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, 2019

The Board is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2019. 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, 2019

HIGHLIGHTS

- Group revenue grew 15.2% year-on-year to an all-time-high of US$820.8 million
- Group adjusted EBITDA loss narrowed by 37.3% to US$29.4 million. Achieved adjusted EBITDA breakeven in the second half of 2019 (excluding exited mobile handset business)
- Continued breakthrough of Services business
- Strong balance sheet, with no debt, and with cash and cash equivalents of US$528.3 million as of 31 December 2019
- Hardware:
    - Revenue grew 16.0% year-on-year to US$714.0 million.
- Software:
    - Total registered user accounts increased 44.6% year-on-year to approximately 80 million
- Services:
    - Revenue grew 55.2% to US$77.0 million, contributing almost 20% of the Group's gross profits
- Growth Initiatives:
    - Mobile/Cloud gaming:
        - Successfully pivoted mobile gaming strategy from mobile handset towards mobile/cloud gaming (peripherals, software and services)
    - Razer Fintech:
        - Generated over US$2.1 billion in total payment value, an increase of 50.0% year-on-year
    - Esports:
        - Razer is one of the world's leading brands in esports and was instrumental in bringing esports to the masses by successfully lobbying for esports to be included as an official sport at the 2019 Southeast Asian Games – the first major global sporting event to include esports as a medal sport which took place in late 2019

FINANCIAL PERFORMANCE

	Year ended December 31, 2019 US$'000	2018 US$'000
Revenue	**820,795**	712,439
Gross profit	**168,063**	170,078
Loss before income tax	**(77,816)**	(89,547)
Loss for the year	**(83,470)**	(97,908)
Loss attributable to equity shareholders of the Company	**(84,179)**	(96,966)
Loss per share		
Basic	**US$ (0.01)**	US$ (0.01)
Diluted	**US$ (0.01)**	US$ (0.01)
Non-GAAP measures		
Adjusted loss before income tax	**(40,316)**	(57,263)
Adjusted EBITDA	**(29,415)**	(46,887)

CHAIRMAN'S STATEMENT

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

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

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

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

Our Services business saw continued breakthrough with revenue growing by 55.2% year-on-year to US$77.0 million, contributing almost 20% of the Group's gross profits. Razer Gold's transaction volume almost doubled in the second half of the year, thanks to the rapid global expansion of channels, introduction of new content and new in-game items from our content partners, our strong marketing efforts, and to a lesser extent positive seasonality. In addition, Razer Gold's pivotal role in helping content companies to monetise on mobile has been tremendous. Indeed, we have recently achieved historical high record in daily total payment value ("TPV") with one of our content partners in the release of their new content. 2019 was the first year where we have the full-year contribution from MOL Global which we acquired in May 2018. In the second half of 2019, we sold part of our Turkey business which accounted for 9.3% of revenue of our Services business in 2018.

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

CORE SEGMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

GROWTH INITIATIVES

MOBILE/CLOUD GAMING:
PRIME MOVER IN THE GAMING INDUSTRIAL REVOLUTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Razer has:

- A strong brand with the youths and millennials globally: Over 70% of millennials are gamers[9] and Razer is a defining brand for the global youth population. As of December 31, 2019, over 80% of our 80 million registered users are under the age of 35;

- A deep understanding of the youths: Deep understanding of the lifestyle needs of the youths and millennials and be able to customize relevant products and services; and

- An extensive technology and fintech expertise: Tapping into Razer Fintech's innovative and deep fintech expertise and data-driven technology stack to deliver exceptional user experience.

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

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

Such strategic equity partners include:

- **Sheng Siong Holdings Pte Ltd –** Private vehicle of the Lim brothers, self-made Singaporean entrepreneurs behind one of the largest supermarket chains in Singapore;

- **FWD –** Insurance business of investment group, Pacific Century Group;

- **LinkSure Global –** One of the largest privately-owned Internet companies in Asia that operates "WiFi Master Key", with approximately 800 million monthly active users globally and affiliated with "ShengPay", a leading third-party payment company in China which processed over RMB370 billion in total transaction volume in 2018;

- **Insignia Ventures Partners –** An early stage Singaporean technology venture fund focusing on Southeast Asia; and

- **Carro –** Headquartered out of Singapore, Southeast Asia's leading wholesale marketplace for vehicles that transact over US$500 million of vehicles annually across Indonesia, Thailand, Malaysia and Singapore.

