



INTERIM REPORT 2020

RAZER INC.

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Min-Liang TAN

(Chairman & Chief Executive Officer)

Ms. LIU Siew Lan Patricia

Mr. TAN Chong Neng

Non-executive Director

Mr. LIM Kaling

Independent Non-executive Directors

Mr. CHAU Kwok Fun Kevin

Mr. LEE Yong Sun

Mr. Gideon YU

Audit and Risk Management Committee

Mr. CHAU Kwok Fun Kevin (Chairman)

Mr. LEE Yong Sun

Mr. Gideon YU

Remuneration Committee

Mr. Gideon YU (Chairman)

Mr. CHAU Kwok Fun Kevin

Mr. Min-Liang TAN

Nomination Committee

Mr. LEE Yong Sun (Chairman)

Mr. CHAU Kwok Fun Kevin

Mr. LIM Kaling

Joint Company Secretaries

Mr. CHOO Wei Pin

Ms. CHAN Wai Ling

Auditors

KPMG, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance, 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

Registered Office

Maples Corporate Services Limited,
PO Box 309 Ugland House,
Grand Cayman KY1-1104,
Cayman Islands

Corporate Headquarters

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United States

514 Chai Chee Lane, #07-05,
Singapore 469029

Principal Place of Business in Hong Kong

Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited,
PO Box 1093, Boundary Hall, Cricket Square,
Grand Cayman KY1-1102,
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited,
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

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RAZER

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SHIRT

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CHAIRMAN'S STATEMENT





CHAIRMAN'S STATEMENT

2020 has been a year like no other for all of us around the world.

Despite the global market uncertainty caused by the COVID-19 pandemic, Razer has had a spectacular start to the year, driven by dominant brand position, user base expansion and stay-at-home trends.

Key highlights for the first half of 2020 were:



Record high revenue of US\$447.5 million with 25.3% year-on-year growth

beating expectations driven by strong growth across the entire Peripherals portfolio, strong double-digit percentage year-on-year growth for Systems in May and June and phenomenal growth in the Services business



Gross Profit Margin improved to 22.0%

as a result of increased Services contribution which offset the increase in freight costs to facilitate surges in demand for our products



Positive Adjusted EBITDA of US\$3.2 million

beating expectations fuelled by exceptional revenue growth and continued cost efficiency improvements



Cashflow from operating activities turned positive to US\$66.0 million

with operating profit growth and strong working capital management leading to record cash conversion cycles from -51 days in the first half of 2019 to -72 days in the first half of 2020



Cash Balance of over US\$500 million with no debt

an incredibly strong balance sheet to weather the uncertainties of the pandemic environment

While the ramifications of COVID-19 are still being felt across different industries, we have always had a clear view of how digital technologies are going to change the way that people seek entertainment, consume goods and services, as well as communicate and interact with each other. The pandemic has accelerated a digital transformation that we originally envisaged would take 3-5 years to unfold.

The global "stay-at-home" situation has boosted user engagement with gaming and esports to record levels, according to a report by the World Economic Forum¹. 82% of gamers spent more money on gaming² while Twitch clocked an 80% increase in total hours streamed³. Gaming traffic also soared by 75% during peak hours¹.

We have detailed below how our gamer/youth-centric ecosystem of hardware, software and services has been growing in the first half of 2020 and how we have been capturing the opportunities of these secular trends.





Core Segment

HARDWARE:

26.0% YEAR-ON-YEAR GROWTH TO US\$382.7 MILLION

For the first half of 2020, our Hardware business grew by 26.0% year-on-year to US\$382.7 million, driven by robust growth of our Peripherals and Systems businesses.

Our Peripherals business recorded strong growth across core categories in mouse, keyboard and headset during the first half of 2020 with spectacular responses to our products: Deathadder V2 mouse, Huntsman keyboard and the Kraken headset. Meanwhile, the stay-at-home situation also boosted sales of our live-streaming portfolio such as the Kiyo camera and Seiren streaming microphone.

We retained our market-leading position for gaming peripherals across the U.S., Europe, Asia Pacific and China. In China, we had our biggest ever sales during the 618 shopping festival on JD and Tmall in June. Our special collaboration with Doraemon and Pokémon franchises respectively were wildly popular among our community and sold out very quickly.

On the Systems front, we sustained our number 1 market-leading position in premium gaming laptop in the U.S. There was a delay to new product launches in late April as supply chain issues due to COVID-19 were only largely addressed in mid-March. However, as a result of strong pent up demand for our products, we recorded a strong double-digit percentage growth on a year-on-year basis in May and June when we launched the new Blade laptop series.

