RAZER INC.

雷蛇*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1337)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

The Board is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2018. In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group.

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

– Group revenues reached an all-time high of US$712.4 million, with year-on-year growth hitting a three-year high of 37.6%

– Group net loss significantly narrowed by 41.0% year-on-year to US$97.9 million

– Hardware

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

– Software

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

– Services

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

– New Growth Initiatives

- Mobile gaming: Definitively created the new category of gaming smartphones. Evolving mobile gaming to the next level with continued investment in mobile gaming software. Establishing partnerships in mobile gaming industry

- Razer Pay: One of the largest offline-to-online (O2O) digital payment networks in Southeast Asia, generated US$1.4 billion in total payment value in 2018

* Inclusive of Razer Gold virtual credits and Razer Pay

FINANCIAL PERFORMANCE

	Year ended December 31, 2018 *US$'000*	2017 *US$'000*
Revenue	**712,439**	517,937
Gross profit	**170,078**	151,025
Loss before income tax	**(89,547)**	(164,585)
Loss for the year	**(97,908)**	(165,839)
Loss attributable to equity shareholders of the Company	**(96,966)**	(164,020)
Loss per share		
Basic	**US$ (0.01)**	US$ (0.03)
Diluted	**US$ (0.01)**	US$ (0.03)

CHAIRMAN'S STATEMENT

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

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

In 2018, the League of Legends World Championship drew more viewers than the Super Bowl for the first time in history, with over 200 million people tuning in to watch the esports competition[2]. Following its explosive growth in 2018, esports revenue is expected to reach US$1.8 billion by 2022[3] while global esports audience is expected to grow to 645 million viewers by 2022[4].

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

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

Full Year 2018: Record Revenue with Growth Hitting Three-Year High; Fourfold Revenue Increase in Our Services Business; Net Loss Significantly Narrowed

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

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

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

* Inclusive of Razer Gold virtual credits and Razer Pay

Hardware – 29.4% year-on-year Revenue Growth

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

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

- Razer Raptor – our foray into the gaming monitor space as part of our continued ecosystem expansion;

- Razer Turret for Xbox One – the world's first wireless keyboard and mouse collaboration with Microsoft's Xbox One, bringing game-integrated lighting and other exclusive features to the console and the living room; and

- Razer Blade 15 Advanced Model – rated as the best gaming laptop by leading critics such as Mashable and USA Today.

Peripherals

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

Systems

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

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

Software – 40.7% year-on-year Growth to 60 Million Users

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

Razer Chroma Connected Devices Programme – Welcoming more partners to join our platform to cultivate monetisation opportunities

Launched in June 2018 as an initiative to bring more third-party brands to join the Razer ecosystem, the Razer Chroma Connected Devices Programme has established itself as the go-to software platform for many other hardware brands and players focused on the gamer TAM (The addressable market) with over 15 third-party partners such as MSI, NZXT, AMD and ZOTAC, powering over 300 devices with over 150 Razer Chroma-enabled games and applications, with Apex Legends, the massively popular title most recently added into the portfolio. Beyond gaming setups, Razer Chroma is also in discussions with Leapmotor, a Chinese electric vehicle manufacturer, to bring ambient lighting to Leapmotor's upcoming automobiles and create immersive lifestyle experiences for its users.

Collaboration with Amazon Alexa – Taking the full potential of gaming gear to the next level

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

Razer HyperSense – Pioneering next-level haptics for gaming immersion

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

Services – Fourfold Revenue Increase with 14.0% Contribution to our Gross Profit

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

Razer Gold virtual credits – Leading virtual credits of choice for platform partners

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

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

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

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

New Growth Initiatives

Mobile gaming – Definitively created a new category of smartphones. Evolving mobile gaming to the next level with continued investment in mobile gaming software. Establishing partnerships in mobile gaming industry.

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

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

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

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

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

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

The collaboration between Tencent and Razer will focus on the following areas:

1. *Hardware*

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

2. *Software*

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

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

3. *Services*

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

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

Razer Pay – One of the largest O2O digital payment networks in Southeast Asia

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

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

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

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

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

THX – Leading the way in immersive digital entertainment

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

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

Razer – The Pioneer and Leading Brand in Esports

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

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

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

SEA Games 2019

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

Partnerships

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

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

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

Cultivating one of the world's largest esports communities

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

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

OUTLOOK

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

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

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

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

Group – High growth. Expanding Services. Improvements in our operations

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

Core Segment – Profitable. Strong growth. Predictable

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

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

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

Growth Segment – New opportunities. Investment mode.

