asia are their first stop.

In recent months, in addition to helping game companies monetise, we added more live-streaming platforms including the YY-backed BIGO LIVE[5], with total registered users of over 200 million. Moreover, we expect to see more Chinese game and digital media companies in the pipeline as they seek to expand their presence in the fast-growing Southeast Asia market.

Razer Game Store

In April 2018, we also successfully launched our other service, Razer Game Store, a digital game store where gamers find the best value for their PC and Mac game content from top publishers such as Ubisoft, Bandai Namco, Deep Silver, and many more. It offers over 2,000 games from over 200 publishers. In addition, we announced that for Southeast Asia, Razer Game Store powers exclusively the digital game catalogue for the e-commerce giant, Lazada.

Razer Pay

We completed the full acquisition of MOL Global in May 2018 and in line with that, we have also launched our Payments business under Razer Pay.

Razer Pay is now one of the largest offline-to-online digital payments networks in Southeast Asia, with over 1 million physical acceptance points through retail outlets such as 7-Eleven and Starbucks across Southeast Asia. We are a leading payment processing gateway for companies such as Lazada, Grab and Uniqlo, handling over US$728 million in total payment value in the first half of 2018 (US$1.1 billion for the year ended December 31, 2017).

The Razer Pay e-wallet successfully launched in Malaysia on July 4, 2018 and received a resounding response, with over 600,000 sign-ups and 300,000 transactions recorded in the first eight days, enabling the app to top both the Google Play Store and the iOS App Store. Over 6,000 major retail and F&B outlets accept Razer Pay, including 7-Eleven, Starbucks, Singer, Cosway, Greyhound Café, Wendy's, Kenny Rogers and Krispy Kreme. Riding on the success of our launch in Malaysia, we are currently in preparations to roll out the Razer Pay e-wallet in the other key Southeast Asia countries such as Singapore and the Philippines in the coming months.

Others

The Others business, which includes our next-generation products, saw 432.3% year-on-year growth to US$16.5 million in revenues, primarily due to the contribution of Razer Phone sales. With the successful launch of the Razer Phone in late 2017, Razer has since been widely recognised as the industry forerunner with the foresight of recognising the unmet demand for and being the first-mover to launch a mobile device for gamers, spawning a whole new category for the industry. We are very pleased with the success of our first generation Razer Phone, which was released in a limited run and has garnered very positive reviews internationally. We are now focusing our resources into the development of the second generation Razer Phone and accompanying software releases which will extend our software and services from PC into the mobile market.

STRATEGIC PARTNERSHIPS

Singtel Group

In April 2018, we announced a strategic collaboration with Singtel Group across the high growth areas of e-payments, esports and gaming-related digital media and telecommunication services across Southeast Asia. As Asia's leading communications group and the world's leading lifestyle brand for gamers respectively, the Singtel Group and Razer will leverage each other's strengths and capabilities to engage the region's consumers and audiences.

The Singtel Group, which includes wholly-owned subsidiary Optus and regional associates Airtel, AIS, Globe and Telkomsel, has a combined reach of over 680 million mobile customers across the region.

CHAIRMAN'S STATEMENT

In particular, for e-payments, subject to regulatory approvals, the Singtel Group and Razer plan to enable the interoperability of their respective e-payments systems to create a seamlessly integrated regional network. The interoperability of both networks will create one of the largest connected e-payment networks in Southeast Asia. Mobile wallet users of Singtel and its regional associates will be able to seamlessly access Razer's e-payment merchant network of over a million payment points, the zGold virtual credits, and Razer's full suite of gamer-related digital services, which has more than 50 million registered users. At the same time, Razer will deepen its penetration in Southeast Asian countries by adding Singtel Group's more than 1 million merchant points across Asia to its network, as well as gain access to their reach of over 680 million mobile customers.

JD.com

In May 2018, we also announced a strategic partnership with JD.com, China's leading e-commerce platform. The strategic partnership is focused on scaling out Razer's debut of gaming laptops in China as well as a long term plan to cultivate esports opportunities in China.

iDreamSky

In August 2018, we made further progress in China and announced a strategic partnership with digital entertainment platform iDreamSky. As part of the collaboration, we will work closely with iDreamSky's Tencent Video-Great Moments Voyage by enhancing esports experience with our leading esports peripherals. Great Moments Voyage is a strategic business of iDreamSky, with a core business of movie-on-demand and simultaneous movie releases, along with gaming, live-streaming with F&B facilities for post-90s and millennials.

OUTLOOK

As one of the few technology companies in the world that straddles the PC, console and mobile markets for gamers, Razer is at the forefront of the industry.

We are confident that our integrated ecosystem will expand further, with each business segment in our Systems and Mobile businesses experiencing continued growth and improvements in profit profiles.

In terms of our outlook for the second half of 2018, we are already on track to deliver an even stronger revenue growth.

For our Hardware business, we expect Peripherals to maintain strong and profitable growth. We expect that our Systems business will deliver a strong second half and see improvements in the profit profile, driven by economies of scale as contributions from new products and regional expansions into Europe and Asia kick in.

We expect to continue our investments in driving the Mobile business to take advantage of the enormous opportunities inherent in mobile gaming and esports.

For Software, we intend to further proliferate our products and software to expand our user base and drive user engagement. Leveraging the power of big data analytics, this will make room for additional monetisation opportunities in our Hardware and Services businesses.

For the Services business, the first half of 2018 saw the proving out of the monetisation of the hardware/software platform of Razer with services. This is a unique ecosystem model and we expect virtual credits business to continue growing, and, as a result of its high gross margin, contribute significantly to our profits over time. In addition, we expect to see the new services such as Razer Game Store and Razer Pay to grow alongside and build on top of the platform.

In line with our guidance early in the year, we expect the Services business' gross margin to normalise, but at a higher level than our Hardware business. In terms of overall gross margin, as our Systems business and new categories such as Mobile expand their proportion of our overall business, we expect that the overall gross margin may be lower when compared with 2017. However, this will be moderated in part by the growth of our Peripherals and Services businesses which have much higher margins. More importantly, as the profit profile and gross margin of each of our business segments continue to improve, and hence the overall scale of gross profit, we expect to see the benefits from operating leverage across the Group.

The first half of 2018 has been great for Razer and the industry, and we look forward to an even better second half!

For Gamers. By Gamers.

Min-Liang Tan
Co-Founder, Chairman and CEO

1 Newzoo Global Games Market Report
2 Including Peripherals, Systems and Mobile
3 Inclusive of 5.3 million total registered users gained as a result of the full integration with MOL Global
4 Inclusive of 5.3 million wallets gained as a result of the full integration with MOL Global
5 BIGO, as of March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended June 30,	
	2018 US$'000 (unaudited)	2017 US$'000 (audited)
Revenue	**274,218**	198,004
Cost of sales	**(194,764)**	(143,489)
Gross profit	**79,454**	54,515
Selling and marketing expenses	**(55,028)**	(38,360)
Research and development expenses	**(38,113)**	(36,167)
General and administrative expenses	**(39,893)**	(35,945)
Loss from operations	**(53,580)**	(55,957)
Other non-operating expenses	**(1,802)**	(107)
Finance income	**4,648**	546
Finance costs	**(152)**	(5)
Loss before income tax	**(50,886)**	(55,523)
Income tax (expense)/benefit	**(6,199)**	2,879
Loss for the period	**(57,085)**	(52,644)
Loss attributable to:		
Equity shareholders of the Company	**(56,318)**	(51,895)
Non-controlling interests	**(767)**	(749)
Loss for the period	**(57,085)**	(52,644)
Unaudited non-GAAP measures		
Adjusted loss for the period	**(34,681)**	(21,283)
Adjusted EBITDA	**(22,523)**	(15,649)

Revenue

Our revenue increased by 38.5% from US$198.0 million in the six months ended June 30, 2017 to US$274.2 million in the six months ended June 30, 2018, primarily due to an increase in revenue from Peripherals in the six months ended June 30, 2018 and to a lesser extent revenue from Software and Services and Others which include mobile, a new product category which was not available during the six months ended June 30, 2017.

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

	Six months ended June 30,			
	2018		2017	
	US$'000 (unaudited)	**%**	US$'000 (audited)	%
Segment Revenue				
Peripherals	**176,007**	**64.2**	132,464	66.9
Systems	**64,747**	**23.6**	62,296	31.4
Software and Services	**16,977**	**6.2**	110	0.1
Others	**16,487**	**6.0**	3,134	1.6
	274,218	**100.0**	198,004	100.0

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

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

Revenue from the Peripherals segment increased by 32.8% from US$132.5 million in the six months ended June 30, 2017 to US$176.0 million in the six months ended June 30, 2018, primarily due to an increase in revenue generated by the sales of our audio devices, mice and console devices.