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

According to the guidelines issued by MAS, the announcement of the award of the digital banking licenses is expected to be in mid-2020.

ESPORTS:
EXTENDING ON OUR BRAND LEADERSHIP IN ESPORTS

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

- ESL One: New York 2019 (CS:GO, Evil Geniuses)

- DreamHack Open Tours 2019 (CS:GO, Mousesports)

- DOTA Summit 10 (Dota 2, Alliance)

- April Annihilation 2019 (Street Fighter V, Mousesports & Dragon Ball Fighterz, Evil Geniuses)

- South East Asia Major 2019 (Street Fighter V, Fuudo)

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

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

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

OUTLOOK

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

CORE SEGMENT

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

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

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

GROWTH INITIATIVES

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

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

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

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

First quarter of 2020:

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

Full year of 2020:

"Stay-At-Home":

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

Esports:

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

Razer Fintech:

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

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

For Gamers. By Gamers.

Min-Liang Tan
Co-Founder, Chairman and CEO

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Revenue

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

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

	Year ended December 31,			
	2019		2018	
	US$'000	***%***	*US$'000*	*%*
Segment Revenue				
Hardware				
Peripherals	**444,902**	**54.2**	429,606	60.3
Systems	**269,077**	**32.8**	185,919	26.1
Software and Services	**77,027**	**9.4**	49,564	7.0
Others	**29,789**	**3.6**	47,350	6.6
	820,795	**100.0**	712,439	100.0

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

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

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

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

Cost of sales and gross profit

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

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

Systems. Segment cost for Systems increased by 44.0% from US$168.5 million in 2018 to US$242.6 million in 2019, which was generally in line with the increase in our Systems revenue. Gross margin for our Systems segment increased from 9.4% for 2018 to 9.8% for 2019, primarily due to the continued economies of scale and a general increase in margins across most existing System product lines.

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

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

Selling and marketing expenses

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

Research and development expenses

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

General and administrative expenses

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

Impairment of goodwill and other assets

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

Other non-operating income/(expenses)

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

Net finance income

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

Loss before income tax

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

Income tax expense

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

Loss for the year

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

Non-GAAP Measures

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

Adjusted loss before income tax

We define adjusted loss before income tax as loss for the year added back with income tax expense, share-based compensation expense, restructuring expense, an impairment of mobile-related assets and merger and acquisitions expense and deducted the gain from sale of subsidiary. The following table reconciles our adjusted loss for the years presented to the most directly comparable financial measure calculated based on financial information presented in accordance with IFRS, which is loss for the years indicated.

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Loss for the year	**(83,470)**	(97,908)
Add: Income tax expense	**5,654**	8,361
Loss before income tax	**(77,816)**	(89,547)
Add:		
Share-based compensation expense	**30,432**	29,644
Gain from sale of subsidiary	**(4,770)**	–
Restructuring expense	**1,832**	–
Impairment of goodwill and other assets	**9,525**	–
Merger and acquisition expense	**481**	2,640
Adjusted loss before income tax	**(40,316)**	(57,263)

Adjusted EBITDA

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

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Loss from operations	**(95,822)**	(99,598)
Add:		
Depreciation and amortisation	**24,137**	20,427
Share-based compensation expense	**30,432**	29,644
Restructuring expense	**1,832**	–
Impairment of goodwill and other assets	**9,525**	–
Merger and acquisition expense	**481**	2,640
Adjusted EBITDA	**(29,415)**	(46,887)

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

OTHER FINANCIAL INFORMATION

Capital Expenditures

	Year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Capital Expenditures		
Acquisition of property, plant and equipment	**10,369**	13,763
Acquisition of intangible assets	**4,492**	1,418
Total	**14,861**	15,181

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

Treasury Policy

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

Foreign Exchange Risk

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

Bank Loans and Other Borrowings

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

Contingent Liabilities

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

Dividends

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

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries

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

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

Material Investments

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

FINANCIAL INFORMATION

Consolidated statement of profit or loss and other comprehensive income
for the year ended December 31, 2019
(Expressed in United States dollars)