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

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

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

For Gamers. By Gamers.

Min-Liang Tan
Co-Founder, Chairman and CEO

[1, 3, 4, 5 & 6] Newzoo

[2] https://www.dexerto.com/esports/lol-world-championship-draws-more-viewers-than-the-super-bowl-209502

MANAGEMENT DISCUSSION AND ANALYSIS

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

Revenue

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

We generate revenue from four business segments: (i) Peripherals, (ii) Systems, (iii) Software and Services and (iv) Others. The following table sets forth our segment revenue by amount and as a percentage of our revenue for the periods presented.

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

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

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

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

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

Revenue from the Systems segment increased by 35.7% from US$137.0 million in 2017 to US$185.9 million in 2018, primarily due to sales from the refreshed model of the *Razer Blade* and the subsequent expansion of the *Razer Blade* line.

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

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

For further discussion on revenue recognition policy, please refer to note 4 to the Financial Information.

Cost of sales and gross profit

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

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

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

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

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

Selling and marketing expenses

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

Research and development expenses

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

General and administrative expenses

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

Other non-operating expenses

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

Net finance income

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

Loss before income tax

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

Income tax expense

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

Loss for the year

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

Non-GAAP measures

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

Adjusted loss

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

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

Adjusted EBITDA

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Our cash and bank balances (comprising of cash at bank and in hand, fixed deposits and money market funds, and short-term fixed deposits) as at December 31, 2018 and 2017 were as follows:

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

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

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

OTHER FINANCIAL INFORMATION

Capital Expenditures

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

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

Treasury policy

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

Foreign Exchange Risk

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

Bank loans and Other Borrowings

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

Contingent Liabilities

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

Dividends

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

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries

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

Material Investments

During the year ended December 31, 2017, we acquired 19.9% of 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 lnc. ("ZVMC") entered into the Merger Agreement with MOL Global, pursuant to which ZVMC merged with MOL Global ("the Merger") resulting in RazerVentures, being the sole shareholder of ZVMC, holding 100% of the equity interest in MOL Global. As the Group already held approximately 34.9% of the total issued share capital of MOL Global via ZVMidas immediately prior to the Merger, the effect of the Merger is analogous to an acquisition by the Group of the entire equity interest in MOL Global excluding such beneficial ownership already acquired by the Group under previous acquisitions, representing approximately 65.1% of the total issued share capital of MOL Global. The purchase consideration for the Merger was approximately US$61,193,000. The Merger was completed on May 10, 2018. Upon completion of the Merger, the Group holds 100% of the total issued share capital in MOL Global and has accounted for this investment as a business acquisition and has consolidated MOL Global's results accordingly. Acquiring MOL Global will enable the Group to grow its virtual credits platform through access to MOL Global's network of customers and partners as well as to enable the Group to develop its Razer Pay business.

FINANCIAL INFORMATION

Consolidated statement of profit or loss and other comprehensive income
for the year ended December 31, 2018
(Expressed in United States dollars)

	Note	**2018** **US$'000**	2017 US$'000
Revenue	4	**712,439**	517,937
Cost of sales		**(542,361)**	(366,912)
Gross profit		**170,078**	151,025
Selling and marketing expenses		**(117,995)**	(90,041)
Research and development expenses		**(76,298)**	(80,809)
General and administrative expenses		**(75,383)**	(143,589)
Loss from operations		**(99,598)**	(163,414)
Other non-operating expenses		**(1,857)**	(3,147)
Finance income		**12,218**	1,985
Finance costs		**(310)**	(9)
Loss before income tax	6	**(89,547)**	(164,585)
Income tax expense	7(a)	**(8,361)**	(1,254)
Loss for the year		**(97,908)**	(165,839)
Other comprehensive income for the year, net of nil tax unless specified			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**(5,647)**	209
Net change in fair value of available-for-sale investments[1]		**–**	753
		(5,647)	962