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

Revenue from the Systems segment increased by 3.9% from US$62.3 million in the six months ended June 30, 2017 to US$64.7 million in the six months ended June 30, 2018, primarily due to continued sales of existing product lines in anticipation of new product launches and sales in the second half of 2018.

Software and Services. Revenue from the Software and Services segment increased from US$0.1 million in the six months ended June 30, 2017 to US$17.0 million in the six months ended June 30, 2018. The increase was primarily driven by (i) our revenue-sharing arrangement with MOL Global on sales of zGold prior to the acquisition (the details of which are set out in the note 21 to the Interim Financial Statements), and (ii) revenue generated from MOL Global subsequent to the acquisition. In May 2018, we acquired MOL Global and began consolidating its results since then.

Others. Revenue from the Others segment increased from US$3.1 million in the six months ended June 30, 2017 to US$16.5 million in the six months ended June 30, 2018, primarily due to revenue relating to the continued sales from the launch batch of the Razer Phone in November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales and gross profit

Cost of sales increased by 35.7% from US$143.5 million in the six months ended June 30, 2017 to US$194.8 million in the six months ended June 30, 2018. Gross profit increased from US$54.5 million for the six months ended June 30, 2017 to US$79.5 million for the six months ended June 30, 2018, an increase of 45.9% and gross margin increased from 27.5% for the six months ended June 30, 2017 to 29.0% for the six months ended June 30, 2018.

Peripherals. Segment cost for Peripherals increased by 32.9% from US$85.6 million in the six months ended June 30, 2017 to US$113.8 million in the six months ended June 30, 2018, which was generally in line with the increase in our Peripherals revenue. Gross margin for our Peripherals segment remains constant at 35.4% for both the six months ended June 30, 2017 and 2018.

Systems. Segment cost for Systems increased by 5.6% from US$57.5 million in the six months ended June 30, 2017 to US$60.7 million in the six months ended June 30, 2018, which was generally in line with the increase in our Systems revenue. Gross margin for our Systems segment decreased from 7.8% for the six months ended June 30, 2017 to 6.3% for the six months ended June 30, 2018, primarily due to continued sales of existing product lines (that included a shift in the product mix towards higher volume but relatively lower margin products) in anticipation of new product launches and sales in the second half of 2018.

Software and Services. Segment cost for Software and Services increased from US$0.05 million in the six months ended June 30, 2017 to US$6.2 million in the six months ended June 30, 2018, which was in line with our increase in sales. Gross margin for our Software and Services segment increased from 58.2% for the six months ended June 30, 2017 to 63.4% for the six months ended June 30, 2018. The increase is primarily due to the revenue-sharing arrangement with MOL Global on sales of zGold prior to the acquisition and the revenue generated from MOL Global subsequent to the acquisition.

Others. Segment cost for Others increased from US$0.4 million in the six months ended June 30, 2017 to US$14.1 million in the six months ended June 30, 2018, which was generally in line with the increase in our Others revenue as a result of the launch of the Razer Phone in November 2017. As a result, gross margin for our Others segment decreased from 88.3% for the six months ended June 30, 2017 to 14.4% for the six months ended June 30, 2018.

Selling and marketing expenses

Selling and marketing expenses increased by 43.2% from US$38.4 million in the six months ended June 30, 2017 to US$55.0 million in the six months ended June 30, 2018. The increase was primarily due to (i) a US$10.5 million increase in marketing expenses primarily due to increased online advertising and other marketing events to promote new products and services launches, (ii) a US$2.4 million increase in depreciation and amortisation costs primarily due to an increase in capitalised software assets in line with our business expansion and an increase in capitalised intangible assets arising from the acquisition of MOL Global and (iii) a US$1.9 million increase in salaries and benefits for personnel, primarily due to an increase in the headcount of our selling and marketing personnel.

Research and development expenses

Research and development expenses increased by 5.2% from US$36.2 million in the six months ended June 30, 2017 to US$38.1 million in the six months ended June 30, 2018. The increase was primarily due to a US$1.9 million increase in external research and development costs primarily due to the development and updates for our upcoming mobile and System products expected to be launched in the second half of 2018.

General and administrative expenses

General and administrative expenses increased by 11.1% from US$35.9 million in the six months ended June 30, 2017 to US$39.9 million in the six months ended June 30, 2018. The increase was primarily due to (i) a US$3.3 million increase in salaries and benefits for personnel primarily due to an increase in the headcount of our general and administrative personnel and (ii) a US$1.9 million increase in storage and software related expenses and partially offset by a decrease in listing expenses in connection with the listing which was completed in December 2017.

Other non-operating expenses

Other non-operating expenses increased from US$0.1 million in the six months ended June 30, 2017 to US$1.8 million in the six months ended June 30, 2018. The increase was primarily due to an increase in foreign exchange losses as a result of the weakening of the Euro against the U.S. dollar in the six months ended June 30, 2018.

Net finance income

Our net finance income increased from US$0.5 million in the six months ended June 30, 2017 to US$4.5 million in the six months ended June 30, 2018 due to an increase in interest income from significantly higher cash balances as a result of the net proceeds received from the listing which was completed in December 2017.

Loss before income tax

As a result of the foregoing, our loss before income tax decreased from a loss of US$55.5 million for the six months ended June 30, 2017 to a loss of US$50.9 million for the six months ended June 30, 2018, a decrease of 8.3%.

Income tax (expense)/benefit

There was a tax benefit of US$2.9 million in the six months ended June 30, 2017, compared to an expense of US$6.2 million in the six months ended June 30, 2018. The increase in tax expense was primarily due to the conclusion of our 2014-2018 U.S. Advance Pricing Agreement which resulted in an increase of our U.S. incorporated subsidiaries pre-tax book income, as well as the settlement conclusion of our Europe incorporated subsidiary's 2009-2013 transfer pricing audit.

Loss for the year

As a result of the foregoing, our loss for the year was US$57.1 million for the six months ended June 30, 2018, an increase of 8.6% from a loss of US$52.6 million for the six months ended June 30, 2017.

NON-GAAP MEASURES

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

Adjusted Loss

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

	Six months ended June 30,	
	2018 US$'000 (unaudited)	2017 US$'000 (unaudited)
Loss for the period	**(57,085)**	(52,644)
Add:		
Share-based compensation	**20,369**	27,595
Listing expenses	**–**	3,766
Merger and acquisition expenses	**2,035**	–
Adjusted loss for the period	**(34,681)**	(21,283)

Adjusted EBITDA

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

	Six months ended June 30,	
	2018 US$'000 (unaudited)	2017 US$'000 (unaudited)
Loss from operations	**(53,580)**	(55,957)
Add:		
Depreciation and amortisation	**8,653**	8,947
Share-based compensation	**20,369**	27,595
Listing expenses	**–**	3,766
Merger and acquisition expenses	**2,035**	–
Adjusted EBITDA	**(22,523)**	(15,649)

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

LIQUIDITY AND CAPITAL RESOURCES

Our cash and bank balances (comprising of cash at bank and in hand, fixed deposits and money market funds held at call with banks) as at June 30, 3018 and December 31, 2017 were as follows:

	At June 30, 2018 US$'000 (unaudited)	At December 31, 2017 US$'000 (audited)
Cash at bank and in hand	**92,392**	645,938
Fixed deposits and money market funds	**541,428**	63,311
Cash and cash equivalents in the condensed consolidated cash flows statement	**633,820**	709,249
Short-term fixed deposits	**–**	30,184
Cash and bank balances in the consolidated statement of financial position	**633,820**	739,433

MANAGEMENT DISCUSSION AND ANALYSIS

As at June 30, 2018, our cash and bank balances were US$633.8 million. The decrease was mainly due to (i) step acquisition of MOL Global with cash consideration of approximately US$76.2 million, and (ii) payments for taxes related to net share settlement of restricted stock units of approximately US$21.8 million in the six months ended June 30, 2018.

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

OTHER FINANCIAL INFORMATION

Capital expenditures

	Six months ended June 30	
	2018 US$'000 (unaudited)	2017 US$'000 (audited)
Capital Expenditures		
Acquisition of property, plant and equipment	**8,011**	5,710
Acquisition of intangible assets	**4,216**	744
Total	**12,227**	6,454

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 certain technology assets to cater to our business growth needs.

Treasury policy

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

Foreign exchange risk

Our financial statements are expressed in U.S. dollars and approximately 71.2% and 73.1% of our revenue was denominated in U.S. dollars in the six months ended June 30, 2018 and 2017, respectively.