	Note	**2019** **US$'000**	2018 US$'000
Revenue	*4*	**820,795**	712,439
Cost of sales		**(652,732)**	(542,361)
Gross profit		**168,063**	170,078
Selling and marketing expenses		**(112,675)**	(117,995)
Research and development expenses		**(52,418)**	(76,298)
General and administrative expenses		**(89,267)**	(75,383)
Impairment of goodwill and other assets		**(9,525)**	–
Loss from operations		**(95,822)**	(99,598)
Other non-operating income/(expenses)		**6,188**	(1,857)
Finance income		**13,193**	12,218
Finance costs		**(1,375)**	(310)
Loss before income tax	*6*	**(77,816)**	(89,547)
Income tax expense	*7(a)*	**(5,654)**	(8,361)
Loss for the year		**(83,470)**	(97,908)
Other comprehensive income for the year, net of nil tax unless specified			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**860**	(5,647)
Remeasurement of net defined benefit liability		**(81)**	2
		779	(5,645)

	Note	2019 US$'000	2018 US$'000
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**(561)**	245
		(561)	245
Other comprehensive income for the year		**218**	(5,400)
Total comprehensive income for the year		**(83,252)**	(103,308)
Loss attributable to:			
Equity shareholders of the Company		**(84,179)**	(96,966)
Non-controlling interests		**709**	(942)
Loss for the year		**(83,470)**	(97,908)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(81,755)**	(102,453)
Non-controlling interests		**(1,497)**	(855)
Total comprehensive income for the year		**(83,252)**	(103,308)
Loss per share	*8*		
Basic		**US$(0.01)**	US$(0.01)
Diluted		**US$(0.01)**	US$(0.01)

Consolidated statement of financial position
at December 31, 2019
(Expressed in United States dollars)

	Note	December 31, 2019 US$'000	December 31, 2018 US$'000 (Restated)
Non-current assets			
Property, plant and equipment		**29,982**	18,120
Intangible assets and goodwill		**104,895**	115,435
Other investments		**1,297**	1,210
Deferred tax assets		**5,647**	6,346
Restricted cash		**2,047**	1,771
Prepayments		**182**	230
Other receivables	*9*	**2,829**	1,464
		146,879	144,576
Current assets			
Inventories		**74,820**	68,511
Trade and other receivables	*9*	**215,096**	181,589
Prepayments		**6,268**	6,941
Current tax receivables		**2,785**	4,457
Other investments		**6,234**	1,544
Restricted cash		**14,395**	6,877
Cash and bank balances	*10*	**528,330**	615,237
		847,928	885,156
Total assets		**994,807**	1,029,732
Current liabilities			
Trade and other payables	*11*	**377,590**	344,476
Contract liabilities		**999**	1,066
Customer funds		**12,869**	4,355
Lease liabilities		**4,029**	17
Current tax payables		**3,073**	1,644
Other tax liabilities		**3,360**	2,321
		401,920	353,879
Net current assets		**446,008**	531,277
Total assets less current liabilities		**592,887**	675,853

	Note	**December 31, 2019 US$'000**	December 31, 2018 *US$'000* (Restated)
Non-current liabilities			
Deferred tax liabilities		**3,265**	4,944
Contract liabilities		**1,655**	77
Net defined benefit retirement obligation		**515**	334
Other payables	*11*	**1,588**	7,306
Other tax liabilities		**1,095**	1,240
Lease liabilities		**9,981**	10
		18,099	13,911
NET ASSETS		**574,788**	661,942
Capital and reserves			
Share capital	*13*	**89,482**	89,661
Share premium		**683,847**	714,082
Reserves		**(205,054)**	(143,933)
Total equity attributable to equity shareholders of the Company		**568,275**	659,810
Non-controlling interests		**6,513**	2,132
TOTAL EQUITY		**574,788**	661,942