	Note	2018 US$'000	2017 US$'000
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**245**	–
Remeasurement of net defined benefit liability		**2**	–
		247	–
Other comprehensive income for the year		**(5,400)**	962
Total comprehensive income for the year		**(103,308)**	(164,877)
Loss attributable to:			
Equity shareholders of the Company		**(96,966)**	(164,020)
Non-controlling interests		**(942)**	(1,819)
Loss for the year		**(97,908)**	(165,839)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(102,453)**	(163,058)
Non-controlling interests		**(855)**	(1,819)
Total comprehensive income for the year		**(103,308)**	(164,877)
Loss per share	*8*		
Basic		**US$ (0.01)**	US$ (0.03)
Diluted		**US$ (0.01)**	US$ (0.03)

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

Consolidated statement of financial position
At December 31, 2018
(Expressed in United States dollars)

	Note	**December 31, 2018** *US$'000*	December 31, 2017 *US$'000*
Non-current assets			
Property, plant and equipment		**18,120**	15,937
Intangible assets and goodwill		**111,638**	32,006
Equity investments		**1,210**	20,250
Deferred tax assets		**6,346**	22,150
Restricted cash		**1,771**	1,635
Prepayments		**230**	–
Other receivables	*9*	**1,464**	1,451
		140,779	93,429
Current assets			
Inventories		**68,511**	41,428
Trade and other receivables	*9*	**181,111**	125,683
Prepayments		**6,941**	2,914
Current tax receivables		**4,457**	413
Equity investments		**1,544**	1,753
Restricted cash		**6,877**	210
Cash and bank balances	*10*	**615,237**	739,433
		884,678	911,834
Total assets		**1,025,457**	1,005,263
Current liabilities			
Trade and other payables	*11*	**342,390**	215,616
Customer funds		**5,421**	1,628
Finance lease payables		**17**	48
Current tax payables		**1,644**	674
Other tax liabilities		**1,760**	–
		351,232	217,966
Net current assets		**533,446**	693,868
Total assets less current liabilities		**674,225**	787,297

	Note	December 31, 2018 US$'000	December 31, 2017 US$'000
Non-current liabilities			
Deferred tax liabilities		**4,944**	60
Customer funds		**77**	4
Net defined benefit retirement obligation		**334**	–
Other payables	*11*	**5,678**	1,613
Other tax liabilities		**1,240**	2,217
Finance lease payables		**10**	27
		12,283	3,921
NET ASSETS		**661,942**	783,376
Capital and reserves			
Share capital	*13*	**89,661**	90,225
Share premium		**714,082**	725,125
Reserves		**(143,933)**	(33,742)
Total equity attributable to equity shareholders of the Company		**659,810**	781,608
Non-controlling interests		**2,132**	1,768
TOTAL EQUITY		**661,942**	783,376

Consolidated statement of changes in equity

for the year ended December 31, 2018

(Expressed in United States dollars)

		Attributable to equity shareholders of the Company										
	Note	Share capital *US$'000*	Share premium *US$'000*	Merger reserve *US$'000*	Foreign currency translation reserve *US$'000*	Fair value reserve (recycling) *US$'000*	Reserve for treasury shares *US$'000*	Share-based payments reserve *US$'000*	Accumulated losses *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total equity *US$'000*
Balance at January 1, 2017		8	187,211	(4,000)	(189)	–	(50,178)	44,342	(32,593)	144,601	3,587	148,188
Changes in equity for 2017:												
Loss for the year		–	–	–	–	–	–	–	(164,020)	(164,020)	(1,819)	(165,839)
Other comprehensive income		–	–	–	209	753	–	–	–	962	–	962
Total comprehensive income		–	–	–	209	753	–	–	(164,020)	(163,058)	(1,819)	(164,877)
Issuance of ordinary shares before initial public offering ("IPO"), as part of business combinations		–	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	*12*	–	–	–	–	–	–	128,837	–	128,837	–	128,837
Effect of capitalisation issue		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 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

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

Consolidated cash flows statement
for the year ended December 31, 2018
(Expressed in United States dollars)