Bank loans and other borrowings

As at June 30, 2018 and December 31, 2017, aside from certain immaterial hire purchase commitments, we did not have any other bank loans, debt securities, borrowings, indebtedness, guarantees or mortgages.

Contingent liabilities

As of June 30, 2018 and December 31, 2017, we did not have any material contingent liabilities.

Dividends

No dividends have been paid or declared by us during the six months ended June 30, 2018 and 2017.

Significant investments held, material acquisitions and disposals of subsidiaries

Other than the Merger arrangement, in which the details of which are set out below, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the six months ended June 30, 2018.

Material investments and expected sources of funding

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

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

On April 23, 2018, RazerVentures Holdings Pte. Ltd. ("RazerVentures") and ZVMidas Cayman Inc. ("ZVMC") entered into the Merger Agreement with MOL Global, pursuant to which ZVMC merged with MOL Global ("the Merger") resulting in RazerVentures, being the sole shareholder of ZVMC, holding 100% of the equity interest in MOL Global. As the Group already held approximately 34.9% of the total issued share capital of MOL Global via ZVMidas immediately prior to the Merger, the effect of the Merger is analogous to an acquisition by the Group of the entire equity interest in MOL Global, representing approximately 65.1% of the total issued share capital of MOL Global. The purchase consideration for the Merger was approximately US$61,193,000. The Merger was completed on May 10, 2018. Upon completion of the Merger, the Group holds 100% of the total issued share capital in MOL Global and has accounted for this investment as a business acquisition and has consolidated MOL Global's results accordingly.

OTHER INFORMATION

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

As at June 30, 2018, the interest and/or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

(a) Long positions in the Shares of the Company

Directors	Capacity	Nature of Interests	Number of Shares held	Approximate percentage of shareholding[(1)]
Min-Liang Tan ("Mr. Tan")	Beneficial owner	Personal interest	112,196,856[(2)]	1.24%
	Founder of a discretionary trust	Other interest	2,921,445,801[(3)]	32.38%
Khaw Kheng Joo	Beneficial owner	Personal interest	79,854,908[(4)]	0.89%
Chan Thiong Joo Edwin	Beneficial owner	Personal interest	56,837,892[(5)]	0.63%
Lim Kaling ("Mr. Lim")	Beneficial owner	Personal interest	520,986[(6)]	0.00%
	Interest of controlled corporations	Corporate interest	791,296,427[(7)]	8.77%
	Founder of a discretionary trust	Other interest	1,342,446,474[(8)]	14.88%
Gideon Yu	Beneficial owner	Personal interest	3,907,395[(9)]	0.04%
Chau Kwok Fun Kevin	Founder of a discretionary trust	Other interest	600,000	0.00%

Notes:

(1) The percentage has been computed based on the total number of Shares of the Company in issue as at June 30, 2018 (i.e. 9,022,560,913 Shares).

(2) Mr. Tan had a beneficial interest in a total of 112,196,856 Shares which included beneficial interest in 3,422,117 Shares underlying 3,422,117 RSUs which have been granted and have not yet vested as at June 30, 2018.

(3) 2,921,445,801 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of Chen Family Trust, which beneficially owns Chen Family (Global) Holdings Limited which in turn wholly owns Chen Family (Hivemind) Holdings Limited. Chen Family Trust was established by Mr. Tan as the settlor and the investment advisor. Mr. Tan and his family members are the beneficiaries of Chen Family Trust. Mr. Tan is also a director of Chen Family (Hivemind) Holdings Limited.

(4) Khaw Kheng Joo had a beneficial interest in a total of 79,854,908 Shares which included beneficial interest in 42,010,798 Shares underlying 42,010,798 RSUs which have been granted and have not yet vested as at June 30, 2018.

(5) Chan Thiong Joo Edwin had a beneficial interest in a total of 56,837,892 Shares which included beneficial interest in 25,608,142 Shares underlying 25,608,142 RSUs which have been granted and have not yet vested as at June 30, 2018.

(6) Mr. Lim had a beneficial interest in a total of 520,986 Shares which included beneficial interest in 201,671 Shares underlying 201,671 RSUs which have been granted and have not yet vested as at June 30, 2018.

(7) 791,296,427 Shares were held by Mr. Lim through his controlled corporations – Lim Teck Lee Land Pte Ltd, Primerose Ventures Inc., Archview Capital Ltd and Sandalwood Associates Limited. Lim Teck Lee Land Pte Ltd is 93.66% owned indirectly by Mr. Lim through Lim Teck Lee (Pte.) Ltd.. Primerose Ventures Inc., Archview Capital Ltd and Sandalwood Associates Limited are indirectly wholly-owned by Mr. Lim through Immobillari Limited.

(8) 1,342,446,474 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of KL Family Trust, which beneficially owns Excelsior Equity Limited which in turn wholly owns Voyager Equity Limited. KL Family Trust was established by Mr. Lim as the settlor and the investment advisor. Mr. Lim and his family members are the beneficiaries of KL Family Trust. Mr. Lim is also the sole director of Voyager Equity Limited.

(9) Gideon Yu had a beneficial interest in a total of 3,907,395 Shares which included beneficial interest in 1,048,271 Shares underlying 1,048,271 RSUs which have been granted and have not yet vested as at June 30, 2018.

OTHER INFORMATION

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

Name of Director	Company in which the interests are held	Class of shares	Capacity	Nature of Interests	Number of shares held	Percentage of shareholding[(1)]
Lim Kaling	THX Ltd.	Common stock	Interest of controlled corporations	Corporate interest	20[(2)]	20.00%

Notes:

(1) The percentage has been computed based on the total number of common stock of THX Ltd. in issue as at June 30, 2018 (i.e. 100 common stock).

(2) 20 common stock were held by Archview Capital Ltd, which is indirectly wholly-owned by Mr. Lim through Immobillari Limited.

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

As at June 30, 2018, so far as is known to the Directors, the persons or entities, other than the Directors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Long positions in the Shares of the Company

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate Percentage of shareholding[(1)]
Julius Baer Group Ltd	Interest of controlled corporations and security interest	4,264,054,275[(2)]	47.26%
Julius Baer Trust Company (Channel Islands) Limited	Trustee	4,263,892,275[(3)(4)]	47.26%
Chen Family (Global) Holdings Limited	Interest of controlled corporations	2,921,445,801[(3)]	32.38%
Chen Family (Hivemind) Holdings Limited	Beneficial owner	2,921,445,801[(3)]	32.38%
Excelsior Equity Limited	Interest of controlled corporations	1,342,446,474[(4)]	14.88%
Voyager Equity Limited	Beneficial owner	1,342,446,474[(4)]	14.88%

Notes:

(1) The percentage has been computed based on the total number of Shares of the Company in issue as at June 30, 2018 (i.e. 9,022,560,913 Shares).

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

(3) 2,921,445,801 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of Chen Family Trust, which beneficially owns Chen Family (Global) Holdings Limited which in turn wholly owns Chen Family (Hivemind) Holdings Limited. Chen Family Trust was established by Mr. Tan as the settlor and the investment advisor. Mr. Tan and his family members are the beneficiaries of Chen Family Trust. Mr. Tan is also a director of Chen Family (Hivemind) Holdings Limited.

(4) 1,342,446,474 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of KL Family Trust, which beneficially owns Excelsior Equity Limited which in turn wholly owns Voyager Equity Limited. KL Family Trust was established by Mr. Lim as the settlor and the investment advisor. Mr. Lim and his family members are the beneficiaries of KL Family Trust. Mr. Lim is also the sole director of Voyager Equity Limited.

Save as disclosed above, as at June 30, 2018, no other person (other than the Directors and chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

REMUNERATION POLICY

The Directors, senior management and employees receive compensation in the form of salaries, allowances, bonuses, share-based awards and other benefits-in-kind. Their salaries are based on their qualification, position and seniority. The Group had 1,391 employees as of June 30, 2018. The Group also uses independent contractors to provide the Group more flexibility over overall workforce numbers.

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

2016 EQUITY INCENTIVE PLAN

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

The purposes of the 2016 Equity Incentive Plan are (i) to recognise the contributions to the Company by grantees under the 2016 Equity Incentive Plan and for the retention of talent within the Group; and (ii) to attract new hires and to strengthen the talent pool of the Group.