Consolidated statement of changes in equity

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

		Attributable to equity shareholders of the Company											
	Note	Share capital *US$'000*	Share premium *US$'000*	Merger reserve *US$'000*	Foreign currency translation reserve *US$'000*	Fair value reserve (non-recycling) *US$'000*	Reserve for treasury shares *US$'000*	Share-based payments reserve *US$'000*	Put option written on non-controlling interests *US$'000*	Accumulated losses *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total equity *US$'000*
Balance at January 1, 2018		90,225	725,125	(4,000)	20	753	(7,081)	173,179	–	(196,613)	781,608	1,768	783,376
Changes in equity for 2018:													
Loss for the year		–	–	–	–	–	–	–	–	(96,966)	(96,966)	(942)	(97,908)
Other comprehensive income		–	–	–	(5,734)	245	–	–	–	2	(5,487)	87	(5,400)
Total comprehensive income		–	–	–	(5,734)	245	–	–	–	(96,964)	(102,453)	(855)	(103,308)
Issuance of vested shares, net of tax		–	–	–	–	–	(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 pre-IPO business combinations		87	1,719	–	–	–	–	–	–	–	1,806	–	1,806
Remeasurement of put option written on non-controlling interests		–	–	–	–	–	–	–	(1,567)	–	(1,567)	–	(1,567)
Step acquisition of a subsidiary		–	–	–	–	–	–	–	–	(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

		Attributable to equity shareholders of the Company												
	Note	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve (non-recycling) US$'000	Reserve for treasury shares US$'000	Share-based payments reserve US$'000	Put option written on non-controlling interests US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at January 1, 2019		**89,661**	**714,082**	**(4,000)**	**(5,714)**	**998**	**(24,721)**	**105,619**	**(1,567)**	**(214,548)**	**659,810**	**2,132**	**661,942**
Changes in equity for 2019:													
Loss for the year		–	–	–	–	–	–	–	–	(84,179)	(84,179)	709	(83,470)
Other comprehensive income		–	–	–	3,066	(561)	–	–	–	(81)	2,424	(2,206)	218
Total comprehensive income		–	–	–	3,066	(561)	–	–	–	(84,260)	(81,755)	(1,497)	(83,252)
Issuance of vested shares, net of tax		–	–	–	–	–	1,893	(41,237)	–	39,344	–	–	–
Share-based compensation expense	*12*	–	–	–	–	–	–	30,154	–	–	30,154	52	30,206
Dividends		–	–	–	–	–	–	–	–	–	–	(191)	(191)
Change in ownership interests in subsidiaries		–	–	–	–	–	–	–	–	(6,017)	(6,017)	6,017	–
Issuance of treasury shares		1,500	–	–	–	–	(1,500)	–	–	–	–	–	–
Remeasurement of put option written on non-controlling interests		–	–	–	–	–	–	–	(2,003)	–	(2,003)	–	(2,003)
Purchase of own shares		(1,679)	(30,235)	–	–	–	–	–	–	–	(31,914)	–	(31,914)
Balance at December 31, 2019		**89,482**	**683,847**	**(4,000)**	**(2,648)**	**437**	**(24,328)**	**94,536**	**(3,570)**	**(265,481)**	**568,275**	**6,513**	**574,788**

Note: Treasury shares are the Company's shares held by a designated trustee for the purpose of providing for existing and future restricted stock unit ("RSU") grants under the 2016 Equity Incentive Plan (note 12). Shares issued to the RSU holders are recognised on a first-in-first-out basis.

Consolidated cash flow statement
for the year ended December 31, 2019
(Expressed in United States dollars)

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

	Note	2019 US$'000	2018 US$'000
Cash flows from financing activities			
Interest paid		**(294)**	(310)
Issuance of ordinary shares of a subsidiary to non-controlling interests		**–**	1,274
Payment of taxes related to net share settlement of RSUs		**–**	(21,789)
Repurchase of ordinary shares		**(31,914)**	(16,022)
Payment of lease liabilities (2018: Payment of finance lease liabilities)		**(5,380)**	(124)
Acquisition of non-controlling interests of a subsidiary		**–**	(60)
Dividends paid to subsidiary's shareholders		**(191)**	–
Net cash used in financing activities		**(37,779)**	(37,031)
Net decrease in cash and cash equivalents		**(86,310)**	(92,405)
Cash and cash equivalents at January 1	*10*	**615,237**	709,249
Effect of exchange rate fluctuations on cash and cash equivalents		**(597)**	(1,607)
Cash and cash equivalents at December 31	*10*	**528,330**	615,237

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Razer Inc. ("the Company") is a company incorporated in the Cayman Islands with limited liability. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The dual global headquarters and principal places of business of the Company are located at 9 Pasteur, Suite 100, Irvine, CA 92618, the United States of America and 514 Chai Chee Lane, #07-05, Singapore 469029.

