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RAZER INC.

雷蛇*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1337)

CONTINUING CONNECTED TRANSACTIONS – AMENDMENTS TO AND INCREASE OF ANNUAL CAPS OF THE THX TECHNOLOGY LICENSE AGREEMENT AND THE THX CERTIFICATION AGREEMENT

On November 3, 2020, RAP (a subsidiary of the Company) and THX (a connected subsidiary of the Company) entered into (i) the THX Technology License Amendment Agreement to amend the THX Technology License Agreement dated December 23, 2019 2016 to include additional product categories in the scope of the agreement, and (ii) the THX Certification Amendment Agreement to amend the term of the THX Certification Agreement dated November 16, 2016 and to include additional product categories in the scope of the agreement.

In addition, in view of the increases in demand for products covered by the Amended THX Technology License Agreement and the Amended THX Certification Agreement, as well as an expansion of the product categories covered thereunder, the Board has determined that the existing annual caps relating to the amounts payable to THX by RAP pursuant to the THX Technology License Agreement and the THX Certification Agreement for the years ending December 31, 2020 and December 31, 2021 will not be sufficient. Accordingly, the Board has approved the increase of such annual caps.

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 Amended THX Technology License Agreement and the Amended THX Certification Agreement for each of the years ending December 31, 2020 and December 31, 2021 will, on an aggregated annual basis, be more than 0.1% but less than 5%, the transactions contemplated under the Amended 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

Reference is made to the announcements of the Company dated December 24, 2019 and February 26, 2020 regarding the THX Technology License Agreement dated December 23, 2019 and the THX Certification Agreement dated November 16, 2016. On November 3, 2020, RAP and THX have entered into (i) the THX Technology License Amendment Agreement to amend the THX Technology License Agreement to include additional product categories in the scope of the agreement, and (ii) and the THX Certification Amendment Agreement to amend the term of the THX Certification Agreement and to include additional product categories in the scope of the agreement.

In addition, in view of the increases in demand for products covered by the Amended THX Technology License Agreement and the Amended THX Certification Agreement, as well as an expansion of the product categories covered thereunder, the Board has determined that the existing annual caps relating to the amounts payable to THX by RAP pursuant to the THX Technology License Agreement and the THX Certification Agreement for the years ending December 31, 2020 and December 31, 2021 will not be sufficient. Accordingly, the Board has approved the increase of such annual caps.

B. THE THX TECHNOLOGY LICENSE AMENDMENT AGREEMENT

1. Background

RAP (as the licensee) and THX (as the licensor) had, on December 23, 2019, entered into the THX Technology License Agreement, 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 THX Technology License Agreement has a term of three years from January 1, 2019 until December 31, 2021.

On November 3, 2020, RAP and THX have entered into the THX Technology License Amendment Agreement to amend the terms of the THX Technology License Agreement, the details of which are set out below. Save as described below, all other terms of the Amended THX Technology License Agreement remain substantially the same as those in the THX Technology License Agreement.

2. Amendment to THX Technology Licence Agreement

RAP and THX have entered into the THX Technology License Amendment Agreement to include Systems laptop products in the scope of the THX Technology License Agreement.

3. Basis of Consideration

RAP shall pay licensing fees to THX under the THX Technology License Agreement based on a unit cost for each Razer Systems product incorporating the audio software sold to end customers.

The licensing fees described above were determined after arm's length negotiations between the parties with reference to prices quoted by a third party 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. THX has confirmed to RAP that the rates charged to RAP are not more than those charged to other third parties.

4. Reasons for Amendment to, 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 and Systems products. In addition, consolidating the Audio Software across product categories increases operational efficiency and a more cohesive user experience. It will also allow the Group to reduce licensing costs and royalty payments to third parties, while the sale of the Audio Software will further contribute to the Group's revenue.

5. Existing Annual Caps for Transactions under the THX Technology License Agreement

The annual caps for the transactions with THX under the THX Technology License Agreement for the years ending December 31, 2020 and 2021 previously approved by the Board were US\$4,000,000 and US\$5,000,000, respectively.

6. Revised Annual Caps for Transactions under the Amended THX Technology License Agreement and Reasons for Increase

For the year ended December 31, 2019 and the year-to-date period ended October 15, 2020, the amounts paid by RAP to THX under the THX Technology License Agreement were approximately US\$1,437,880 and US\$2,241,237, respectively.

In view of increases in demand for Razer products sold with the licensed audio software, as well as the broadening of product categories covered within the scope of the Amended THX Technology License Agreement, which are targeted for launch in late 2020 or early 2021, the Board has determined that the existing annual caps for the year ending December 31, 2021 will not be sufficient. Accordingly, the Board has approved an increase in the annual caps on the aggregate annual amounts payable by RAP to THX pursuant to the Amended THX Technology License Agreement for the year ending December 31, 2021 to US\$5,500,000. Such aggregate annual amount has been determined by reference to the additional product categories and projected sales volumes of the relevant Razer products and the Audio Software under the THX Technology License Agreement, taking into account the uncertainty and limitations of forecasting sales volumes based on end consumer demand.