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

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

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

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

Name of grantees of RSUs	Number of Shares underlying RSUs outstanding at January 1, 2018	RSUs granted during the period from January 1, 2018 to June 30, 2018	RSUs vested during the period from January 1, 2018 to June 30, 2018	RSUs cancelled during the period from January 1, 2018 to June 30, 2018	Number of Shares underlying RSUs outstanding at June 30, 2018
Directors of the Company					
Min-Liang Tan	7,092,132	–	(3,670,015)	–	3,422,117
Khaw Kheng Joo	84,004,791	–	(41,993,993)	–	42,010,798
Chan Thiong Joo Edwin	51,199,479	–	(25,591,337)	–	25,608,142
Lim Kaling	520,986	–	(319,315)	–	201,671
Gideon Yu	3,907,395	–	(2,859,124)	–	1,048,271
Subtotal of 5 Directors	146,724,783	–	(74,433,784)	–	72,290,999
Other employees and consultants(1)	453,619,149	26,244,945	(235,389,438)	(7,933,789)	236,540,867
TOTAL OF ALL GRANTEES	600,343,932	26,244,945	(309,823,222)	(7,933,789)	308,831,866

Note:

(1) Comprise 687 other employees, 3 ex-directors and 6 consultants as of January 1, 2018 and 553 other employees as of June 30, 2018.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2018.

Subsequent to June 30, 2018, the Company repurchased a total of 9,888,000 Shares on July 23, 2018 and July 27, 2018, which represent approximately 0.11% of the issued share capital of the Company as at the date of the annual general meeting of the Company held on May 30, 2018.

COMPLIANCE WITH THE CG CODE

The Company has adopted and applied the principles and code provisions as set out in the CG Code contained in Appendix 14 of Listing Rules. During the six months ended June 30, 2018, the Company has complied with the applicable code provisions as set out in the CG Code, except for code provisions A.2.1, A.5.6 and A.6.4.

Mr. Min-Liang Tan is both the Chairman and the Chief Executive Officer of the Company. Mr. Tan, a co-founder and an executive Director, has served as the Chief Executive Officer since September 2006 and was appointed the Chairman of the Board on June 21, 2017. This is a deviation from code provision A.2.1 which requires that the roles of chairman and chief executive officer 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 and Chairman of the Board as this arrangement will enhance most effectively, the decision-making and execution processes of the Company. The Company has put in place a sound check-and-balance mechanism through the Board and the independent non-executive Directors. In light of the above, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in the circumstances of the Company.

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

Code provision A.6.4 provides that the Board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the issuer's securities. The Company has adopted written guidelines for relevant employees in respect of prohibitions of dealings in the Company's securities under part A of the Model Code by relevant employees since the Listing Date and the written guidelines for the procedure of notification under part B of the Model Code since May 16, 2018.

COMPLIANCE WITH THE MODEL CODE

The Board has adopted the Model Code as the code of conduct regulating Directors' dealings in securities of the Company. Having made specific enquiry to the Directors, all the Directors confirmed that they have complied with the standards as set out in the Model Code during the six months ended June 30, 2018.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On November 13, 2017, the Shares were listed on the Main Board of the Stock Exchange. Net proceeds from the initial public offering were approximately US$596 million. As of June 30, 2018, the Group had:

- used approximately US$76 million to finance acquisitions that will continue the expansion of our ecosystem; and
- deployed approximately US$26 million for general working capital purposes.

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

CHANGES IN DIRECTORS' INFORMATION

There have been changes in the information of some of the Directors since the date of the Company's 2017 annual report. Details of the changes as reported to the Company and as required to be disclosed under Rule 13.51B(1) of the Listing Rules are set out below:

Min-Liang Tan

Appointed as a director of RazerPay Pte. Ltd. on April 23, 2018.
Appointed as a director of Respawn Pte. Ltd. on April 25, 2018.
Appointed as a director of MOL Global, Inc. on May 10, 2018.
Appointed as a director of MyCNX Holdings (M) Sdn. Bhd. on May 10, 2018.
Appointed as a director of MOLCube Sdn. Bhd. on May 10, 2018.
Appointed as a director of MOLPay Sdn. Bhd. on May 10, 2018.
Appointed as a director of MOL Loyalty Sdn. Bhd. on May 10, 2018.
Appointed as a director of MOL Wallet Sdn. Bhd. on May 10, 2018.
Appointed as a director of MOL Online Sdn. Bhd. on May 10, 2018.
Appointed as a director of MOL SocialPayments Sdn. Bhd. on May 10, 2018.
Appointed as a director of Sept 3 Technology Sdn. Bhd. on May 10, 2018.
Appointed as a director of MOL AccessPortal Pty Ltd on May 10, 2018.
Appointed as a director of Rixty Inc. on May 10, 2018.
Appointed as a director of MOL AccessPortal Sdn. Bhd. on May 11, 2018.
Appointed as a director of MOLPay International Ltd on June 6, 2018.
Appointed as the President Commissioner of PT MOL AccessPortal on June 7, 2018.
Appointed as a director of MOL AccessPortal Co., Ltd (萬利線上股份有限公司) on June 12, 2018
Appointed as a director of Zuti.io Pte. Ltd. on June 14, 2018.
Appointed as a director of Uniwiz Trade Sales, Inc. on August 6, 2018.
Appointed as a director of Razer Mobile Pte. Ltd. on August 8, 2018.
Appointed as a director and the Chairman of MOL Holdings (Thailand) Company Limited on August 15, 2018.
Appointed as a director and the Chairman of MOL Group (Thailand) Company Limited on August 15, 2018.
Appointed as a director of MOL AccessPortal Company Limited on August 15, 2018.
Appointed as a director of MMOG.Asia (Thailand) Company Limited on August 15, 2018.
Appointed as a director of Zest Interactive Company Limited on August 15, 2018.
Appointed as a director of MOL Solutions Company Limited on August 15, 2018.
Appointed as a director of E-Innovations Systems & Networks Thai Company Limited on August 22, 2018.
Appointed as a director of 3Sept Corporations Company Limited on August 22, 2018.

Chan Thiong Joo Edwin

Ceased as a director of ZVMC as ZVMC has been struck off the Register of Companies, Cayman Islands on May 10, 2018.

AUDIT AND RISK MANAGEMENT COMMITTEE

The unaudited interim financial report of the Company and its subsidiaries for the six months ended June 30, 2018 have been reviewed by the Company's auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of interim financial information performed by the independent auditor of the entity*" and by the audit and risk management committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended June 30, 2018 – unaudited
(Expressed in United States dollars)

	Note	Six months ended June 30, 2018 US$'000	2017 US$'000
Revenue	6 & 7	**274,218**	198,004
Cost of sales		**(194,764)**	(143,489)
Gross profit		**79,454**	54,515
Selling and marketing expenses		**(55,028)**	(38,360)
Research and development expenses		**(38,113)**	(36,167)
General and administrative expenses		**(39,893)**	(35,945)
Loss from operations		**(53,580)**	(55,957)
Other non-operating expenses		**(1,802)**	(107)
Finance income	8	**4,648**	546
Finance costs	8	**(152)**	(5)
Loss before income tax		**(50,886)**	(55,523)
Income tax (expense)/benefit	9	**(6,199)**	2,879
Loss for the period		**(57,085)**	(52,644)
Other comprehensive income for the period, net of nil tax unless specified			
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**373**	–
		373	–
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**(3,474)**	95
Net change in fair value of available-for-sale investments (recycling)[1]		**–**	452
		(3,474)	547
Other comprehensive income for the period		**(3,101)**	547
Total comprehensive income for the period		**(60,186)**	(52,097)
Loss attributable to:			
Equity shareholders of the Company		**(56,318)**	(51,895)
Non-controlling interests		**(767)**	(749)
Loss for the period		**(57,085)**	(52,644)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(59,436)**	(51,348)
Non-controlling interests		**(750)**	(749)
Total comprehensive income for the period		**(60,186)**	(52,097)
Loss per share	10		
Basic		**US$(0.01)**	US$(0.01)
Diluted		**US$(0.01)**	US$(0.01)

1 This amount arose under the accounting policies applicable prior to January 1, 2018. As part of the opening balance adjustments as at January 1, 2018 the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods (note 4(b)(ii)).