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

The consolidated financial statements for the year ended December 31, 2019 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 merged with MOL Global (the "Merger"). The Merger resulted in RazerVentures, the Company's indirectly wholly-owned subsidiary being the sole shareholder of ZVMC, holding 100% of the equity interest in MOL Global. The Merger was completed on May 10, 2018. Upon completion of the Merger, the Group holds 100% of the total issued share capital of MOL Global and has accounted for this investment as a business acquisition and consolidated MOL Global's results accordingly.

2 BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended December 31, 2019, but are extracted from those consolidated financial statements.

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

(a) Changes in accounting policies

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

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

a. Definition of a lease

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

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

b. As a lessee

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

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

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

(i) Leases classified as operating leases under IAS 17

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

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

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

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

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

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

– used hindsight when determining the lease term.

(ii) Leases classified as finance leases under IAS 17

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

c. Impact on financial statements

(i) Impacts on transition

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

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

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

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

(ii) Impacts for the year

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

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

(b) New accounting standards and interpretations not yet adopted

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended December 31, 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

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

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

4 REVENUE

(a) Disaggregation of revenue from contracts with customers

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

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

(b) Performance obligations and revenue recognition policies

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

(i) Sales of goods

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

(ii) Services income

Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
The Group provides both Razer Gold virtual credit and Razer Pay services. Customers obtain control of the promised services when the performance obligations have been satisfied. Revenue is recognised at the point in time when the performance obligations have been satisfied. For Razer Gold virtual credit services, most of the amount has been prepaid and recognised as customer funds. For Razer Pay services, invoices will be issued to the merchants and are usually payable within 2 to 90 days. Most of the contracts do not permit customers to return or obtain refund for services.	Revenue for payments received in advance of the fulfilment of the performance of services is deferred. Revenue is recognised when the performance obligations have been satisfied.

(iii) Royalty income

Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
The Group earns revenue from licensing arrangements based on sales of licensed products. Invoices are issued based on royalties reported by the licensees from their sales of licensed product and are payable within 30 days.	Revenue is recognised when subsequent sales of the licensed products occurs, as reported to the Group by the licensees.

5 SEGMENT INFORMATION

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

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

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

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

	Peripherals	Systems	Software and Services	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2019					
Revenue	**444,902**	**269,077**	**77,027**	**29,789**	**820,795**
Depreciation and amortisation	**(6,776)**	**(3,122)**	**(10,021)**	**(4,219)**	**(24,138)**
Gross profit	**117,462**	**26,449**	**32,675**	**(8,523)**	**168,063**
2018					
Revenue	429,606	185,919	49,564	47,350	712,439
Depreciation and amortisation	(6,106)	(4,320)	(6,016)	(3,985)	(20,427)
Gross profit	137,425	17,440	23,799	(8,586)	170,078

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

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

Revenue by regions were as follows:

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

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

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

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

[1] Revenue from Americas region includes revenue from the United States of America ("U.S.") of US$336,501,000 for the year ended December 31, 2019 (2018: US$269,499,000). Non-current assets at Americas region includes non-current assets at U.S. of US$26,706,000 as at December 31, 2019 (2018: US$18,508,000).

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

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

6 LOSS BEFORE INCOME TAX

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

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

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

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

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

7 INCOME TAX EXPENSE

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

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

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

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

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

(c) Tax incentives

A subsidiary, Razer (Asia-Pacific) Pte. Ltd. was awarded the Development and Expansion Incentive under the International Headquarters Award (the "Incentive") by the Ministry of Trade & Industry ("MTI") on July 30, 2012. The income arising from the qualifying activities in excess of SGD2,699,000 (equivalent to US$1,980,000) is taxed at a concessionary rate from October 1, 2011 to September 30, 2018, subject to the subsidiary meeting the conditions of the award. Income arising from activities not covered under the Incentive is taxed at the prevailing Singapore corporate tax rate. The subsidiary has met the qualifying conditions and has submitted its request for an extension of the Incentive. The MTI has granted an in-principle extension until September 30, 2023.

