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, 2020

The Board is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2020. In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Year ended December 31,		Year-on-year
	2020	2019	change
	US$'000	*US$'000*	
Revenue	**1,214,570**	820,795	48.0%
Gross profit	**271,008**	168,063	61.3%
Operating expenses	**277,983**	263,885	5.3%
Profit/(loss) before income tax	**4,352**	(77,816)	N.A
Profit/(loss) for the year	**805**	(83,470)	N.A
Profit/(loss) attributable to equity shareholders of the Company	**5,626**	(84,179)	N.A
Profit/(loss) per share			
Basic	**US$0.001**	US$(0.010)	N.A
Diluted	**US$0.001**	US$(0.010)	N.A
Non-GAAP measures			
Adjusted profit/(loss) before income tax	**32,819**	(40,316)	N.A
Adjusted EBITDA	**44,584**	(29,415)	N.A

KEY FINANCIAL RATIO	Year ended December 31, 2020	2019	Year-on-year change
	(% of revenue)		
Gross profit	**22.3%**	20.5%	180bps
Operating expenses	**22.9%**	32.1%	(920bps)
Profit/(loss) for the year	**0.1%**	(10.2%)	1,030bps

CHAIRMAN'S STATEMENT

2020 was an extraordinary year for the world and a truly extraordinary year for us at Razer.

Despite the global market uncertainty caused by the COVID-19 pandemic, Razer had a stellar year and crossed the US$1 billion revenue milestone for the first time ever. Ahead of all expectations, the Group turned profitable on a GAAP basis, as a result of our dominant brand position, compelling offerings across our ecosystem of hardware, software and services, and strong execution.

Key highlights for the financial year ended December 31, 2020 were:

- **Record high revenue of US$1.2 billion with 48.0% year-on-year growth**, driven by robust demand, as well as market share gains for the Hardware business and continued exponential growth of the Services segment

- **Gross Profit Margin improved to 22.3%**, driven by improving margins in the Hardware segment and increased contribution of the higher margin Services business to the Group

- **Turned profitable with GAAP Net Profit of US$0.8 million, ahead of all expectations**, fuelled by exceptional revenue growth and productivity improvements

- **Cashflow from operating activities turned positive to US$152.9 million**, driven by strong operating profits, efficient working capital management and cash discipline

- **Cash Balance increased to over US$600 million with no debt**, one of the strongest balance sheets in the industry

In addition to delivering a strong set of results for full year 2020, we remain a global Environmental, Social and Corporate Governance ("ESG") leader in the corporate space. We are not just fully compliant with the ESG standards set out by the Hong Kong Stock Exchange but have gone above and beyond to outline how we, as one of the largest youth and millennial brands in the world, intend to contribute towards a more sustainable future in our #GoGreenWithRazer manifesto.

CORE SEGMENT

HARDWARE:
51.8% YEAR-ON-YEAR GROWTH TO US$1,083.7 MILLION

In 2020, our Hardware business grew by 51.8% year-on-year to US$1,083.7 million, driven 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. Razer was crowned the official Consumer Electronics Show's ("CES") Best of CES for the 9th time in the Company's history.

Our Peripherals business recorded strong growth across the core categories of mouse, keyboard and headset during the year, with particularly strong demand for our flagship products such as Razer Viper Ultimate, Razer DeathAdder V2, Razer Huntsman Mini and the Razer BlackShark V2 Pro.

Our Core Peripherals business has maintained its market leading position for gaming peripherals across the US, Europe, Asia-Pacific and China while taking significant market share from the competition[1].

Our Systems business has maintained its market leading position in the premium gaming laptop segment in the US while growing market share in new markets outside of the US[2]. Despite the initial impact on our supply chain at the start of the year due to the COVID-19 pandemic, our Systems business saw an acceleration in growth with strong double-digit percentage growth year-on-year since May as a result of pent-up demand from consumers.

During the year, we saw further expansion across growth areas such as mobile/cloud gaming, console gaming, live-streaming products as well as gaming chairs.

SOFTWARE:
53.8% YEAR-ON-YEAR GROWTH TO APPROXIMATELY 123 MILLION TOTAL USER ACCOUNTS WITH OVER 68.2% GROWTH IN MONTHLY ACTIVE USERS

Our Software business continued to expand with a 53.8% year-on-year increase in total user accounts to approximately 123 million as of December 31, 2020. Monthly active users surged by over 68.2% as of December 31, 2020. This increase was attributable to strong growth across all our software offerings boosted by increased gaming, esports and livestreaming activities.

During 2020, we continued our efforts to further enrich user experience and drive stickiness to the Razer ecosystem.

Razer Cortex PC saw huge expansion in user activity and engagement. In September 2020, we launched the *Squad Rewards* leaderboard challenge where users can team up with their friends to earn Razer Silver loyalty awards by clocking in time playing games. The challenge has seen initial success in nurturing stickiness and reinforcing Razer Cortex PC as the go-to game booster and launcher. Across the first four seasons of the leaderboard challenge, a total of 500,000 players joined the leaderboard in an attempt to earn a piece of the 5 million Razer Silver loyalty awards prize pot. Over the two-week competition period, gamers accumulated millions of hours of PC gameplay time each season, with a total of over 8 million hours played across all four seasons of *Squad Rewards*.

Razer Chroma™ RGB continued to expand its connected devices program with new partnerships with WD Black, Seagate, Twinkly and Yeelight, bringing the total number of hardware partnerships to over 50. Additionally, with Addressable RGB ("ARGB") support enabled via the ASROCK Razer Edition motherboard and Razer Chroma ARGB controller, the number of devices supported by Razer Chroma has expanded, with universal compatibility across the board.

SERVICES:
66.8% YEAR-ON-YEAR GROWTH IN REVENUE TO US$128.4 MILLION

Razer also offers payment services for youth, millennials and Generation Z. Our Services business, which comprises of Razer Gold and Razer Fintech, continued to scale up and recorded 66.8% year-on-year growth to US$128.4 million for the year. Gross margin was 43.8% and contributed 20.8% of the Group's gross profit, an increase from 19.4% of the Group's gross profit in 2019.