The notes on pages 24 to 42 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at June 30, 2018 – unaudited
(Expressed in United States dollars)

	Note	**At June 30, 2018 US$'000**	At December 31, 2017 US$'000
Non-current assets			
Property, plant and equipment	11	**20,441**	15,937
Intangible assets and goodwill	12	**115,895**	32,006
Equity investments	13	**367**	20,250
Deferred tax assets		**13,142**	22,150
Restricted cash	16	**1,633**	1,635
Prepayments		**253**	–
Other receivables	15	**1,802**	1,451
		153,533	93,429
Current assets			
Inventories	14	**42,541**	41,428
Trade and other receivables	15	**129,075**	125,683
Prepayments		**6,989**	2,914
Current tax receivables		**3,049**	413
Equity investments	13	**2,106**	1,753
Restricted cash	16	**1,410**	210
Cash and bank balances	17	**633,820**	739,433
		818,990	911,834
Total assets		**972,523**	1,005,263
Current liabilities			
Trade and other payables	18	**237,066**	215,616
Deferred revenue	19	**4,610**	1,628
Finance lease payables		**84**	48
Current tax payables		**922**	674
Other tax liabilities		**3,395**	–
		246,077	217,966
Net current assets		**572,913**	693,868
Total assets less current liabilities		**726,446**	787,297

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at June 30, 2018 – unaudited
(Expressed in United States dollars)

	Note	At June 30, 2018 US$'000	At December 31, 2017 US$'000
Non-current liabilities			
Deferred tax liabilities		**4,595**	60
Deferred revenue		**–**	4
Net defined benefit retirement obligation		**295**	–
Other payables	18	**4,374**	1,613
Other tax liabilities		**2,217**	2,217
Finance lease payables		**18**	27
		11,499	3,921
NET ASSETS		**714,947**	783,376
Capital and reserves			
Share capital[1]		**90,225**	90,225
Share premium		**725,125**	725,125
Reserves		**(102,695)**	(33,742)
Total equity attributable to equity shareholders of the Company		**712,655**	781,608
Non-controlling interests		**2,292**	1,768
TOTAL EQUITY		**714,947**	783,376

1 On May 30, 2018, the Company increased its authorised share capital from US$100,000,000 divided into 10,000,000,000 ordinary shares of US$0.01 each to US$150,000,000 divided into 15,000,000,000 ordinary shares of US$0.01 each.

The notes on pages 24 to 42 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended June 30, 2018 – unaudited
(Expressed in United States dollars)

	Note	Attributable to equity shareholders of the Company										
		Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve (recycling) US$'000	Reserve for treasury shares US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at January 1, 2017		8	187,211	(4,000)	(189)	–	(50,178)	44,342	(32,593)	144,601	3,587	148,188
Changes in equity for the six months ended June 30, 2017:												
Loss for the period		–	–	–	–	–	–	–	(51,895)	(51,895)	(749)	(52,644)
Other comprehensive income		–	–	–	95	452	–	–	–	547	–	547
Total comprehensive income		–	–	–	95	452	–	–	(51,895)	(51,348)	(749)	(52,097)
Issuance of ordinary shares before initial public offering ("IPO"), as part of business combinations		–	9,749	–	–	–	–	–	–	9,749	–	9,749
Issuance of ordinary shares before IPO, as part of investment in equity securities		–	19,900	–	–	–	–	–	–	19,900	–	19,900
Issuance of Series D convertible preference shares		–	43,339	–	–	–	–	–	–	43,339	–	43,339
Retirement of treasury shares		–	(50,178)	–	–	–	50,178	–	–	–	–	–
Share-based compensation expense	20	–	–	–	–	–	–	28,768	–	28,768	–	28,768
Balance at June 30, 2017 and July 1, 2017		8	210,021	(4,000)	(94)	452	–	73,110	(84,488)	195,009	2,838	197,847
Changes in equity for the six months ended December 31, 2017:												
Loss for the period		–	–	–	–	–	–	–	(112,125)	(112,125)	(1,070)	(113,195)
Other comprehensive income		–	–	–	114	301	–	–	–	415	–	415
Total comprehensive income		–	–	–	114	301	–	–	(112,125)	(111,710)	(1,070)	(112,780)
Share-based compensation expense	20	–	–	–	–	–	–	100,069	–	100,069	–	100,069
Effect of capitalisation issue	1	70,802	(70,802)	–	–	–	–	–	–	–	–	–
Issuance of ordinary shares to restricted stock units ("RSUs") trustee		7,081	–	–	–	–	(7,081)	–	–	–	–	–
Issuance of ordinary shares after IPO, as part of pre-IPO business combinations		103	4,997	–	–	–	–	–	–	5,100	–	5,100
Issuance of ordinary shares under IPO, net of share issuance expenses		12,231	580,909	–	–	–	–	–	–	593,140	–	593,140
Balance at December 31, 2017		90,225	725,125	(4,000)	20	753	(7,081)	173,179	(196,613)	781,608	1,768	783,376

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended June 30, 2018 – unaudited
(Expressed in United States dollars)

		Attributable to equity shareholders of the Company											
	Note	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve (recycling) US$'000	Fair value reserve (non-recycling) US$'000	Reserve for treasury shares US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at January 1, 2018		**90,225**	**725,125**	**(4,000)**	**20**	**753**	**–**	**(7,081)**	**173,179**	**(196,613)**	**781,608**	**1,768**	**783,376**
Impact of initial application of IFRS 9	4(b)(ii)	–	–	–	–	(753)	753	–	–	–	–	–	–
Adjusted balance at January 1, 2018		**90,225**	**725,125**	**(4,000)**	**20**	**–**	**753**	**(7,081)**	**173,179**	**(196,613)**	**781,608**	**1,768**	**783,376**
Changes in equity for the six months ended June 30, 2018:													
Loss for the period		–	–	–	–	–	–	–	–	(56,318)	(56,318)	(767)	(57,085)
Other comprehensive income		–	–	–	(3,491)	–	373	–	–	–	(3,118)	17	(3,101)
Total comprehensive income		–	–	–	(3,491)	–	373	–	–	(56,318)	(59,436)	(750)	(60,186)
Issuance of vested shares, net of tax	20	–	–	–	–	–	–	(17,640)	(85,792)	81,643	(21,789)	–	(21,789)
Share-based compensation expense	20	–	–	–	–	–	–	–	12,272	–	12,272	–	12,272
Issuance of ordinary shares of a subsidiary to non-controlling interests		–	–	–	–	–	–	–	–	–	–	1,274	1,274
Balance at June 30, 2018		**90,225**	**725,125**	**(4,000)**	**(3,471)**	**–**	**1,126**	**(24,721)**	**99,659**	**(171,288)**	**712,655**	**2,292**	**714,947**

The notes on pages 24 to 42 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

for the six months ended June 30, 2018 – unaudited
(Expressed in United States dollars)

	Note	Six months ended June 30, 2018 US$'000	2017 US$'000
Cash flows from operating activities			
Cash used in operations		**(31,460)**	(26,692)
Income taxes paid		**(2,375)**	(2,756)
Net cash used in operating activities		**(33,835)**	(29,448)
Cash flows from investing activities			
Interest received		**4,648**	546
Acquisition of property, plant and equipment		**(8,011)**	(5,710)
Acquisition of intangible assets		**(4,216)**	(744)
Decrease/(increase) in short-term fixed deposits		**30,184**	(52)
Investment in equity securities		**(1,000)**	(1,350)
Proceeds from disposal of equity securities		**922**	–
Acquisition of a subsidiary, net of cash assumed	21	**(42,295)**	–
Net cash used in investing activities		**(19,768)**	(7,310)
Cash flows from financing activities			
Interest paid		**(34)**	(5)
Payment of taxes related to net share settlement of RSUs		**(21,789)**	–
Issuance of ordinary shares of a subsidiary to non-controlling interests		**1,274**	–
Issuance of ordinary shares and convertible preference shares before IPO		**–**	43,339
Repayment of finance lease liability		**(50)**	(53)
Net cash (used in)/generated from financing activities		**(20,599)**	43,281
Net (decrease)/increase in cash and cash equivalents		**(74,202)**	6,523
Cash and cash equivalents at January 1	17	**709,249**	121,129
Effect of exchange rate fluctuations on cash and cash equivalents		**(1,227)**	78
Cash and cash equivalents at June 30	17	**633,820**	127,730

During the six months ended June 30, 2017, the Group issued 47,194,233 ordinary shares (after adjusting for the capitalisation issue (note 1)) as the consideration for the acquisition of the business of Nextbit Systems Inc. ("Nextbit").

During the six months ended June 30, 2017, the Group issued 72,551,502 ordinary shares (after adjusting for the capitalisation issue (note 1)) in exchange for 19.9% of equity interest in MOL Global, Inc. ("MOL Global") (note 13).

The notes on pages 24 to 42 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

1 GENERAL INFORMATION

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

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since November 13, 2017 by way of its initial public offering ("IPO"). Upon the completion of the IPO, all of the Company's outstanding and issued preferred shares were re-classified and re-designated as ordinary shares on a one-to-one basis. Concurrently, each issued and unissued ordinary share, of US$0.01 par value each, of the Company was subdivided into 8,403 shares of US$0.01 par value each such that the authorised share capital of the Company shall be US$100,000,000 divided into 10,000,000,000 shares of par value US$0.01 each and the issued share capital (including those preferred shares to be re-classified and re-designated as ordinary shares on the listing date) shall be US$70,810,000 divided into 7,081,065,249 shares of US$0.01 par value each. Accordingly, all shares, restricted stock units and per share amounts in this interim financial report have been adjusted, where applicable, to reflect the capitalisation issue.