C. THE THX CERTIFICATION AMENDMENT AGREEMENT

1. Background

The THX Certification Agreement was entered into between RAP and THX on November 16, 2016 (and amended on March 1, 2017, September 1, 2017 and December 23, 2019) for the testing, certification and provision of technical assistance by THX in relation to Razer products. The term of the THX Certification Agreement was amended on December 23, 2019 to terminate on December 31, 2020.

On November 3, 2020, RAP and THX have entered into the THX Certification Amendment Agreement to amend the terms of the THX Certification Agreement, the details of which are set out below. Save as described below, all other terms of the Amended THX Certification Agreement remain substantially the same as those in the THX Certification Agreement.

2. Amendment to THX Certification Agreement

RAP and THX entered into the THX Certification Amendment Agreement to amend the term of the THX Certification Agreement to terminate on December 31, 2021, and to include a new product category in the scope of the THX Certification Agreement.

3. Basis of Consideration

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

- (a) A fixed initial product testing fee;
- (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 THX Certification Amendment Agreement was determined after arm's length negotiations between the parties with reference to market rates charged for similar certification services.

4. Reasons for Amendment to, 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. RAP would also benefit from the economies of scale that would arise from expanding the existing working relationship instead of entering into a new arrangement with a third-party service provider. In addition, THX's fees were considered to be more reasonable than those offered by third parties.

5. Existing Annual Cap for Transactions under the THX Certification Agreement

The annual cap for the transactions with THX under the THX Certification Agreement for the year ending December 31, 2020 previously approved by the Board was US\$100,000.

6. Revised Annual Caps for Transactions under the Amended THX Certification Agreement and Reasons for Increase

For the years ended December 31, 2017, 2018 and 2019 and the year-to-date period ended October 15, 2020, the transactions between RAP and THX pursuant to the THX Certification Agreement were approximately US\$120,000, US\$73,705, US\$94,072 and US\$75,463, respectively.

In view of increases in demand for Razer products which have attained certification by THX, increased needs for additional testing and technical assistance to permit products to attain certification, the extension of the term, as well as the broadening of product categories covered within the scope of the Amended THX Certification Agreement, the Board has determined that the existing annual cap for the year ending December 31, 2020 will not be sufficient. Accordingly, the Board has approved an increase in the annual cap on the aggregate annual amounts payable by RAP to THX pursuant to the Amended THX Certification Agreement for the year ending December 31, 2020 to US\$360,000, and an annual cap for the year ending December 31, 2021 of US\$1,250,000. Such aggregate annual amounts have been determined by reference to projected sales volumes of the relevant Razer products and forecasted needs for technical assistance under the THX Certification Agreement, taking into account the uncertainty and limitations of forecasting sales volumes based on end consumer demand.

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 Amended THX Technology License Agreement and the Amended THX Certification Agreement, is subject to the annual caps of US\$4,360,000 and US\$6,750,000 for the years ending December 31, 2020 and 2021, respectively.

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 Amended 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 Amended 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 Amended 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.

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 Amendment Agreement, the THX Certification Amendment 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 Amendment Agreement and the THX Certification Amendment 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, 2020 and December 31, 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 Amendment Agreement and the THX Certification Amendment Agreement. Save as disclosed above, none of the Directors has a material interest in the THX Technology License Amendment 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 Amendment 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:

“Amended THX Certification Agreement”	the THX Certification Agreement, as amended by the THX Certification Amendment Agreement
“Amended THX Technology License Agreement”	the THX Technology License Agreement, as amended by the THX Technology License Amendment Agreement
“Audio Software”	THX’s surround sound audio software and product components licensed to RAP under the THX Technology License Agreement
“Board”	the board of directors of the Company
“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)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RAP”	Razer (Asia-Pacific) Pte. Ltd., a wholly-owned subsidiary of the Company
“Shareholders”	holders of Shares
“Shares”	ordinary shares of US\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“THX”	THX Ltd., an 80%-owned subsidiary of the Company
“THX Certification Agreement”	the certification agreement entered into between RAP and THX on November 16, 2016 (as amended on March 1, 2017, September 1, 2017 and December 23, 2019)

“THX Certification Amendment Agreement”	the amendment agreement to the THX Certification Agreement entered into between RAP and THX on November 3, 2020, the details of which are set out in the section headed “ <i>The THX Certification Amendment Agreement</i> ” in this announcement
“THX Technology License Agreement”	the software license agreement entered into between RAP and THX on December 23, 2019
“THX Technology License Amendment Agreement”	the amendment agreement to the THX Technology License Agreement entered into between RAP and THX on November 3, 2020, the details of which are set out in the section headed “ <i>The THX Technology License Amendment Agreement</i> ” in this announcement

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

Singapore, November 4, 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 purpose only*