RAZER GOLD

Razer Gold, a global game/digital entertainment payment service, recorded an 102.4% year-on-year increase in total payment volume ("TPV"). This was driven primarily by the increase in the number of transactions effected through the Razer Gold platform. TPV hit new records for our content partners such as Mobile Battle Royale and MOBA game genres, as well as live-streaming platforms.

As of December 31, 2020, Razer Gold recorded over 26 million registered users, representing 23.8% growth year-on-year. During 2020, we further expanded our footprint and added a total of 1.6 million channel touchpoints including in places such as the Middle East and North Africa region ("MENA"). Users from more than 130 countries can now purchase Razer Gold from more than 5 million channel touchpoints. In terms of geography, Southeast Asia and Latin America were key TPV growth contributors for 2020.

During 2020, we continued to reinforce Razer Gold as a partner of choice for content partners with over 34,000 digital entertainment titles, and added new popular games such as Apex Legends, Call of Duty: Modern Warfare, Genshin Impact and Ragnarok, as well as other new content such as MeMe Live livestreaming app.

RAZER FINTECH

Razer Fintech provides fintech services in emerging markets. It is one of the leading offline-to-online ("O2O") digital payments networks in Southeast Asia.

The gross merchandise volume ("GMV") in Southeast Asia is forecasted to grow to US$309 billion by 2025 driven by e-commerce[3].

Razer Fintech generated US$4.3 billion in TPV, representing an increase of 104.4% year-on-year. The increase was driven by the onboarding of new merchants in the online e-commerce, consumer retail and food and beverage industries, with approximately 191.0% year-on-year growth to over 50,000 merchants, and surges in online shopping and digital entertainment consumption activities due to the lockdown situation arising from the COVID-19 pandemic.

During the year, we expanded our fintech offerings and further enriched our digital payments ecosystem by adding innovative and alternative payment solutions to better serve our merchants.

In September, we announced a partnership with Funding Societies, the largest digital financing platform in Southeast Asia, to offer short-term business financing to our extensive merchant base.

In December, we announced a partnership with a Singapore-based Buy Now Pay Later ("BNPL") service provider to offer BNPL services in Southeast Asia to merchants registered with our payment processing platform.

GROWTH INITIATIVES

MOBILE/CLOUD GAMING

The strength of our industry relationships with key players in the cloud gaming space such as Microsoft Cloud gaming (Beta) with Xbox Game Pass Ultimate, NVIDIA GeForce NOW and Tencent Cloud has led us to advance our leading position in the mobile/cloud gaming space across mobile peripherals, software and services.

For Peripherals, we successfully added a new sales category through the launch of the Razer Kishi mobile controller. The product earned rave reviews from the market and we are the number 1 market share leader in U.S. Amazon[4].

For Software, the Razer Cortex Mobile game recommendations app saw a massive 586.7% year-on-year growth during the year, with total user accounts reaching 10.3 million as of December 31, 2020. User engagement per games launched and user conversion per games also significantly expanded by 65.9% and 235.9% year-on-year respectively. We have also started beta testing our monetization effort.

For Services, we have further reinforced Razer Gold as the partner of choice for companies looking to monetize mobile games and lifestyle content, leveraging our strong brand affinity and intensely sticky user base, and added titles such as Genshin Impact and Ragnarok: Click H5.

ESPORTS

Razer continues to be one of the world's most recognized brands in esports.

Building on the success of the 2019 30th Southeast Asian Games ("SEA Games") where esports was included as a medalled event for the first time in history, Razer continued its efforts to popularize esports on a global basis. The Razer Invitational is one of the biggest esports events in the world and gives aspiring professional players a platform to compete and showcase their talents. The online event was launched in Southeast Asia, and quickly expanded to Latin America and Europe with over 66,000 participants, drawing over 26 million livestream views, and 565 million impressions.

Team Razer empowers over a dozen of the top esports organizations and athletes across the globe. Through our partnerships with these renowned teams and players, Razer's brand reach extends to over 4 million fans. With each victory, we garner passionate fans who strongly associate with our brand. In 2020, Team Razer performed spectacularly across many tournaments:

- Dota 2 – DreamLeague S13 – 2nd place, Evil Geniuses
- Dota 2 – ESL One Los Angeles – 1st place, Evil Geniuses
- Counter-Strike: Global Offensive – Blast Premier: Spring 2020 Finals – 1st place, Evil Geniuses
- Counter-Strike: Global Offensive – ESL One: Cologne – 1st place, Evil Geniuses
- League of Legends – OPL Split 1 2020 – 1st place, Legacy Esports
- Dota2 – DreamLeague Season 12 – 1st place, Alliance
- PUBG – Douyu PUBG Golden Legends Season 9 – 2nd place, 4AM
- Street Fighter V – Topanga Championship 2020 – 2nd place, Fuudo
- Street Fighter V – CPT 2020 Online Event-Asia South East 1 – 3rd place, Xian
- Counter-Strike: Global Offensive – DreamHack Masters Winter 2020: Europe – 1st place, Mousesports

In December 2020, we announced our intention to lead the charge for esports at the 31st SEA Games in Vietnam, and continue to work with industry partners and national esports federations to once again elevate esports to the global stage.

ESG

At Razer, many of our community are the youth, the millennials and Generation Z, and we want to ensure the world remains an arena we can all continue to play in.

Today, we are fully compliant with the Hong Kong Stock Exchange's ESG guidelines and we are going above and beyond the guidelines with a focus on the environment and sustainability with our #GoGreenWithRazer initiative.

We have recently announced a far-reaching, long-term commitment to a 10-year environmental roadmap. Under the #GoGreenWithRazer banner, the programme will help preserve nature and protect the environment – ensuring a cleaner, greener world for future generations.