In addition, certain subsidiaries have been granted the Multimedia Super Corridor Malaysia ("MSC Malaysia") status by the Ministry of Finance Malaysia and the Ministry of International Trade and Industry Malaysia, and enjoy certain incentives, including "Pioneer Status", which entitles the Company to a five-year exemption from Malaysian income tax on income derived from MSC Malaysia-related activities, which is renewable for a second five-year term provided certain conditions are met. The subsidiaries will thereafter be subject to Malaysian income tax subsequent to the expiration of exemption period grant.

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

Weighted average number of ordinary shares:

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

(b) Diluted loss per share

During the years ended December 31, 2019 and 2018, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the loss per share. Accordingly, the diluted loss per share is the same as basic loss per share.

9 TRADE AND OTHER RECEIVABLES

The Group usually grants credit terms ranging from 2 days to 60 days (2018: 2 days to 60 days) following the invoice date.

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

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

10 CASH AND BANK BALANCES

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

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

11 TRADE AND OTHER PAYABLES

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

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

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

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

For grants awarded prior to the IPO, the grant date fair value is based on the price of recent investments in the Company by third-party investors. For grants awarded after the IPO, the grant date fair value is based on the closing price of the Company's shares as of the grant date. The number of RSUs granted during 2019 was 240,940,141 (2018: 29,503,217). The weighted average grant date fair value of RSUs granted during 2019 was US$0.20 per share (2018: US$0.41 per share).

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

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

Under the Subsequent Grant, the first and second tranches of the RSUs were granted on March 27, 2019 upon the approval of the Remuneration Committee. As of December 31, 2019, the third tranche of 88,630,209 RSUs with a vesting period of four years from 2019 has not been approved and no grant date has been established by the Remuneration Committee although the service period is considered having commenced.

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

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

13 CAPITAL AND RESERVES

Share capital

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

OTHER INFORMATION

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

During the year ended December 31, 2019, the Company repurchased 167,934,000 shares on the Stock Exchange at an aggregate consideration of HK$248,856,130.85 excluding brokerage fee and other expenses. The repurchase was approved by the Board for the enhancement of shareholders' value for the long term. Details of the shares repurchased are as follows:

Month	Number of shares purchased	Purchase price per share Highest	Lowest	Aggregate consideration
		HK$	*HK$*	*HK$*
January	52,619,000	1.36	1.02	59,100,438.30
February	30,735,000	1.49	1.32	44,275,621.20
March	7,507,000	1.66	1.60	12,260,637.80
April	38,400,000	2.10	1.66	70,663,280.66
May	22,847,000	2.03	1.46	38,943,247.59
June	15,826,000	1.70	1.41	23,612,905.30

All 167,934,000 shares repurchased were subsequently cancelled. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2019.

Compliance with the Corporate Governance Code

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

During the year ended December 31, 2019, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code, except for code provisions A.2.1 and E.1.5.

Mr. Min-Liang Tan is both the Chairman and Chief Executive Officer of the Company. Mr. Tan, a co-founder and an executive Director, has served as the Chief Executive Officer since September 2006 and was appointed the Chairman of the Board 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 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 Corporate Governance Code is appropriate in the circumstances of the Company.

Code provision E.1.5 provides that the Company should have a policy on payment of dividends and disclose such policy in the annual report. As the Company is still in a loss-making position as at December 31, 2019, it has not implemented a policy on the payment of dividends.

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, 2019 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 flow statement and the related notes thereto for the year ended December 31, 2019 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, 2019.

Use of Proceeds from the Initial Public Offering

On November 13, 2017, the shares of the Company were listed on the Main Board of the Stock Exchange. Net proceeds from the initial public offering were approximately US$596 million. As of December 31, 2019, the Group had:

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

- deployed approximately US$77 million for general working capital purposes, including share buyback activities;

- used approximately US$4 million to develop new verticals such as Razer Fintech; and

- spent approximately US$8 million for new sales and marketing initiatives including esports.

The remaining balance of the net proceeds of US$431 million was placed with banks and financial institutions. The Group will apply the remaining net proceeds in the manner set out in the Prospectus.

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, 2019 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.

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
"Corporate Governance Code"	the Corporate Governance Code 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
"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 of the Company dated November 1, 2017

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MOL Global"	MOL Global, Inc., a subsidiary of the Company since May 2018
"peripherals"	hardware devices, such as mice, keyboards, headsets, audio devices and controllers, used to play games in conjunction with a personal computer or console
"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
"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 24, 2020

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. Tan Chong Neng 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*