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

	Note	2018 US$'000	2017 US$'000
Cash flows from financing activities			
Interest paid		**(310)**	(9)
Issuance of ordinary shares of a subsidiary to non-controlling interests		**1,274**	–
Payment of taxes related to net share settlement of RSUs		**(21,789)**	–
Repurchase of ordinary shares		**(16,022)**	–
Repayment of finance lease liability		**(124)**	(104)
Acquisition of non-controlling interests of a subsidiary		**(60)**	–
Issuance of ordinary shares and convertible preference shares before IPO		**–**	43,339
Payment of issuance costs of ordinary shares under IPO		**–**	(11,999)
Proceeds from issuance of ordinary shares under IPO		**–**	608,263
Net cash (used in)/generated from financing activities		**(37,031)**	639,490
Net (decrease)/increase in cash and cash equivalents		**(92,405)**	587,943
Cash and cash equivalents at January 1	*10*	**709,249**	121,129
Effect of exchange rate fluctuations on cash and cash equivalents		**(1,607)**	177
Cash and cash equivalents at December 31	*10*	**615,237**	709,249

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

The consolidated financial statements for the year ended December 31, 2018 comprise the Company and its subsidiaries.

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

2 BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended December 31, 2018, but are extracted from those consolidated financial statements.

The consolidated financial statements have been prepared in accordance with the IFRSs which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3 ACCOUNTING POLICIES

(a) Changes in accounting policies

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

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

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

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

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

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

a. Classification of financial assets and financial liabilities

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

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

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

b. Credit losses

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

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

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

c. *Transition*

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

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

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

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

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

(ii) IFRS 15, Revenue from contracts with customers

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

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

a. *Timing of revenue recognition*

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

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

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

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

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

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

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

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

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

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

(b) New accounting standards and interpretations not yet adopted

IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements. The new and revised accounting standards and interpretations issued that will be effective for the accounting period beginning on or after January 1, 2019 are set out below.

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

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

4 REVENUE

(a) Disaggregation of revenue from contracts with customers

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

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

(b) Performance obligations and revenue recognition policies

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

(i) Sales of goods

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

(ii) Services income

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

(iii) Royalty income

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

5 SEGMENT INFORMATION

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

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

- *Peripherals* primarily consists of gaming mice, keyboards, audio devices and mouse mats developed, marketed and sold;

- *Systems* consists of laptops developed, marketed and sold;

- *Software and Services* primarily consists of provision of software over the Razer Software Platform, virtual credits and payment related services; and

- *Others* primarily consists of products and services which are in development including the Razer Phone and audio licensing services.

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

	Peripherals	**Systems**	**Software and Services**	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2018					
Revenue	**429,606**	**185,919**	**49,564**	**47,350**	**712,439**
Depreciation and amortisation	**(6,106)**	**(4,320)**	**(6,016)**	**(3,985)**	**(20,427)**
Gross profit/(loss)	**137,425**	**17,440**	**23,799**	**(8,586)**	**170,078**
2017					
Revenue	338,717	137,001	10,604	31,615	517,937
Depreciation and amortisation	(4,893)	(7,407)	(1,035)	(2,305)	(15,640)
Gross profit	120,301	11,990	10,454	8,280	151,025

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

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

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

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

Revenue by regions was as follows:

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

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

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

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

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

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

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

6 LOSS BEFORE INCOME TAX

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

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

[1] The Group's subsidiaries in Singapore participate in a defined contribution scheme which is administered by the Central Provident Fund ("CPF") Board in Singapore. Employees who are Singapore citizens and Singapore Permanent Residents and their employers are required to make mandatory contributions to CPF at the prevailing CPF contribution rates, subjected to a cap of monthly income of SGD6,000 per employee.

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

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

7 INCOME TAX EXPENSE

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

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

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

In December 2017, numerous changes to the tax law were enacted in the U.S., including a decrease in the corporate tax rate from 34% to 21%. This change resulted in US$4,434,000 expense related to the re-measurement of deferred tax assets and liabilities of the Group's U.S. subsidiaries being recognised in 2017.