Our sustainability initiatives will focus on four key areas:

- Green Organization:

  Where we pledge to use recycled and recyclables by the end of 2021, renewable energy by 2025 and be carbon neutral by 2030

- Green Products:

  Where we aim to achieve consumer transparency with carbon consumer labels by 2022, 100% of all Razer products can be recycled with Razer by 2025, and that 100% of Razer products will utilize recycled or recyclable materials by 2030

- Green Community:

  Where we educate our fans through various activations such as the saving of one million trees with Sneki Snek campaign in partnership with Conservation International

- Green Investments:

  Where we play our part for the environment by supporting and investing in environment and sustainability start ups

  - Renewable energy
  - Carbon reduction
  - Plastics management
  - Water solutions

Details of our ESG efforts can be found on our website: http://www.razer.com/go-green.

OUTLOOK

2020 marked an inflection point in which our sustained levels of revenue growth across our ecosystem of hardware, software and services resulted in Razer's first year of profitability as a public company since 2017. We intend to carry on the momentum and the strength of our operations into 2021 as we continue to seek to deliver both outsized revenue growth and continued profitability in 2021 and beyond.

While we are closely monitoring the market situation in light of the COVID-19 environment, our initiatives to drive further growth and profitability include:

- Outsized Revenue Growth:
  - New Hardware product introductions
  - Growth of Software userbase
  - Further investments to scale fast-growing Services business
- Continued Profitability:
  - Improvement of Hardware margins
  - Strong OPEX discipline
  - Expansion of higher-margin Hardware and Services as part of the revenue mix
- Use of Cash:
  - Investments in R&D for new Hardware and development of new Services
  - Continued share buybacks
  - Investment/M&A activities

Looking ahead, we are confident in our ability to maintain our dominant market position in the Hardware business, grow our Software platform through expansion in user base and activity levels and continue investing to scale up our fast-growing, high-margin Services business. We are confident that these factors, combined with our strong cash position and balance sheet strength, position us extremely well as we embark on the next stage of growth and development.

For Gamers. By Gamers.

Min-Liang Tan
Co-Founder, Chairman and CEO

[1, 2] Internal sources and market research
[3] Google-Temasek eConomy SEA 2020
[4] Amazon stackline US weekly data, mobile controllers Jan-Dec 2020

MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Revenue	**1,214,570**	820,795
Cost of sales	**(943,562)**	(652,732)
Gross profit	**271,008**	168,063
Selling and marketing expenses	**(135,501)**	(112,675)
Research and development expenses	**(53,999)**	(52,418)
General and administrative expenses	**(77,653)**	(89,267)
Impairment of goodwill and other assets	**(10,830)**	(9,525)
Loss from operations	**(6,975)**	(95,822)
Other non-operating income	**3,880**	6,188
Finance income	**8,581**	13,193
Finance costs	**(1,134)**	(1,375)
Profit/(loss) before income tax	**4,352**	(77,816)
Income tax expense	**(3,547)**	(5,654)
Profit/(loss) for the year	**805**	(83,470)
Profit/(loss) attributable to:		
Equity shareholders of the Company	**5,626**	(84,179)
Non-controlling interests	**(4,821)**	709
Profit/(loss) for the year	**805**	(83,470)
Unaudited non-GAAP measures		
Adjusted profit/(loss) before income tax	**32,819**	(40,316)
Adjusted EBITDA	**44,584**	(29,415)

Revenue

Our revenue increased by 48.0% from US$820.8 million in 2019 to US$1,214.6 million in 2020, due to an increase in revenue from both our Hardware and 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,			
	2020		2019	
	US$'000	***%***	*US$'000*	*%*
Segment Revenue				
Hardware				
Peripherals	**773,226**	**63.7**	444,902	54.2
Systems	**310,483**	**25.5**	269,077	32.8
Software and Services	**128,388**	**10.6**	77,027	9.4
Others	**2,473**	**0.2**	29,789	3.6
	1,214,570	**100.0**	820,795	100.0

Our *Hardware* business consists primarily of sales of Peripherals and Systems, which grew 51.8% from US$714.0 million in 2019 to US$1,083.7 million in 2020 on the back of strong consumer demand for our hardware products due to increased gaming activities and continued remote working trends. Revenue from the Peripherals segment increased by 73.8% from US$444.9 million in 2019 to US$773.2 million in 2020, primarily due to an overall increase in sales of our mice, keyboards and audio devices. Revenue from the Systems segment increased by 15.4% from US$269.1 million in 2019 to US$310.5 million in 2020, primarily due to sales from refreshed model lines.

Software and Services. Revenue from the Software and Services segment increased by 66.8% from US$77.0 million in 2019 to US$128.4 million in 2020. The increase was primarily driven by (i) stronger performance of contents and (ii) continual expansion of channels and contents.

Others. Revenue from the Others segment decreased by 91.6% from US$29.8 million in 2019 to US$2.5 million in 2020 as we had ceased sales of Razer Phone since the beginning of 2020.

For further discussion on revenue recognition policies, please refer to note 5 to the Financial Statements.

Cost of sales and gross profit

Cost of sales increased by 44.6% from US$652.7 million in 2019 to US$943.6 million in 2020. Gross profit increased by 61.2% from US$168.1 million in 2019 to US$271.0 million in 2020, and gross margin increased from 20.5% for 2019 to 22.3% for 2020.

Peripherals. Segment cost for Peripherals increased by 72.6% from US$327.4 million in 2019 to US$565.1 million in 2020, which was generally in line with the increase in our Peripherals revenue. Gross margin for our Peripherals segment increased slightly from 26.4% for 2019 to 26.9% for 2020.

Systems. Segment cost for Systems increased by 23.7% from US$242.6 million in 2019 to US$300.1 million in 2020, which was generally in line with the increase in our Systems revenue. Gross margin for our Systems segment decreased from 9.8% for 2019 to 3.3% for 2020, primarily due to a one-time spare parts write-off of US$9.3 million and higher freight costs related to the COVID-19 pandemic.