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

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

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"), and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2017 ("last annual financial statements"). They do not include all of the information required for a complete set of International Financial Reporting Standard ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 4.

These interim financial statements were authorised for issue by the Company's board of directors on August 30, 2018.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 43.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

3 USE OF JUDGEMENTS AND ESTIAMTES

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 4.

4 CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended December 31, 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending December 31, 2018.

(a) Defined benefit plans

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

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

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

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Accounting standards first effective for annual periods beginning after January 1, 2018

(i) Overview

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

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

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

The Group has been impacted by IFRS 9 in relation to classification of financial assets. Details of the changes in accounting policies are discussed in note 4(b)(ii) for IFRS 9.

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

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

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

<u>Classification of financial assets and financial liabilities</u>
IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

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

Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At January 1, 2018, the Group designated all of its equity investments of US$22,003,000 at FVOCI (non-recycling), as the investments are held for strategic purposes, and fair value reserve (recycling) of US$753,000 was reclassified to the fair value reserve (non-recycling).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial assets and liabilities have not been impacted by initial application of IFRS 9. The Group did not designate or de-designate any financial asset or financial liability at FVPL at January 1, 2018.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Accounting standards first effective for annual periods beginning after January 1, 2018 (continued)

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

Credit losses

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

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

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

Measurement of ECLs

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

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

ECLs are measured on either of the following bases:

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

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

The Group applies IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables. ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Accounting standards first effective for annual periods beginning after January 1, 2018 (continued)

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

Write-off policy

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

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

Transition

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

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

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

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

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

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

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

Timing of revenue recognition

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

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

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

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Accounting standards first effective for annual periods beginning after January 1, 2018 (continued)

(iv) IFRIC 22, Foreign currency transactions and advance consideration

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

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

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2018 and earlier application is permitted. Except for the amendments to IFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as IFRS 9 (see note 4(b)), the Group has not early adopted any new or amended standards in preparing these interim financial statements.

The Group has the following updates to information provided in the last annual financial statements in respect of IFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of IFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognised and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. IFRS 16 will primarily affect the Group's accounting as lessees of leases for items of property, plant and equipment which are currently classified as operating leases.

At June 30, 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to US$19,993,000, the majority of which is payable either between one and five years after the reporting date or in more than five years. Upon the initial adoption of IFRS 16 at January 1, 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

6 REVENUE AND 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 management of the Group has determined that its Chief Executive Officer is the chief operating decision maker ("CODM"). The CODM of the Group periodically reviews and makes operating decisions, manages the growth and profitability of the business using the below segment reporting structure based on product lines:

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

(a) Disaggregation of revenue

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

	Six months ended June 30,	
	2018	2017
	US$'000	US$'000
Disaggregated by major products or service lines		
Sales of goods	**254,388**	194,501
Services income	**17,552**	814
Royalty income	**2,278**	2,689
	274,218	198,004

The Group geographically categorises a sale based on the region to which the customer resides in. Revenue by regions were as below:

	Six months ended June 30,	
	2018	2017
	US$'000	US$'000
Americas[1]	**115,713**	96,701
Europe, the Middle East and Africa	**77,240**	55,895
Asia Pacific excluding China[2]	**46,652**	22,755
China	**34,613**	22,653
	274,218	198,004

1 Revenue from Americas region includes revenue from the United States of America ("U.S.") of US$101,123,000 for the six months ended June 30, 2018 (six months ended June 30, 2017: US$92,467,000).

2 Revenue from Asia Pacific region includes revenue from Singapore of US$12,983,000 for the six months ended June 30, 2018 (six months ended June 30, 2017: US$4,043,000).

All revenue was recognised at point in time for the six months ended June 30, 2018 and 2017.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Information about profit or loss, assets and liabilities

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

	Peripherals US$'000	Systems US$'000	Software and Services US$'000	Others US$'000	Total US$'000
Six months ended June 30, 2018					
Revenue	**176,007**	**64,747**	**16,977**	**16,487**	**274,218**
Depreciation and amortisation	**(2,812)**	**(1,556)**	**(2,472)**	**(1,813)**	**(8,653)**
Gross profit	**62,219**	**4,093**	**10,760**	**2,382**	**79,454**
Six months ended June 30, 2017					
Revenue	132,464	62,296	110	3,134	198,004
Depreciation and amortisation	(2,527)	(5,270)	(243)	(907)	(8,947)
Gross profit	46,856	4,828	64	2,767	54,515

7 SEASONALITY OF OPERATIONS

The Group's revenue and operating results have followed seasonal trends in the past which are likely to continue. In particular, the Group typically has higher sales during the second half of each year which is primarily due to a concentration of shipping during the year-end holiday season.

8 FINANCE INCOME AND FINANCE COSTS

	Six months ended June 30, 2018 US$'000	Six months ended June 30, 2017 US$'000
Finance income		
Interest income on fixed deposits and money market funds	**4,648**	546
Finance costs		
Bank charges	**(34)**	(5)
Unwinding of discount and change in estimates of gross obligations	**(118)**	–
	(152)	(5)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

9 INCOME TAX EXPENSE/(BENEFIT)

	Six months ended June 30,	
	2018 **US$'000**	2017 US$'000
Current tax expense		
Current year	**2,374**	58
Deferred tax expense		
Origination and reversal of temporary differences	**3,825**	(2,849)
Other deferred charges	**–**	(88)
	3,825	(2,937)
Total income tax expense/(benefit)	**6,199**	(2,879)

During the six months ended June 30, 2018, the Group recorded tax expense of US$5,210,000 (six months ended June 30, 2017: Nil) related to the conclusion of 2014 - 2018 U.S. Advance Pricing Agreement and Europe incorporated subsidiary's 2009 - 2013 transfer pricing audit.

During the six months ended June 30, 2018, a tax benefit of US$4,923,000 (six months ended June 30, 2017: US$2,642,000) related to share-based compensation was recognised in equity.

On December 22, 2017, a new corporate tax law was enacted in the U.S. This new tax law permanently reduces the U.S. corporate income tax rate from 34% to 21% effective for tax years including or commencing on January 1, 2018.

Taxation is calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

Tax incentives

A subsidiary, Razer (Asia-Pacific) Pte. Ltd. was awarded the Development and Expansion Incentive under the International Headquarters Award (the "Incentive") by the Singapore Ministry of Trade & Industry ("MTI") on July 30, 2012. The income arising from the qualifying activities in excess of SGD2,699,000 (equivalent to US$2,018,000) is taxed at a concessionary rate from October 1, 2011 to September 30, 2018, subject to the subsidiary meeting the conditions of the award. Income arising from activities not covered under the Incentive is taxed at the prevailing Singapore corporate tax rate.

In addition, four of the subsidiaries have been granted the Multimedia Super Corridor Malaysia ("MSC Malaysia") status by the Ministry of Finance Malaysia and the Ministry of International Trade and Industry Malaysia, and enjoy certain incentives, including "Pioneer Status", which entitles the company to a five-year exemption from Malaysian income tax on income derived from MSC Malaysia-related activities, which is renewable for a second five-year term provided certain conditions are met. The subsidiaries will thereafter be subject to Malaysian income tax subsequent to the expiration of exemption period grant. Arising from the above, as at June 30, 2018, the Group has tax-exempt profits available for distribution of MYR71,409,000 (equivalent to US$17,952,000), subject to the agreement of the Inland Revenue Board of Malaysia.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share was based on the loss attributable to equity shareholders of the Company of US$56,318,000 (six months ended June 30, 2017: loss of US$51,895,000) divided by the weighted average of ordinary shares of 8,530,366,802 shares (six months ended June 30, 2017: 4,896,867,858 shares after adjusting for the capitalisation issue (note 1)) in issue during the period.

(b) Diluted loss per share

During the six months ended June 30, 2018 and 2017, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the loss per share. Accordingly, the diluted loss per share is the same as basic loss per share.

11 PROPERTY, PLANT AND EQUIPMENT

	As at June 30, 2018 US$'000	As at December 31, 2017 US$'000
Opening net book value	**15,937**	14,334
Additions	**8,011**	11,015
Additions through business combination (note 21)	**1,887**	–
Depreciation for the period/year	**(5,186)**	(8,973)
Disposals	**(125)**	(470)
Effect of movement in exchange rate	**(83)**	31
Closing net book value	**20,441**	15,937

Assets held under finance leases

During the six months period ended June 30, 2018 and the year ended December 31, 2017, there were no assets acquired under finance leases.