SOFTWARE:

42.8% YEAR-ON-YEAR GROWTH TO APPROXIMATELY 100 MILLION TOTAL USER ACCOUNTS WITH OVER 45% GROWTH IN MONTHLY ACTIVE USERS

Our Software business continued to expand with a 42.8% year-on-year increase in total user[#] accounts to approximately 100 million as of June 30, 2020. Monthly active users surged by over 45% as of June 30, 2020. This increase was attributable to strong growth across all our software offerings in light of increased gaming, esports and livestreaming activities.

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

In light of the massive popularity of streaming, we rolled out the Streamer Companion which enables users to broadcast their RAZER CHROMA™ RGB lighting effects to their viewers who can have their products react in the same way.

In addition, Razer was the launch partner for Microsoft's Xbox Game Bar SDK. With this partnership we were able to develop first-of-its-kind widgets for our software products that made them instantly accessible on the Xbox Game Bar on Windows 10. This software integration enables users to have a much better user experience in playing games.

Meanwhile, the growing proliferation of our RAZER CHROMA™ RGB Connected Devices Programme, an initiative started in 2018 to bring more third-party brands to the Razer ecosystem, also contributed to increasing user adoption and user activity in our software products during the first half of 2020. As of June 30, 2020, we have over 46 third party partners with over 150 gaming titles integrated with RAZER CHROMA™ RGB.



Razer Gold

Razer Gold, one of the world's largest independent virtual credits platforms for digital entertainment, recorded a 125.9% year-on-year increase in total payment volume ("TPV"). This is driven primarily by the increase in the number of transactions. TPV hit new records in our content partners such as mobile Battle Royale and MOBA titles, as well as live-streaming platforms. During the first half of 2020, we further expanded our footprint and added 600,000 channel touch points especially in the Middle East and North Africa region ("MENA"). Users from more than 130 countries can now purchase Razer Gold from more than 4 million channel touchpoints. In terms of geography, Thailand, Malaysia and MENA were the key markets in terms of TPV for the first half of 2020, with strong growth in markets such as MENA, India and Indonesia.

During the first half of 2020, we continued to reinforce Razer Gold as a partner of choice for content partners with over 33,000 digital entertainment titles, and added new popular games such as Call of Duty: Modern Warfare and Ragnarok Online, as well as other new content such as cloud clubbing and Comico e-comic platform.

SERVICES:

79.3% YEAR-ON-YEAR GROWTH IN REVENUE TO US\$64.0 MILLION

Our Services business, which comprise of Razer Gold virtual credits and Razer Fintech, continued to soar and recorded 79.3% growth year-on-year to US\$64.0 million for the first half of 2020. Gross margin was 45.9% and contributed almost 30% of the Group's gross profit, an increase from 20% of the Group's gross profit in the first half of 2019.

Razer Blade Pro 17





Razer Fintech

Razer Fintech, our financial technology arm as well as one of the largest offline-to-online (“O2O”) digital payment networks in Southeast Asia, scaled to new heights in the first half of 2020.

For the first half of 2020, Razer Fintech generated US\$1.8 billion in TPV (FY2019: US\$2.1 billion), representing an increase of 114.3% year-on-year. The increase was driven by the onboarding of new merchants and surges in online shopping and digital entertainment consumption activities due to the COVID-19 lockdown.

Razer Fintech comprises of Razer Merchant Services (“RMS”) (our B2B fintech arm) and Razer Pay (our B2C fintech arm). As such, Razer Fintech is uniquely differentiated from other players in that we have solutions that target both B2B and B2C segments.

RMS is a leading B2B solution and accounted for the majority of Razer Fintech’s revenue and TPV, and recorded significant growth during the first half of 2020.

■ RMS Online

a leading card processing gateway in the region, saw significant growth during the period in both online spend and online transaction volumes due to the additional surge in online shopping on e-commerce platforms during the COVID-19 lockdown.

■ RMS Offline

which is one of Southeast Asia’s largest offline payment networks with over 1 million physical acceptance points, saw robust growth, driven by increase in games and entertainment spending such as mobile top-ups and point-of-sale activation gaming and entertainment gift cards.

Razer Pay, the B2C e-wallet solution, saw traction from its Singapore launch, as well as payments on essential goods and services during COVID-19 movement control orders in Malaysia.

Razer’s vision has long been to serve the lifestyle needs of the youth and millennials.

We envision addressing the unmet and underserved financial needs of youth and millennials beyond the ambit of purely payments accessibility. Our innovative digital-first youth banking platform is a natural and intended prospective extension of the existing Razer Fintech business.