Software and Services. Segment cost for Software and Services increased by 62.4% from US$44.4 million in 2019 to US$72.1 million in 2020, which was in line with our increase in sales. Gross margin for our Software and Services segment increased from 42.4% for 2019 to 43.8% for 2020, primarily due to the increase in online gaming activities and utilisation of Razer Gold.

Others. Segment cost for Others decreased by 83.6% from US$38.3 million in 2019 to US$6.3 million in 2020, which was generally in line with the decrease in our Others revenue as we had ceased sales of Razer Phone since the beginning of 2020. Gross margin for our Others segment decreased from (28.6)% for 2019 to (153.7)% for 2020 as we recorded a write-down of Razer Phone spare parts.

Selling and marketing expenses

Selling and marketing expenses increased by 20.2% from US$112.7 million in 2019 to US$135.5 million in 2020. The increase was primarily due to (i) an overall increase in sales and marketing spending of US$6.9 million, as we expanded our online marketing efforts and (ii) increase in personnel costs to support the growth in regional sales and marketing activities.

Research and development expenses

Research and development expenses increased by 3.1% from US$52.4 million in 2019 to US$54.0 million in 2020. The slight increase was primarily due to increase in personnel costs.

General and administrative expenses

General and administrative expenses decreased by 13.0% from US$89.3 million in 2019 to US$77.7 million in 2020. The decrease was primarily due to a decrease in share-based compensation expense of US$16.1 million in 2020.

Impairment of goodwill and other assets

Impairment of goodwill and other assets of US$10.8 million recognized in 2020 relates to the write-off of THX-related assets, assessed to be impaired.

Impairment of goodwill and other assets of US$9.5 million recognized in 2019 relates to the write-off of mobile-related assets, assessed to have no recoverable value.

Other non-operating income

Other non-operating income decreased from US$6.2 million in 2019 to US$3.9 million in 2020. The decrease was primarily due to a gain from the sale of a subsidiary in 2019 of US$4.8 million.

Net finance income

Our net finance income decreased from US$11.8 million in 2019 to US$7.4 million in 2020, primarily due to lower interest rates on fixed deposits.

Profit/(loss) before income tax

As a result of the foregoing, our profit/(loss) before income tax improved from a loss of US$77.8 million in 2019 to a profit of US$4.4 million in 2020.

Income tax expense

Our income tax expense decreased from US$5.7 million in 2019 to US$3.5 million in 2020 primarily due to recognition of certain deferred tax assets due to the cumulative tax losses which were not previously recognized.

Profit/(loss) for the year

As a result of the foregoing, our profit/(loss) for the year improved from a loss of US$83.5 million in 2019 to a profit of US$0.8 million in 2020.

Non-GAAP Measures

To supplement our consolidated financial information which are presented in accordance with the International Financial Reporting Standards ("IFRSs"), we also use adjusted profit/(loss) before income tax and adjusted EBITDA as additional financial measures, which are not required by, or presented in accordance with, IFRSs. 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 profit/(loss) before income tax 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 IFRSs.

Adjusted profit/(loss) before income tax

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

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Profit/(loss) for the year	**805**	(83,470)
Add: Income tax expense	**3,547**	5,654
Profit/(loss) before income tax	**4,352**	(77,816)
Add:		
Share-based compensation expense	**15,782**	30,432
Gain from sale of subsidiary	**–**	(4,770)
Restructuring expense	**1,333**	1,832
Impairment of goodwill and other assets	**10,830**	9,525
Merger and acquisition expense	**522**	481
Adjusted profit/(loss) before income tax	**32,819**	(40,316)

Adjusted EBITDA

We define adjusted EBITDA as loss from operations added back with depreciation and amortisation, share-based compensation expense, restructuring expense, impairment of long-lived assets and merger and acquisition 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 IFRSs, which is loss from operations for the years indicated.

	Year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Loss from operations	**(6,975)**	(95,822)
Add:		
Depreciation and amortisation	**23,092**	24,137
Share-based compensation expense	**15,782**	30,432
Restructuring expense	**1,333**	1,832
Impairment of goodwill and other assets	**10,830**	9,525
Merger and acquisition expense	**522**	481
Adjusted EBITDA	**44,584**	(29,415)

LIQUIDITY AND CAPITAL RESOURCES

Our cash and bank balances (comprising of cash at bank and in hand, fixed deposits and money market funds and short-term fixed deposits as at December 31, 2020 and 2019 were as follows:

	2020	2019
	US$'000	*US$'000*
Cash at bank and in hand	**211,032**	121,807
Fixed deposits and money market funds	**297,618**	406,523
Cash and cash equivalents in the consolidated cash flow statement	**508,650**	528,330
Short-term fixed deposits	**113,161**	–
Cash and bank balances in the consolidated statement of financial position	**621,811**	528,330

As at December 31, 2020, our cash and bank balances were US$621.8 million. The increase was mainly due to cash generated from operating activities of US$158.0 million. This was slightly offset by net investment in financial assets of US$47.2 million and capital expenditure of US$18.0 million.

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,	
	2020	2019
	US$'000	*US$'000*
Capital Expenditures		
Acquisition of property, plant and equipment	**14,804**	10,369
Acquisition of intangible assets	**3,208**	4,492
Total	**18,012**	14,861

Our capital expenditures comprised the acquisition of property, plant and equipment such as tooling assets, 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, 2020 and 2019, we did not have any material bank loans, debt securities, borrowings, indebtedness, guarantees, hire purchase commitments or mortgages.

Contingent Liabilities

As of December 31, 2020, and 2019, we did not have any material contingent liabilities.

Dividends

No dividends have been paid or declared by us during the years ended December 31, 2020 and 2019.

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, 2020.

On May 22, 2020, a put option was exercised by a minority shareholder of Razer Merchant Services Sdn. Bhd. (formerly known as MOLPay Sdn. Bhd.), requiring the Group to purchase 25% of Razer Merchant Services Sdn. Bhd. The purchase of the option shares was completed on August 21, 2020, with an aggregate consideration of Malaysia Ringgit 31,543,000 (approximately US$7,367,000). Subsequent to the completion of the purchase of option shares, the Group owns 100% of the shares in Razer Merchant Services Sdn. Bhd.