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

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

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

(c) Tax incentives

A subsidiary, Razer (Asia-Pacific) Pte. Ltd. was awarded the Development and Expansion Incentive under the International Headquarters Award (the "Incentive") by the Ministry of Trade & Industry ("MTI") on July 30, 2012. The income arising from the qualifying activities in excess of SGD2,699,000 (equivalent to US$1,980,000) is taxed at a concessionary rate from October 1, 2011 to September 30, 2018, subject to the subsidiary meeting the conditions of the award. Income arising from activities not covered under the Incentive is taxed at the prevailing Singapore corporate tax rate.

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

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share was based on the loss attributable to equity shareholders of the Company of US$96,966,000 (2017: US$164,020,000) divided by the weighted average number of ordinary shares of 8,598,592,264 shares (2017: 5,346,307,237 shares) in issue during the year.

Weighted average number of ordinary shares:

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

(b) Diluted loss per share

During the years ended December 31, 2018 and 2017, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the loss per share. Accordingly, the diluted loss per share is the same as basic loss per share.

9 TRADE AND OTHER RECEIVABLES

The Group usually grants credit terms ranging from 2 days to 60 days (2017: 30 days to 60 days) following the invoice date.

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

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

10 CASH AND BANK BALANCES

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

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

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

11 TRADE AND OTHER PAYABLES

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

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

12 SHARE-BASED COMPENSATION EXPENSE

The Group has the following share-based payment arrangements:

Restricted Stock Units

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

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

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

For grants awarded prior to the IPO, the grant date fair value is based on the price of recent investments in the Company by third-party investors. For grants awarded after the IPO, the grant date fair value is based on the closing price of the Company's shares as of the grant date. The number of RSUs granted during 2018 was 29,503,217 (2017: 213,226,125 after adjusted for capitalisation issue). The weighted average grant date fair value of RSUs granted during 2018 was US$0.41 per share (2017: US$0.38 per share after adjusted for capitalisation issue).

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

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

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

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

13 CAPITAL AND RESERVES

Share capital

	2018 No. of shares	2018 Amount US$'000	2017 No. of shares	2017 Amount US$'000
Authorised:				
At January 1	**10,000,000,000**	**100,000**	4,000,000	40
Increase of authorised ordinary shares	**5,000,000,000**	**50,000**	9,996,000,000	99,960
Ordinary shares	**15,000,000,000**	**150,000**	10,000,000,000	100,000
Ordinary shares, issued and fully paid				
At January 1	**9,022,560,913**	**90,225**	627,207	6
Shares repurchased and cancelled	**(65,163,000)**	**(651)**	–	–
Issued in business combinations before IPO and capitalisation issue	**–**	**–**	5,611	–
Issued for equity securities before IPO and capitalisation issue	**–**	**–**	8,634	–
Retirement of treasury shares	**–**	**–**	(31,713)	–
Conversion of convertible preference shares to ordinary shares after IPO	**–**	**–**	232,944	2
Effect of capitalisation issue	**–**	**–**	7,080,222,566	70,802
Issuance of ordinary shares to RSU Trustee after IPO	**–**	**–**	708,104,004	7,081
Issued in pre-IPO business combinations after IPO	**8,739,120**	**87**	10,251,660	103
Issuance of ordinary shares under IPO	**–**	**–**	1,223,140,000	12,231
At December 31	**8,966,137,033**	**89,661**	9,022,560,913	90,225
Convertible preference shares				
At January 1	**–**	**–**	233,716	2
Issuance of shares before IPO and capitalisation issue	**–**	**–**	18,804	–
Retirement of treasury shares	**–**	**–**	(19,576)	–
Conversion of convertible preference shares to ordinary shares after IPO	**–**	**–**	(232,944)	(2)
At December 31	**–**	**–**	–	–

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

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

Month	Number of shares purchased	Purchase price per share Highest	Lowest	Aggregate consideration
		HK$	*HK$*	*HK$*
July	9,888,000	1.91	1.70	17,814,752.20
August	10,000,000	1.75	1.68	17,205,000.00
September	23,488,000	1.88	1.66	41,399,786.40
October	13,187,000	1.63	1.19	18,368,428.60
November	8,600,000	1.26	1.18	10,414.130.00
December	17,500,000	1.23	1.11	20,406,500.00

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

Compliance With the Corporate Governance Code

The Company has adopted and applied the principles and code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules.

