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**RAZER INC.**

雷蛇\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1337)**

## **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE THX TECHNOLOGY LICENSE AGREEMENT AND THE THX CERTIFICATION AMENDMENT AGREEMENT**

On December 23, 2019, RAP and THX (a subsidiary of the Company) entered into the THX Technology License Agreement, which has an effective period running from January 1, 2019 to December 31, 2021, and the THX Certification Amendment Agreement, which takes effect as of December 23, 2019, to amend the THX Certification Agreement.

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

The Company has set annual caps on the maximum aggregate amount payable by the Group in respect of each of the THX Technology License Agreement and the Amended THX Certification Agreement for the years ending December 31, 2019, 2020 and 2021.

As the highest of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the annual caps for the transactions contemplated under the THX Technology License Agreement and the Amended THX Certification Agreement for each of the years ending December 31, 2019, 2020 and 2021 will, on an aggregated annual basis, be more than 0.1% but less than 5%, the transactions contemplated under the THX Technology License Agreement and the Amended THX Certification Agreement will constitute continuing connected transactions that are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

## **A. INTRODUCTION**

The Board announces that on December 23, 2019, RAP entered into the THX Technology License Agreement with THX, which has an effective period running from January 1, 2019 to December 31, 2021, and the THX Certification Amendment Agreement with THX, which takes effect as of December 23, 2019. The principal terms of the THX Technology License Agreement and the THX Certification Amendment Agreement are set out below.

## **B. THE THX TECHNOLOGY LICENSE AGREEMENT**

### **1. Background**

RAP and THX had, in 2018, entered into a software licensing agreement for the license of surround sound audio software to RAP which would be integrated into Razer products or sold to end customers by RAP as a standalone product. The term of that software licensing agreement terminated on December 31, 2018. As the transactions under such agreement were conducted on normal commercial terms and each applicable percentage ratio under the Listing Rules was less than 0.1%, such transactions were de minimis under Rule 14A.76 of the Listing Rules and fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. On December 23, 2019, RAP and THX entered into the THX Technology License Agreement for the period January 1, 2019 to December 31, 2021, covering the license of an expanded suite of software and product components.

### **2. Date and Term of the Agreement**

Date of the Agreement: December 23, 2019

Term of the Agreement: From January 1, 2019 to December 31, 2021

### **3. Parties**

RAP (as the licensee)

THX (as the licensor)

### **4. Subject Matter**

RAP and THX have entered into the THX Technology License Agreement for the license of the Audio Software to RAP which would be integrated into Razer products or sold to end customers by RAP as a standalone product.

All transactions between RAP and THX under the THX Technology License Agreement:

- shall be in writing;
- shall be on normal commercial terms, which shall mean pricing and payment terms no less favourable to the Group than those available from independent third party suppliers for comparable surround sound audio software; and

- shall be in compliance with all applicable provisions of the Listing Rules.

All transactions under THX Technology License Agreement are in the ordinary and usual course of the Group's business and are on normal commercial terms.

## **5. Basis of Consideration**

The fees payable by RAP to THX under the THX Technology License Agreement for the software and product components are as follows:

- (a) a unit cost for each Razer audio hardware product incorporating the audio software sold to end customers;
- (b) a percentage of the revenue for each audio software purchased as a standalone product by Razer's end customers; and
- (c) a unit cost for each instance of a Razer customer converting a lower-end software to the audio software licensed by THX, subject to a minimum agreed fee.

The licensing fees described above were determined after arm's length negotiations between the parties with reference to prices quoted by third parties for the licensing of similar surround sound audio software, prices previously paid by RAP for the licensing of similar software from a third party, the prices charged by THX for the licensing of such software to its other customers and the additional features offered by the Audio Software compared to similar surround sound audio software.

## **6. Aggregate Annual Amounts Payable**

For the years ended December 31, 2016 and 2017, THX did not license any of THX's spatial audio software to RAP and therefore, RAP did not pay to THX any amount for licensing THX's spatial audio software. For the year ended December 31, 2018 and the period of 11 months ended November 30, 2019, the amounts paid by RAP to THX for the licensing of audio software were approximately US\$143,976 and US\$1,437,880 respectively.

The aggregate annual amounts payable by RAP to THX pursuant to the THX Technology License Agreement for the years ending December 31, 2019, 2020 and 2021 are subject to annual caps of US\$2,000,000, US\$4,000,000 and US\$5,000,000, respectively. Such aggregate annual amounts have been determined by reference to the historical transactions on licensing similar surround sound audio software from a third party, and historical transactions and projected sales volumes of the relevant Razer products and the projected sales volumes of the Audio Software under the THX Technology License Agreement.

## **7. Reasons for, and benefits of, the THX Technology License Agreement**

The Audio Software licensed to RAP under the THX Technology License Agreement comes with additional features at an equivalent or lower price as compared to similar surround sound audio software offered by third parties. As THX is a world renowned company and an established brand-name in the audio-visual and entertainment industry, the entry into the THX Technology License Agreement will allow the Group to leverage THX's reputation and expertise in Razer audio products. The entry into the THX Technology License Agreement will also allow the Group to reduce licensing costs and royalty payments to third parties and the sale of the Audio Software thereunder will further contribute to the Group's revenue.