Material Investments

On January 22, 2021, Razer (USA) Ltd entered into an asset purchase agreement (the "APA") with Marketing Instincts, Inc. to acquire the business and assets of the Controller Gear business unit. Closing is conditional upon certain conditions being met. The consideration for the acquisition is the sum of (i) a cash consideration of US$8,500,000, to be paid on closing of the acquisition; (ii) an adjustment amount based on the working capital balance as of the closing date of the acquisition; and (iii) an aggregate earn-out amount (to be determined in accordance with the APA if certain financial targets are met for the financial years 2021 and 2022).

FINANCIAL INFORMATION

Consolidated statement of profit or loss and other comprehensive income
for the year ended December 31, 2020
(Expressed in United States dollars)

	Note	**2020** **US$'000**	2019 US$'000
Revenue	*3*	**1,214,570**	820,795
Cost of sales		**(943,562)**	(652,732)
Gross profit		**271,008**	168,063
Selling and marketing expenses		**(135,501)**	(112,675)
Research and development expenses		**(53,999)**	(52,418)
General and administrative expenses		**(77,653)**	(89,267)
Impairment of goodwill and other assets		**(10,830)**	(9,525)
Loss from operations		**(6,975)**	(95,822)
Other non-operating income		**3,880**	6,188
Finance income		**8,581**	13,193
Finance costs		**(1,134)**	(1,375)
Profit/(loss) before income tax	*5*	**4,352**	(77,816)
Income tax expense	*6(a)*	**(3,547)**	(5,654)
Profit/(loss) for the year		**805**	(83,470)
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		**2,342**	860
Remeasurement of net defined benefit liability		**44**	(81)
		2,386	779

	Note	2020 *US$'000*	2019 *US$'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)		**3,764**	(561)
		3,764	(561)
Other comprehensive income for the year		**6,150**	218
Total comprehensive income for the year		**6,955**	(83,252)
Profit/(loss) attributable to:			
Equity shareholders of the Company		**5,626**	(84,179)
Non-controlling interests		**(4,821)**	709
Profit/(loss) for the year		**805**	(83,470)
Total comprehensive income attributable to:			
Equity shareholders of the Company		**11,381**	(81,755)
Non-controlling interests		**(4,426)**	(1,497)
Total comprehensive income for the year		**6,955**	(83,252)
Profit/(loss) per share	*7*		
Basic		**US$0.001**	US$(0.010)
Diluted		**US$0.001**	US$(0.010)

Consolidated statement of financial position
at December 31, 2020
(Expressed in United States dollars)

	Note	**December 31, 2020** **US$'000**	December 31, 2019 US$'000
Non-current assets			
Property, plant and equipment		**30,058**	29,982
Intangible assets and goodwill		**90,985**	104,895
Other investments		**61,305**	1,297
Deferred tax assets		**12,614**	5,647
Restricted cash		**1,396**	2,047
Prepayments		**223**	182
Other receivables	8	**3,692**	2,829
		200,273	146,879
Current assets			
Inventories		**124,858**	74,820
Trade and other receivables	8	**267,707**	215,096
Prepayments		**8,254**	6,268
Current tax receivables		**1,754**	2,785
Other investments		**–**	6,234
Restricted cash		**18,234**	14,395
Cash and bank balances	9	**621,811**	528,330
		1,042,618	847,928
Total assets		**1,242,891**	994,807
Current liabilities			
Trade and other payables	10	**584,212**	377,590
Contract liabilities		**2,995**	999
Customer funds		**20,147**	12,869
Lease liabilities		**4,049**	4,029
Current tax payables		**5,701**	3,073
Other tax liabilities		**3,464**	3,360
		620,568	401,920
Net current assets		**422,050**	446,008
Total assets less current liabilities		**622,323**	592,887

	Note	**December 31, 2020** *US$'000*	December 31, 2019 *US$'000*
Non-current liabilities			
Deferred tax liabilities		**2,366**	3,265
Contract liabilities		**1,436**	1,655
Net defined benefit retirement obligation		**589**	515
Other payables	*10*	**1,712**	1,588
Other tax liabilities		**2,276**	1,095
Lease liabilities		**6,720**	9,981
		15,099	18,099
NET ASSETS		**607,224**	574,788
Capital and reserves			
Share capital	*12*	**88,762**	89,482
Share premium		**672,526**	683,847
Reserves		**(179,367)**	(205,054)
Total equity attributable to equity shareholders of the Company		**581,921**	568,275
Non-controlling interests		**25,303**	6,513
TOTAL EQUITY		**607,224**	574,788

Consolidated statement of changes in equity

for the year ended December 31, 2020
(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$'000	Reserve for treasury shares *(note)* US$'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	*11*	–	–	–	–	–	1,893	(41,237)	–	39,344	–	–	–
Share-based compensation expense	*11*	–	–	–	–	–	–	30,154	–	–	30,154	52	30,206
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(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 and cancellation 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	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign currency translation reserve US$'000	Fair value reserve (non-recycling) US$'000	Reserve for treasury shares (note) US$'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
		Attributable to equity shareholders of the Company											
Balance at January 1, 2020		**89,482**	**683,847**	**(4,000)**	**(2,648)**	**437**	**(24,328)**	**94,536**	**(3,570)**	**(265,481)**	**568,275**	**6,513**	**574,788**
Changes in equity for 2020:													
Profit/(loss) for the year		-	-	-	-	-	-	-	-	5,626	5,626	(4,821)	805
Other comprehensive income		-	-	-	1,947	3,764	-	-	-	44	5,755	395	6,150
Total comprehensive income		-	-		1,947	3,764	-	-	-	5,670	11,381	(4,426)	6,955
Issuance of vested shares, net of tax	*11*	-	-	-	-	-	23,424	(43,124)	-	19,700	-	-	-
Share-based compensation expense	*11*	-	-	-	-	-	-	15,684	-	-	15,684	-	15,684
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(349)	(349)
Reversals of shares issuances expenses		-	1,850	-	-	-	-	-	-	-	1,850	-	1,850
Issuance of ordinary shares to non-controlling interests		-	-	-	-	-	-	-	-	-	-	24,700	24,700
Remeasurement of put option written on non-controlling interests		-	-	-	-	-	-	-	(627)	-	(627)	-	(627)
Acquisition of non-controlling interests of a subsidiary without a change in control		-	-	-	-	-	-	-	4,197	(5,429)	(1,232)	(1,135)	(2,367)
Purchase and cancellation of own shares		(720)	(13,171)	-	-	-	-	-	-	481	(13,410)	-	(13,410)
Balance at December 31, 2020		**88,762**	**672,526**	**(4,000)**	**(701)**	**4,201**	**(904)**	**67,096**	**-**	**(245,059)**	**581,921**	**25,303**	**607,224**