The carrying amount of property, plant and equipment and motor vehicles held under a finance lease was US$54,000 (December 31, 2017: US$173,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

12 INTANGIBLE ASSETS AND GOODWILL

	Development cost US$'000	Purchased technology assets US$'000	Patents US$'000	Distribution contracts US$'000	Trademarks US$'000	Customer relationships US$'000	Goodwill US$'000	Total US$'000
Net book value at January 1, 2017	4,740	1,236	5,352	–	2,736	402	9,620	24,086
Additions	744	4,000	150	–	–	–	–	4,894
Additions through business combination	–	–	8,831	–	–	–	918	9,749
Amortisation for the year	(4,125)	(1,256)	(1,266)	–	–	(20)	–	(6,667)
Disposals	(56)	–	–	–	–	–	–	(56)
Net book value at December 31, 2017	1,303	3,980	13,067	–	2,736	382	10,538	32,006
Net book value at January 1, 2018	**1,303**	**3,980**	**13,067**	**–**	**2,736**	**382**	**10,538**	**32,006**
Additions	**14**	**2,880**	**2**	**–**	**–**	**–**	**–**	**2,896**
Additions through business combination (note 21)	**–**	**2,801**	**4,328**	**18,138**	**–**	**–**	**61,886**	**87,153**
Amortisation for the period	**(479)**	**(1,597)**	**(743)**	**(638)**	**–**	**(10)**	**–**	**(3,467)**
Disposals	**(7)**	**–**	**–**	**–**	**–**	**–**	**–**	**(7)**
Effect of movement in exchange rate	**–**	**(84)**	**(134)**	**(550)**	**–**	**–**	**(1,918)**	**(2,686)**
Net book value at June 30, 2018	**831**	**7,980**	**16,520**	**16,950**	**2,736**	**372**	**70,506**	**115,895**

In connection with the Group's acquisition of business from MOL Global, the Group recognised goodwill of US$61,886,000 (note 21). The fair value of the acquired intangible assets of US$25,267,000 and the related amortisation expenses for the period are provisional pending receipt of the final valuations of those assets. Deferred tax liabilities of US$4,286,000 has been provided in relation to these fair value adjustments.

Amortisation charge

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

13 EQUITY INVESTMENTS

	At June 30, 2018 US$'000	At December 31, 2017 US$'000
Equity securities designated at FVOCI (non-recycling)		
Equity security (quoted) – current	**2,106**	–
Equity security (unquoted) – non-current	**367**	–
Available-for-sale financial assets		
Equity security (quoted) – current	**–**	1,753
Equity security (unquoted) – non-current	**–**	20,250
	2,473	22,003

Available-for-sale financial assets were reclassified to equity securities designated at FVOCI (non-recycling) upon the initial application of IFRS 9 at January 1, 2018 (see note (4(b)(ii)). At June 30, 2018, the Group designated its existing investments at FVOCI (non-recycling), as the investments are held for strategic purposes.

During the year ended December 31, 2017, the Group acquired 19.9% of unquoted issued share capital of MOL Global in exchange for 72,551,502 ordinary shares (after adjusting for the capitalisation issue (note 1)) of the Company with an estimated fair value US$19,900,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

14 INVENTORIES

During the six months ended June 30, 2018, raw materials, changes in finished goods and electronic and game pins recognised in cost of sales amounted to US$194,764,000 (six months ended June 30, 2017: US$143,489,000) including write-down to net realisable value amounting to US$431,000 (six months ended June 30, 2017: US$1,132,000) for the Group.

15 TRADE AND OTHER RECEIVABLES

	At June 30, 2018 US$'000	At December 31, 2017 US$'000
Trade receivables	**123,078**	130,463
Less: Allowance for trade receivables	**(15,173)**	(19,272)
Less: Loss allowance	**(1,802)**	(1,756)
	106,103	109,435
Deposits	**1,480**	561
Other receivables[1]	**22,102**	15,823
Deferred rent credit	**1,192**	1,315
Trade and other receivables	**130,877**	127,134
Non-current	**1,802**	1,451
Current	**129,075**	125,683
	130,877	127,134

[1] Other receivables mainly comprise primarily of receivables from arrangements whereby the Group purchases components from third-party suppliers and subsequently sells to contract manufacturers. During the six months period ended June 30, 2018, loan receivables of US$897,000 (six months ended June 30, 2017: Nil) was written off.

Loss allowance

The Group usually grants credit terms ranging from 7 days to 60 days (December 31, 2017: 30 days to 60 days) following the invoice date. As of the end of the reporting period, the ageing of trade receivables by due date of the respective invoices net of loss allowance is as follows:

	At June 30, 2018 US$'000	At December 31, 2017 US$'000
Neither past due nor impaired	**80,333**	98,612
Past due 1-30 days	**15,485**	9,715
Past due 31-60 days	**952**	710
Past due 61-90 days	**7,293**	128
More than 90 days	**2,040**	270
	106,103	109,435

16 RESTRICTED CASH

The restricted cash balance is US$3,043,000 as of June 30, 2018 (December 31, 2017: US$1,845,000), of which US$962,000 (December 31, 2017: Nil) relates to the unutilised zGold-MOLPoints and mobile wallet (collectively "e-money liabilities") balance. The restricted cash is required to be kept at least at 1.02 times of the total e-money liabilities as per the Guideline on Electronic Money issued by Bank Negara of Malaysia. Currently, the money is held in trust by a trustee and maintained at 1.2 times of the total e-money liabilities.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

17 CASH AND BANK BALANCES

	At June 30, 2018 US$'000	At December 31, 2017 US$'000
Cash at bank and in hand	**92,392**	645,938
Fixed deposits and money market funds	**541,428**	63,311
Cash and cash equivalents in the condensed consolidated cash flows statement	**633,820**	709,249
Short-term fixed deposits	**–**	30,184
Cash and bank balances in the consolidated statement of financial position	**633,820**	739,433

18 TRADE AND OTHER PAYABLES

	At June 30, 2018 US$'000	At December 31, 2017 US$'000
Trade payables	**160,157**	150,410
Accrued operating expenses	**53,988**	53,594
Provision for warranty expenses	**6,881**	7,005
Accrued liabilities for materials	**524**	449
Deposits received	**2,656**	–
Other payables[1]	**17,234**	5,771
	241,440	217,229
Non-current	**4,374**	1,613
Current	**237,066**	215,616
	241,440	217,229

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

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

	At June 30, 2018 US$'000	At December 31, 2017 US$'000
Up to 3 months	**146,644**	149,372
Over 3 months but within 6 months	**11,455**	139
Over 6 months but within 12 months	**1,167**	532
Over 12 months	**891**	367
	160,157	150,410

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

19 DEFERRED REVENUE

The deferred revenue mainly represented obligations related to unutilised zGold and zGold-MOLPoints from Software and Services segment.

20 SHARE-BASED COMPENSATION EXPENSE

The Group has the following share-based payment arrangements:

Restricted Stock Units

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

RSUs granted to employees and consultants prior to the Company's IPO on November 13, 2017 vest upon the satisfaction of both a service condition and a liquidity condition. The service condition for these awards is satisfied over four tranches and becomes exercisable at the rate of 25% over four tranches. The liquidity condition is satisfied upon the occurrence of a qualifying event, defined as a change of control transaction or six months following the completion of the Company's IPO. The liquidity condition was satisfied on March 15, 2018. Under the settlement procedures applicable to these awards, the Group is permitted to deliver the underlying shares within 30 days before or after the date on which the liquidity condition is satisfied. For accounting purposes, the liquidity condition is considered a non-market performance vesting condition which is taken into consideration in estimating the number of RSUs that are expected to vest. RSUs granted to employees and consultants after the Company's IPO are not subject to a liquidity condition in order to vest and the service condition for these award is satisfied over four tranches and becomes exercisable at the rate of 25% over four tranches.

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

For grants awarded prior to the IPO, the grant date fair value is based on the price of recent investments in the Company by third-party investors. For grants awarded after the IPO, the grant date fair value is based on the closing price of the Company's shares as of the grant date. The number of RSUs granted during the six months ended June 30, 2018 was 26,244,945 (six months ended June 30, 2017: 62,762,007 after adjusted for capitalisation issue). The weighted average grant date fair value of RSUs granted during the six months ended June 30, 2018 was US$0.43 per share (six months ended June 30, 2017: US$0.22 per share after adjusted for capitalisation issue). During the six months ended June 30, 2018, 414,927,946 ordinary shares were issued for vested RSUs (six months ended June 30, 2017: Nil). During the six months ended June 30, 2018, share-based compensation expenses of US$20,369,000 (six months ended June 30, 2017: US$27,595,000) was recognised.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

21 BUSINESS COMBINATION

During the year ended December 31, 2017, ZVMidas Pte. Ltd. ("ZVMidas"), an indirect wholly-owned subsidiary of the Company, acquired approximately 19.9% of the then total issued share capital of MOL Global, in exchange for 72,551,502 ordinary shares (after adjusting for the capitalisation issue (note 1)) of the Company with an estimated fair value of US$19,900,000.