## **C. THE THX CERTIFICATION AMENDMENT AGREEMENT**

### **1. Background**

The THX Certification Agreement was entered into between RAP and THX on November 16, 2016 for the testing, certification and provision of technical assistance by THX in relation to Razer products. The THX Certification Agreement was for a term of three years, subject to automatic renewal for one year periods unless terminated. As the transactions under the THX Certification Agreement are conducted on normal commercial terms and each applicable percentage ratio under the Listing Rules is less than 0.1%, such transactions are de minimis under Rule 14A.76 of the Listing Rules and fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

Following the entry into the THX Technology License Agreement, the transactions under the THX Technology License Agreement and the transactions under the THX Certification Agreement are required to be aggregated, and the highest of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the transactions contemplated under the THX Technology License Agreement and the THX Certification Agreement in each of the three years ending December 31, 2019, 2020 and 2021 will, on an aggregated annual basis, be more than 0.1%.

Accordingly, RAP and THX have entered into the THX Certification Amendment Agreement to amend the terms of the THX Certification Agreement in order to comply with the requirements under the Listing Rules, details of which are set out below.

### **2. Date and Term of the THX Certification Amendment Agreement**

Date of the Agreement: December 23, 2019

Term of the Agreement: Amends the THX Certification Agreement to terminate on December 31, 2020

### **3. Parties**

RAP (as the licensee)  
THX (as the licensor)

### **4. Subject Matter**

The THX Certification Amendment Agreement has been entered into to amend the THX Certification Agreement to terminate on December 31, 2020, and to provide that royalties for a certain category of products are waived.

All transactions between RAP and THX for the testing and certification of Razer Products and the provision of technical assistance by THX to RAP under the Amended THX Certification Agreement:

- shall be in writing;
- shall be on normal commercial terms, which shall mean pricing and payment terms no less favourable to the Group than those available from independent third party suppliers for comparable testing, certification of technical assistance services; and

- shall be in compliance with all applicable provisions of the Listing Rules.

All transactions under the Amended THX Certification Agreement, are in the ordinary and usual course of the Group's business and are on normal commercial terms.

## **5. Basis of Consideration**

The fees payable by RAP to THX under the THX Certification Amendment Agreement are as follows:

- (a) an initial product category designation fee, which varies based on the nature of the product;
- (b) additional product testing fees, which are determined based on the amount of work required; and
- (c) royalties based on the volume of products sold.

The fee under the Amended THX Certification Agreement was determined after arm's length negotiations between the parties with reference to market rates charged for similar certification services.

## **6. Aggregate Annual Amounts Payable**

For the year ended December 31, 2016, no amounts were paid by RAP to THX pursuant to the THX Certification Agreement. For the year ended December 31, 2017 and 2018 and the period of 11 months ended November 30, 2019, the transactions between RAP and THX pursuant to the THX Certification Agreement were approximately US\$120,000, US\$73,705 and US\$94,072 respectively.

The aggregate annual amounts payable by RAP to THX pursuant to the Amended THX Certification Agreement for the years ending December 31, 2019 and 2020 are subject to annual caps of US\$250,000 and US\$100,000 respectively. Such aggregate annual amounts have been determined by reference to the historical transactions under the THX Certification Agreement and projected sales volumes of the relevant Razer products certified by THX under the Amended THX Certification Agreement.

## **7. Reasons for, and benefits of, the THX Certification Agreement**

THX certification is a globally recognised assurance of audio-visual quality, consistency and performance. The entry into the THX Certification Agreement will ensure that the Company can continue to obtain certification and testing services from THX, to leverage THX's reputation and expertise on Razer products and to reduce certification and testing costs and royalty payments to third parties.

#### **D. AGGREGATE ANNUAL CAP FOR TRANSACTIONS WITH THE THX GROUP**

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

	Year ending December 31,		
	2019	2020	2021
Annual cap for the aggregate amount payable to THX by RAP under the THX Technology License Agreement	US\$2,000,000	US\$4,000,000	US\$5,000,000
Annual cap for the aggregate amount payable to THX by RAP under the Amended THX Certification Agreement	US\$250,000	US\$100,000	N.A.
Aggregated amount of the annual caps for the THX Technology License Agreement and the Amended THX Certification Agreement	US\$2,250,000	US\$4,100,000	US\$5,000,000

#### **E. LISTING RULES IMPLICATIONS**

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

Pursuant to Rule 14A.81 of the Listing Rules, the transactions under the THX Technology License Agreement and the transactions under the Amended THX Certification Agreement, are required to be aggregated. As the highest of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the annual caps of each year for the transactions contemplated under the THX Technology License Agreement and the Amended THX Certification Agreement will, on an aggregated annual basis, be more than 0.1% but less than 5%, the transactions contemplated under the THX Technology License Agreement and the Amended THX Certification Agreement will constitute continuing connected transactions that are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including the independent financial advice) and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