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 26). 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, 2020
(Expressed in United States dollars)

	Note	**2020** **US$'000**	2019 US$'000
Cash flows from operating activities			
Profit/(loss) for the year		**805**	(83,470)
Adjustments for:			
Depreciation of property, plant and equipment		**15,655**	15,462
Amortisation of intangible assets		**7,437**	8,675
Loss on disposal of property, plant and equipment		**135**	33
Loss on disposal of intangible assets		**65**	40
Impairment of goodwill and other assets		**10,830**	9,525
Impairment loss recognised on trade receivables		**3,591**	241
Gain on sale of subsidiary		**–**	(4,770)
Loss on remeasurement of investments		**–**	523
Write-down of inventories		**18,055**	1,925
Finance income		**(8,581)**	(13,193)
Finance costs		**1,134**	1,375
Share-based compensation expense		**15,782**	30,432
Income tax expense	*6(a)*	**3,547**	5,654
Changes in working capital:			
Increase in inventories		**(68,092)**	(9,209)
Increase in trade and other receivables		**(58,219)**	(37,778)
(Increase)/decrease in prepayments		**(2,026)**	407
Increase in restricted cash		**(3,187)**	(7,794)
Increase in trade and other payables		**219,294**	48,829
Increase/(decrease) in contract liabilities		**1,777**	(2,841)
(Decrease)/increase in net defined benefit retirement obligation		**(44)**	81
Cash generated from/(used in) operations		**157,958**	(35,853)
Income taxes paid		**(5,076)**	(2,640)
Net cash generated from/(used in) operating activities		**152,882**	(38,493)
Cash flows from investing activities			
Interest received		**7,433**	12,764
Proceeds from disposal of property, plant and equipment		**–**	69
Acquisition of property, plant and equipment		**(14,804)**	(10,369)
Acquisition of intangible assets		**(3,208)**	(4,492)
Investment in financial assets and equity securities		**(152,707)**	(5,300)
Increase in short-term fixed deposits	*9*	**(113,161)**	–
Proceeds from disposal of financial assets and equity securities		**105,536**	–
Sale of subsidiary		**–**	(2,710)
Net cash used in investing activities		**(170,911)**	(10,038)

	Note	**2020**	2019
		US$'000	*US$'000*
Cash flows from financing activities			
Interest paid		**(207)**	(294)
Proceeds from issuance of ordinary shares of a subsidiary to non-controlling interests		**24,700**	–
Repurchase of ordinary shares		**(13,410)**	(31,914)
Repayment of principal of lease liabilities		**(5,206)**	(5,380)
Acquisition of non-controlling interests of a subsidiary		**(8,436)**	–
Dividends paid to non-controlling interests		**(349)**	(191)
Net cash used in financing activities		**(2,908)**	(37,779)
Net decrease in cash and cash equivalents		**(20,937)**	(86,310)
Cash and cash equivalents at January 1	*9*	**528,330**	615,237
Effect of exchange rate fluctuations on cash and cash equivalents		**1,257**	(597)
Cash and cash equivalents at December 31	*9*	**508,650**	528,330

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.

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, 2020, but are extracted from these 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 applied the following amendments to IFRSs issued by the IASB to the Group's financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*

- Amendments to IFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendments to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 3, *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after January 1, 2020.

Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at January 1, 2020.

(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, 2020 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, *Reference to the Conceptual Framework*	January 1, 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	January 1, 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	January 1, 2023

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.

3 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:

	2020	2019
	US$'000	*US$'000*
Sales of goods	**1,082,287**	737,937
Services income	**129,716**	78,638
Royalty income	**2,567**	4,220
Total	**1,214,570**	820,795

(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. The Group offers sales rebate and allowances to distributors and retailers ("sales channel incentive programs") and these programs are primarily volume-based. Revenue from sales of hardware products that are under the sales channel incentive programs is recognised at the net amount of consideration to which the Group is entitled, after adjusting for the estimated rebates and allowances, unless it is highly probable that the customer will not satisfy the relevant entitlement criteria.	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
Under the Group's services business, the Group generates commission income from the sales of virtual credits ("Razer Gold") and digital payments services ("Razer Fintech"). Commission income from Razer Gold is recognised when users use virtual credits they bought to make purchases online of physical goods, games and related virtual products. The amount of commission income from Razer Gold is measured based on a percentage of the underlying purchases made with virtual credits. Commission income from Razer Fintech services is recognised when the Group satisfies its performance obligations by rendering services and it is based on a percentage of the underlying payments successfully processed by the Group. 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.

4 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 THX and Razer Phone in 2019.