On February 8, 2018, ZVMidas entered into a Share Purchase Agreement ("Share Purchase Agreement") with MOL.com Sdn. Bhd. pursuant to which ZVMidas agreed to purchase 10,125,670 ordinary shares in MOL Global, representing approximately 15.0% of the total issued share capital of MOL Global as at the date of the Share Purchase Agreement. The total cash consideration paid under the Share Purchase Agreement was US$15,000,000. The completion of the acquisition took place on the same date as the date of the Share Purchase Agreement. This resulted in the Group holding 34.9% in MOL Global.

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

Taking control of MOL Global will enable the Group to grow its virtual credits platform under zGold-MOLPoints through access to MOL Global's network of customers and partners.

For the six months ended June 30, 2018, MOL Global contributed revenue of US$10,088,000 and a net profit of US$518,000. If the acquisition had occurred on January 1, 2018, management estimates that the contribution to the consolidated revenue and net profit would have been US$29,620,000 and US$2,402,000 respectively. In determining these amounts, management had assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2018.

Consideration transferred

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

	US$'000
Cash – total consideration transferred	61,193
Cash and cash equivalents acquired	(33,898)
Net cash flows used in acquisition	27,295
Restricted cash acquired	(1,749)
Net cash outflows	**25,546**

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

21 BUSINESS COMBINATION (CONTINUED)

Identifiable assets acquired and liabilities assumed

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

	US$'000
Property, plant and equipment	1,887
Intangible assets	25,267
Deferred tax assets	153
Equity investments	17
Other receivables	179
Net current assets	17,438
Tax liabilities	(2,282)
Deferred tax liabilities	(4,540)
Net defined benefit retirement obligation	(309)
Put option liability over non-controlling interest	(3,603)
Total net identifiable assets acquired	**34,207**

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

Goodwill

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

	US$'000
Total consideration transferred	61,193
Fair value of existing interest in MOL Global	34,900
Less: fair value of net identifiable assets	(34,207)
Goodwill	**61,886**

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial assets and liabilities, such as trade and other receivables, cash at bank and in hand, fixed deposits, money market funds and trade and other payables approximate their fair values due to the short term to maturity.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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
June 30, 2018				
Financial assets				
Money market funds	**–**	**28,898**	**–**	**28,898**
Equity investments (quoted)	**2,106**	**–**	**–**	**2,106**
Equity investments (unquoted)	**–**	**–**	**367**	**367**
	2,106	**28,898**	**367**	**31,371**
Financial liability				
Put option liability over non-controlling interest	**–**	**–**	**3,607**	**3,607**
December 31, 2017				
Financial assets				
Money market funds	–	63,311	–	63,311
Available-for-sale investments (quoted)[1]	1,753	–	–	1,753
Available-for-sale investments (unquoted)[1]	–	–	20,250	20,250
	1,753	63,311	20,250	85,314

1 Available-for-sale financial assets were designated at FVOCI (non-recycling) upon the adoption of IFRS 9 at January 1, 2018 (see note 4(b)(ii)).

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

The money market funds are measured on a recurring basis at fair value, based on indicative price information obtained from a third-party financial institution that is the counterparty to the transaction.

The fair value for the quoted equity investments is determined using quoted prices obtained for those investments as at reporting date. For unquoted equity investments, fair value is determined using valuation techniques. Such valuation techniques include recent arm's length market transactions. For put option liability over non-controlling interest, fair value is determined using valuation techniques which considers the present value of the gross obligation, discounted using a risk-adjusted rate.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

The fair value of the put option liability over non-controlling interest is derived using a present value calculation. The key inputs applied in arriving at the value of the put option liability are the earnings before interest, tax, depreciation and amortisation of MOLPay Sdn. Bhd., a subsidiary of the Company, for the year ending December 31, 2019 which is estimated by using management's business plans.

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

The significant unobservable inputs adopted in the valuation is pre-tax weighted average cost of capital discount rate of 14% per annum. The fair value measurement is negatively correlated to the discount rate. A 1% increase/(decrease) of the discount rate would result in a (decrease)/increase in the carrying value and the loss for the period by approximately MYR285,000 (equivalent to US$71,000) (six months ended June 30, 2017: Nil) or MYR294,000 (equivalent to US$73,000) (six months ended June 30, 2017: Nil) respectively.

During the six months ended June 30, 2018, there were no transfers between Level 1 and Level 2 (six months ended June 30, 2017: Nil).

The following table presents the change in level 3 instruments:

Financial assets	**2018 US$'000**	2017 US$'000
At January 1	**20,250**	–
Additions	**–**	20,250
Additions through business combination (note 21)	**17**	–
Transfer to interest in an associate	**(19,900)**	–
At June 30	**367**	20,250

Financial liabilities	**2018 US$'000**	2017 US$'000
At January 1	**–**	2,120
Additions through business combination (note 21)	**3,603**	–
Net unrealised foreign exchange gain recognised in profit or loss	**(114)**	–
Unwinding of discount recognised in profit or loss (note 8)	**118**	–
Changes in fair value recognised in profit or loss	**–**	692
At June 30	**3,607**	2,812

The Group does not have any other financial instruments that are measured using fair values as at June 30, 2018 and December 31, 2017.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

23 MATERIAL RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, is as follows:

	Six months ended June 30,	
	2018 US$'000	2017 US$'000
Short-term employee benefits	**1,222**	957
Equity compensation benefits	**7,633**	8,859
	8,855	9,816

24 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended June 30, 2018 and 2017.

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Issuance of shares to Nextbit

On July 17, 2018, pursuant to the asset purchase agreement dated December 30, 2016 in relation to the acquisition of the business of Nextbit, the Company alloted and issued 8,739,120 shares, which is based on the consideration of 10,688,616 shares, reduced by 1,949,496 shares relating to claims for indemnification.

26 COMPARATIVE FIGURES

The Group has initially applied IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 4(b)(ii).

REVIEW REPORT

KPMG

Review report to the board of directors of Razer Inc.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 18 to 42 which comprises the consolidated statement of financial position of Razer Inc. and its subsidiaries as of June 30, 2018 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flows statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

August 30, 2018

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

In this interim report, unless the context otherwise requires, the following expressions shall have the following meaning:

"2016 Equity Incentive Plan"	the 2016 Equity Incentive Plan approved by the Board on July 25, 2016 and the Company's shareholders on August 23, 2016 (and subsequently amended by the Board and the Company's shareholders on October 25, 2017) for the grant of, among others, RSUs to eligible participants
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China"	the People's Republic of China, which for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company" or "Razer"	Razer Inc., an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1337)
"Director(s)"	director(s) of the Company
"EBITDA"	Earnings before interest, tax, depreciation and amortisation
"GAAP"	Generally Accepted Accounting Principles
"initial public offering"	The initial public offering of the shares of Company, further details of which are set out in the Prospectus
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	the International Financial Reporting Standard
"Listing Date"	November 13, 2017, the date on which the shares of the Company were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MOL Global"	MOL Global, Inc.
"MYR"	Malaysian Ringgit, the lawful currency of Malaysia
"Nextbit"	Nextbit Systems Inc.
"Prospectus"	the prospectus of the Company dated November 1, 2017
"RSUs"	restricted stock units, being contingent rights to receive shares of the Company which are granted pursuant to the 2016 Equity Incentive Plan
"Shares"	ordinary shares of US$0.01 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"THX"	THX Ltd. (formerly known as Razer Tone, Inc.), a company incorporated in Delaware, the United States on August 19, 2016 and our 80%-owned subsidiary
"U.S."	the United States of America
"US$"	United States Dollars, the lawful currency of the United States
"%"	per cent

This glossary contains definitions of certain terms used in this interim report in connection with the Company's business. These terms and their definitions may not correspond to industry standard definitions or usage and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industry as the Company.

"esports"	professional competitive gaming
"gamers"	individuals who play games across any platform without any time or frequency qualifications
"games"	games played primarily on PC, mobile devices and consoles
"gaming system"	PCs, both desktops and laptops, that have been purchased primarily with playing games in mind and are branded and advertised as such
"IoT"	Internet-of-Things, system of interrelated computing devices which collect and exchange data over a network
"PC"	Personal computer
"peripherals"	Hardware devices, such as mice, keyboards, headsets, audio devices and controllers, used to play games in conjunction with a PC or a console