As a result of protracted negotiations between THX and RAP in relation to the THX Technology License Agreement and the THX Certification Amendment Agreement, and changes to the product categories and other terms and conditions covered by the THX Technology License Agreement, the announcement in relation to the entry into of such agreements could not be made at the commencement of the term of such agreements, or at the time when the applicable percentage ratios (other than the profits ratio) crossed the 0.1% de minimis threshold in the third quarter of 2019. The Company confirms that during the period from 1 January 2019 to the date of this announcement, the actual amounts paid to THX under the THX Technology License Agreement and the Amended THX Certification Agreement do not exceed the relevant annual cap amount as set out above, and range from approximately 0.1% to 0.2% of the applicable percentage ratios (other than the profits ratio), and this announcement has been made as soon as practicable upon the confirmation that the applicable percentage ratios (other than the profits ratio) crossed the 0.1% de minimis threshold.

The Company has taken additional measures to strengthen the internal reporting systems and control procedures to ensure timely monitoring, reporting and disclosure of continuing connected transactions, as well as to facilitate compliance with the requirements of the Listing Rules. These measures include maintaining and regularly updating the list of connected persons of the Company and regularly monitoring the value of transactions that are identified as connected transactions (on an aggregated basis where applicable) against the thresholds for triggering disclosure and shareholder approval requirements under the Listing Rules.

#### **F. INFORMATION ON THE GROUP AND THX**

Razer is the leading global lifestyle brand for gamers that offers an integrated portfolio of gaming hardware, software and services. The Razer ecosystem delivers gamers a competitive edge, immersive gaming experiences and access to a comprehensive catalogue of digital entertainment. The Razer ecosystem is one of the largest integrated ecosystems in the world for gamers, which consists of hardware, software and services designed and developed to integrate seamlessly and enhance personalised user experiences across different entertainment genres.

THX develops premium audio and visual set-ups relative to spatial design and operates an audiovisual certification business. THX certification is a globally recognised assurance of uncompromising audiovisual quality, consistency and performance.

#### **G. DIRECTORS' CONFIRMATIONS**

The Directors (including the Independent Non-executive Directors) are of the view that each of the THX Technology License Agreement, the Amended THX Certification Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company, and that the terms of each of the THX Technology License Agreement and the Amended THX Certification Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors (including the Independent Non-executive Directors) are of the view that the annual caps for the years ending December 31, 2019, 2020 and 2021 in respect of the transactions with THX are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Due to Mr. Lim Kaling's interests in THX, Mr. Lim has abstained from voting on the relevant resolutions of the Board in respect of the THX Technology License Agreement and the THX Certification Amendment Agreement. Save as disclosed above, none of the Directors has a material interest in the THX Technology License Agreement or the THX Certification Amendment Agreement, the transactions contemplated thereunder or the THX Group, and therefore no other Director has abstained from voting on the relevant resolutions of the Board in respect of the THX Technology License Agreement and the THX Certification Amendment Agreement.

## H. DEFINITIONS

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

<b>“Amended THX Certification Agreement”</b>	the THX Certification Agreement, as amended by the THX Certification Amendment Agreement
<b>“Audio Software”</b>	THX's surround sound audio software and product components licensed to RAP under the THX Technology License Agreement
<b>“Board”</b>	the board of directors of the Company
<b>“Company” or “Razer”</b>	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)
<b>“connected person”</b>	has the meaning ascribed to it in the Listing Rules
<b>“Directors”</b>	the directors of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“RAP”</b>	Razer (Asia-Pacific) Pte. Ltd., a wholly-owned subsidiary of the Company
<b>“Shareholders”</b>	holders of Shares
<b>“Shares”</b>	ordinary shares of US\$0.01 each in the share capital of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“THX”</b>	THX Ltd., an 80%-owned subsidiary of the Company

<b>“THX Certification Agreement”</b>	the certification agreement entered into between RAP and THX on November 16, 2016 (as amended on March 1 2017 and September 1, 2017)
<b>“THX Certification Amendment Agreement”</b>	the amendment agreement to the THX Certification Agreement entered into between RAP and THX on December 23, 2019, the details of which are set out in the section headed “ <i>The THX Certification Amendment Agreement</i> ” in this announcement
<b>“THX Technology License Agreement”</b>	the software agreement entered into between RAP and THX on December 23, 2019 for an initial term from January 1, 2019 to December 31, 2021, the details of which are set out in the section headed “ <i>The THX Technology License Agreement</i> ” in this announcement

For and on behalf of the Board  
**Razer Inc.**  
**Min-Liang TAN**  
*Chairman*

Hong Kong, December 24, 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, Mr. Chan Thiong Joo Edwin and Ms. Liu Siew Lan Patricia as Executive Directors, Mr. Lim Kaling as Non-executive Director, and Mr. Chau Kwok Fun Kevin, Mr. Lee Yong Sun and Mr. Gideon Yu as Independent Non-executive Directors.*

\* *For identification purposes only*