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 *US$'000*	Systems *US$'000*	Software and Services *US$'000*	Others *US$'000*	Total *US$'000*
2020					
Revenue	**773,226**	**310,483**	**128,388**	**2,473**	**1,214,570**
Depreciation and amortisation	**(8,112)**	**(4,611)**	**(9,109)**	**(1,260)**	**(23,092)**
Impairment of goodwill and other assets	**–**	**–**	**–**	**(10,830)**	**(10,830)**
Gross profit	**208,170**	**10,362**	**56,278**	**(3,802)**	**271,008**
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)
Impairment of goodwill and other assets	–	–	–	(9,525)	(9,525)
Gross profit	117,462	26,449	32,675	(8,523)	168,063

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

	2020 *US$'000*	2019 *US$'000*
Customer A	**191,613**	96,196

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:

	2020 *US$'000*	2019 *US$'000*
Americas[1]	**556,237**	364,650
Europe, the Middle East and Africa ("EMEA")	**287,254**	203,638
Asia Pacific excluding China[2]	**230,837**	143,054
China	**140,242**	109,453
Total revenue	**1,214,570**	820,795

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

	2020 *US$'000*	2019 *US$'000*
Americas[1]	**12,154**	26,706
EMEA	**3,798**	4,217
Asia Pacific excluding China[2]	**89,480**	93,808
China	**15,611**	10,146
Total non-current assets[3]	**121,043**	134,877

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$515,203,000 for the year ended December 31, 2020 (2019: US$336,501,000). Non-current assets at Americas region in 2020 and 2019 represents non-current assets in the U.S.

2 Revenue from Asia Pacific region includes revenue from Singapore of US$64,392,000 for the year ended December 31, 2020 (2019: US$50,792,000). Non-current assets at Asia Pacific region includes non-current assets at Singapore and Malaysia of US$7,527,000 (2019: US$8,512,000) and US$80,871,000 (2019: US$83,449,000) as at December 31, 2020, respectively.

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

5 PROFIT/(LOSS) BEFORE INCOME TAX

The following items have been included in arriving at profit/(loss) before income tax:

	2020	2019
	US$'000	*US$'000*
Auditors' remuneration		
– Audit services	**1,264**	1,395
– Other services	**165**	196
Net exchange gain	**(4,063)**	(880)
Staff costs		
– Salaries and other benefits[1]	**78,582**	67,992
– Contributions to defined contribution plans[2]	**5,812**	5,912
– Share-based compensation expense	**15,285**	29,933

1 In 2020, the Group recognised US$3,035,000 of funding support from the Jobs Support Scheme ("JSS"), set up by the Singapore Government. The JSS provides wage support to employers to help them retain their local employees during the period of economic uncertainty. The JSS payouts are intended to offset local employees' wages and help protect their jobs.

2 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 SGD 6,000 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.

6 INCOME TAX EXPENSE

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

	2020 *US$'000*	2019 *US$'000*
Current tax expense		
Current year	**11,228**	6,810
Deferred tax expense		
Origination and reversal of temporary differences	**(7,681)**	(1,156)
Total income tax expense	**3,547**	5,654

During the year ended December 31, 2020, a tax benefit of US$185,000 (2019: nil) related to share-based compensation was recognised in equity.

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

	2020 *US$'000*	2019 *US$'000*
Profit/(loss) before income tax	**4,352**	(77,816)
Tax at the domestic rates applicable to profits in the country concerned	**1,127**	(14,713)
Non-taxable Income	**(2,221)**	(1,352)
Non-deductible expenses	**4,010**	5,596
Current year losses for which no deferred tax asset was recognised	**401**	16,005
Tax incentives	**(741)**	(2,221)
Others	**971**	2,339
Total income tax expense	**3,547**	5,654

(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.

7 PROFIT/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share was based on the profit/(loss) attributable to equity shareholders of the Company of US$5,626,000 (2019: loss of US$84,179,000) divided by the weighted average of ordinary shares of 8,801,217,110 shares (2019: 8,645,305,099 shares) in issue during the year.

Weighted average number of ordinary shares:

	2020	2019
Issued ordinary shares at January 1	**8,930,703,033**	8,966,137,033
Effect of treasury shares	**(303,605,576)**	(342,873,250)
Effect of shares repurchased and cancelled	**(11,040,389)**	(129,300,268)
Effect of treasury shares issued	**–**	(25,068,493)
Effect of shares issued related to RSUs, net of shares withheld for withholding tax payment purpose	**185,160,042**	176,410,077
Weighted average number of ordinary shares at December 31	**8,801,217,110**	8,645,305,099

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share was based on the profit/(loss) attributable to equity shareholders of the Company of US$5,626,000 (2019: negative US$84,179,000) divided by the diluted weighted average of ordinary shares of 9,060,442,081 shares (2019: 8,645,305,099 shares) in issue during the year.

Weighted average number of ordinary shares (diluted):

	2020	2019
Weighted average number of ordinary shares at December 31	**8,801,217,110**	8,645,305,099
Effect of conversion of unvested RSUs	**259,224,971**	–
Weighted average number of ordinary shares at December 31 (diluted)	**9,060,442,081**	8,645,305,099

8 TRADE AND OTHER RECEIVABLES

The Group usually grants credit terms ranging from 2 days to 60 days (2019: 2 days to 60 days) following the invoice date.

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

	2020 ***US$'000***	2019 *US$'000*
Current (not past due)	**194,182**	141,392
Past due 1 – 30 days	**26,725**	14,715
Past due 31 – 60 days	**1,283**	1,768
Past due 61 – 90 days	**698**	249
More than 90 days	**505**	289
	223,393	158,413

9 CASH AND BANK BALANCES

	2020 *US$'000*	2019 *US$'000*
Cash at bank and in hand	**211,032**	121,807
Fixed deposits and money market funds	**297,618**	406,523
Cash and cash equivalent in the consolidated cash flow statement	**508,650**	528,330
Short-term fixed deposits	**113,161**	–
Cash and bank balances in the consolidated statement of financial position	**621,811**	528,330

The weighted average effective interest rate of fixed deposits at the reporting date was 0.7% per annum (2019: 2.8%). Interest rates are repriced at monthly intervals.