During the year ended December 31, 2018, the Company has complied with the applicable code provisions as set out in the CG Code, 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. Min-Liang Tan, a co-founder and an executive Director of the Company, has served as the Chief Executive Officer since September 2006 and was appointed the Chairman of the Board in June 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 enhances effective decision-making and execution processes of the Company. The Company has put in place a sound check-and-balance mechanism through the Board and the independent non-executive Directors. In light of the above, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in the circumstances of the Company.

Code provision A.5.6 provides that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. Although a policy on the diversity of the board members had not been formally adopted during the year ended December 31, 2018, the Board considers that the Company's existing practices (including the role of the Nomination Committee of the Company) have due regard for the benefits of diversity on the Board.

The Company has adopted a board diversity policy with effect from January 1, 2019 in compliance with Rule 13.92 of the Listing Rules. Board appointments have been, and will continue to be, made based on attributes that complement and expand the skill set, experience and expertise of the Board as a whole, taking into account factors such as age, professional experience, qualifications, cultural and educational background, and any other factors that the Board and the Nomination Committee of the Company may consider relevant to the Company's strategy, governance and business and that contribute to the Board's effectiveness.

Code provision A.6.4 provides that the Board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the issuer's securities. The Company has adopted written guidelines for relevant employees in respect of prohibitions of dealings in the Company's securities under part A of the Model Code by relevant employees since November 13, 2017 and the written guidelines for the procedure of notification under part B of the Model Code since May 16, 2018.

Audit and Risk Management Committee

The Audit and Risk Management Committee of the Company has met and reviewed the results and the consolidated financial statements of the Group for the year ended December 31, 2018 prior to recommending them to the Board for approval.

Auditor's Procedures Performed on this Results Announcement

The financial figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated cash flows statement and the related notes thereto for the year ended December 31, 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

Dividends

The Board does not recommend the payment of any dividend for the year ended December 31, 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. None of the net proceeds had been utilised as of December 31, 2017. As of December 31, 2018, the Group had:

- used approximately US$76 million to finance acquisitions that will continue the expansion of the Group's ecosystem; and

- deployed approximately US$43 million for general working capital purposes, including share buyback activities.

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

Publication of Annual Results and Annual Report

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.razer.com. The annual report of the Group for the year ended December 31, 2018 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

Information about the Company

The Company is a leading global lifestyle brand for gamers that offers an integrated portfolio of gaming hardware, software and services designed and developed to integrate seamlessly and enhance personalised user experiences across different entertainment genres.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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

"2016 Equity Incentive Plan"	the 2016 Equity Incentive Plan approved by the Board on July 25, 2016 and the Company's shareholders on August 23, 2016 (and subsequently amended on October 25, 2017 and March 8, 2019) for the grant of, among others, RSUs to eligible participants
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China"	the People's Republic of China, which for the purpose of this announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company" or "Razer"	Razer Inc., an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1337)
"Director(s)"	director(s) of the Company
"EBITDA"	Earnings before interest, taxes, depreciation and amortisation
"esports"	professional competitive gaming
"Esports Mogul"	Esports Mogul Asia Pacific Limited, whereby ZVF1 Pte. Ltd., a wholly-owned subsidiary of the Company holds 5.72% interest in Esports Mogul
"GAAP"	Generally Accepted Accounting Principles
"gamers"	individuals who play games across any platform
"games"	games played primarily on personal computers, mobile devices and consoles
"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 China
"IFRS"	the International Financial Reporting Standards
"initial public offering" or "IPO"	the initial public offering of the shares of the Company, further details of which are set out in the Prospectus
"IoT"	Internet-of-Things, system of interrelated computing devices which collect and exchange data over a network
"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 Companies as contained in Appendix 10 to the Listing Rules
"MOL Global"	MOL Global, Inc., a subsidiary of the Company since May 2018
"PC"	personal computer
"peripherals"	hardware devices, such as mice, keyboards, headsets, audio devices and controllers, used to play games in conjunction with a personal computer or console
"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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

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

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

Hong Kong, March 21, 2019

As at the date of this announcement, the board of directors of the Company comprises Mr. Min-Liang Tan as Chairman and Executive Director, Ms. Liu Siew Lan Patricia 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*