10 TRADE AND OTHER PAYABLES

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

	2020 *US$'000*	2019 *US$'000*
Up to 3 months	**466,376**	297,416
Over 3 months but within 6 months	**1,253**	1,214
Over 6 months but within 12 months	**59**	2,510
Over 12 months	**2,138**	178
	469,826	301,318

11 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 was 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 (note 3(j) (iii)).

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 2020 was 161,916,949 (2019: 240,940,141). The weighted average grant date fair value of RSUs granted during 2020 was US$0.16 per share (2019: US$0.20 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 as of December 31, 2019, 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 and the third tranche was granted on March 12, 2020, all upon the approval of the Remuneration Committee.

For the year ended 31 December, 2020 and 2019, US$8,107,000 and US$20,235,000 of share-based compensation expense respectively were recognised in the statements of profit or loss and other comprehensive income in respect of these RSUs respectively.

In addition to the 2016 Equity Incentive Plan, certain subsidiaries of the Company have share-based payment arrangements. THX Ltd., a non-wholly owned subsidiary of the Company, adopted an equity incentive plan pursuant to resolutions of its directors and shareholders dated May 30, 2019 (the "THX Equity Incentive Plan"), while Razer Fintech Holdings Pte. Ltd., a non-wholly owned subsidiary of the Company, adopted an equity incentive plan pursuant to resolutions of its directors and shareholders dated May 29, 2020 (the "Razer Fintech Equity Incentive Plan"). Both the THX Equity Incentive Plan and the Razer Fintech Equity Incentive Plan are share-based incentive plans designed to attract, retain and motivate the relevant subsidiary's employees, directors and consultants through the grant of restricted stock units. Subject to satisfaction of the relevant vesting and settlement terms, a restricted stock unit granted under the THX Equity Incentive Plan will entitle the holder to one ordinary share of THX Ltd., while a restricted stock unit granted under the Razer Fintech Equity Incentive Plan will entitle the holder to one ordinary share of Razer Fintech Holdings Pte. Ltd.

12 CAPITAL AND RESERVES

Share capital

	2020		2019	
	No. of shares	**Amount** *US$'000*	No. of shares	Amount *US$'000*
Authorised:				
At January 1	**15,000,000,000**	**150,000**	15,000,000,000	150,000
Increase of authorised ordinary shares	**–**	**–**	–	–
Ordinary shares	**15,000,000,000**	**150,000**	15,000,000,000	150,000
Ordinary shares, issued and fully paid				
At January 1	**8,930,703,033**	**89,482**	8,966,137,033	89,661
Shares repurchased and cancelled	**(54,492,000)**	**(720)**	(185,434,000)	(1,679)
Issuance of ordinary shares to RSU Trustee after IPO	**–**	**–**	150,000,000	1,500
At December 31	**8,876,211,033**	**88,762**	8,930,703,033	89,482

OTHER INFORMATION

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

During the year ended December 31, 2020, the Company repurchased 61,731,000 Shares on the Stock Exchange at an aggregate consideration of HK$103,414,306.72 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 *HK$*	Lowest *HK$*	Aggregate consideration *HK$*
April	500,000	1.00	1.00	500,000.00
May	1,130,000	1.15	1.10	1,279,500.00
June	8,045,000	1.46	1.31	11,354,631.75
September	36,987,000	1.72	1.46	58,945,211.15
October	7,830,000	1.99	1.81	14,881,986.00
December	7,239,000	2.38	2.20	16,452,977.82

All 61,731,000 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, 2020.

Compliance with the Corporate Governance Code

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

During the year ended December 31, 2020, the Company has complied with the applicable code provisions as set out in the CG Code, except for code provisions A.2.1 and E.1.5.

Mr. Min-Liang Tan is both the Chairman and the Chief Executive Officer of the Company. Mr. Min-Liang Tan, a co-founder and an executive Director of the Company, has served as the Chief Executive Officer since September 2006 and was appointed the Chairman of the Board in June 2017. This is a deviation from code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board believes that Mr. Tan should continue to assume the responsibilities of the Chief Executive Officer of the Company and Chairman of the Board as this arrangement will enhance most effectively, the decision-making and execution processes of the Company. The Company has put in place a sound check-and-balance mechanism through the Board and the independent non-executive Directors. In light of the above, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in the circumstances of the Company.

CG Code provision E.1.5 provides that the Company should have a policy on the payment of dividends and disclose such policy in the Annual Report. As the Company was in a loss-making position as at December 31, 2019, it had not implemented such policy for the year ended December 31, 2020.

The Company has adopted a dividend policy (the "Dividend Policy") effective as of March 24, 2021. The Dividend Policy seeks to balance between retaining adequate reserves for maintaining working capital requirements and for future growth, and allowing shareholders to participate in the Company's profits.

The Dividend Policy does not prescribe any pre-determined dividend distribution ratio. In considering any recommendation for the payment of dividends, the Board shall take into account factors including:

(a) the actual and expected financial performance of the Group;

(b) the Group's working capital and capital expenditure requirements and future expansion plans;

(c) the amount of retained earnings and distributable reserves of the Group;

(d) the Group's cash flow and liquidity position;

(e) prevailing economic and market conditions and the business cycle; and

(f) any other factors that the Board may consider relevant and appropriate.

The declaration and payment of dividends shall be subject to compliance with applicable laws and the Company's articles of association.

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, 2020 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, 2020 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, 2020.

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, 2020 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
"CG 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
"Dividend Policy"	the dividend policy adopted by the Company effective as of March 24, 2021
"EBITDA"	Earnings before interest, taxes, depreciation and amortisation
"ESG"	environmental, social and governance
"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$" or "HKD"	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
"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
"S$" or "SGD"	Singapore dollars, the lawful currency of Singapore
"THX"	THX Ltd. (formerly known as Razer Tone, Inc.), a company incorporated in Delaware, the United States on August 19, 2016 and our 80%-owned subsidiary
"U.S."	the United States of America
"US$" 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

Singapore, March 24, 2021

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. Tan Chong Neng as Executive Director, 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*