As the leading global youth and millennial brand, alongside our understanding of the banking challenges for the youth, we aim to create a banking experience that is an integral part of the youth and millennials’ lives, including their learning, playing, traveling, entrepreneurship or daily lives. Our execution strategy is to incorporate functionality from various best-in-class partners to create this experience, and collectively reduce the number of underbanked and unbanked youth and millennials globally.

In January 2020, we announced that Razer Fintech has submitted its application for a Digital Full Bank License to be issued by the Monetary Authority of Singapore (“MAS”). According to the MAS, the award of the digital banking licenses is expected to be announced in the second half of 2020. At this time, we are also exploring applying for digital bank licenses in other jurisdictions.



Growth Initiatives

MOBILE/CLOUD GAMING:

PRIME MOVER IN THE GAMING INDUSTRIAL REVOLUTION

The strength of our industry relationships with key players in the cloud gaming space such as Google Stadia, Microsoft Xbox Game Streaming (Preview) and Tencent Cloud has led us to advance our leading position in the mobile/cloud gaming space across mobile peripherals, software and services during the first half of 2020.

For peripherals, we successfully added a new sales category through the launch of the Razer Kishi mobile controller and earned rave reviews from the market since launch at this year's CES. Forbes commented that the Razer Kishi is an elegant controller for dedicated gamers and stated, "Make no mistake, if you have a competitive game where you can use the Kishi it massively changes the gameplay for the better. The speed and accuracy you can gain in the likes of Fortnite will, for some, be worth the price alone".

For software, the Razer Cortex Mobile game recommendations app saw continued momentum with total user accounts reaching 3.3 million as of June 30, 2020, an increase of 19-fold year-on-year. User engagement per games launched and user conversion per games also significantly expanded by 343.0% and 330.0% year-on-year respectively. In the first half of the year, we have also started beta testing our monetization effort.

For services, we have further reinforced Razer Gold as the key partner of choice to support the monetization of mobile games and lifestyle content, leveraging our strong brand affinity and intensely sticky user base, and added titles such as Ragnarok: Click H5.

Razer
Kishi



ESPORTS:

EXTENDING ON OUR BRAND LEADERSHIP IN ESPORTS

Razer is one of the world's leading brands in esports. Team Razer supports some of the top esports teams competing in major esports games across the U.S., Europe and Asia Pacific, including China.

Esports viewership saw a dramatic increase during the first half of 2020 as national/regional shutdowns led sports fans and players across the world to turn to esports events. Team Razer did spectacularly and had sweeping victories in many tournaments, some of them being the biggest and most important ones for their respective gaming communities and scenes:

- "Counter-Strike: Global Offensive" – CS Summit 6 Online – CS Summit 6 Online – North America – 1st position by Evil Geniuses
- "Counter-Strike: Global Offensive" – BLAST Premier: Spring 2020 American Finals – 1st position by Evil Geniuses
- "Counter-Strike: Global Offensive" – ESL Pro League Season 11 – North America – 2nd position by Evil Geniuses
- "League of Legends" – LCS Spring 2020 – 3rd position by Evil Geniuses
- "League of Legends" – OPL Split 1 2020 – 1st position by Legacy Esports
- "Dota2" – DreamLeague Season 12 – 1st position by Alliance
- "PUBG" – Douyu PUBG Golden Legends Season 9 – 2nd position by 4AM
- "Street Fighter V" – Topanga Championship 2020 – 2nd position by Fuudo
- "Street Fighter V" – CPT 2020 Online Event-Asia South East 1 – 3rd position by Xian



As a pioneer in the field, we remain committed to our mission of bringing esports to the mainstream and last year successfully lobbied for esports to be an official sport at the 2019 Southeast Asian Games. Following this historical moment, this year we hosted the Razer SEA-Invitational, the largest SEA esports tournament, involving the participation of 10 nations, more than 500 teams and 3,500 athletes in June and July. The event recorded more than 8 million viewers with almost 30 million impressions of our social and engagement content, bringing esports to a whole new level in Southeast Asian region and around the world.

Outlook

2020 looks set to be a banner year for us. Our strong business performance has accelerated our progress to deliver on our long-term strategy and growth ambitions.

Gaming, esports and livestreaming have expanded their appeal as entertainment options, and activities will continue to increase as people look to be entertained and as these industries continue to innovate and develop new ways to engage users. These structural shifts will bring in new users and drive greater adoption of our offerings across hardware, software and services.

In addition, the pandemic has also popularized the use of digital payment methods and financial technologies, which will accelerate the development of our Razer Fintech business.



With respect to our outlook for the full year of 2020, we expect to see continued growth momentum in our hardware, software and services businesses, although we are closely monitoring the market situation in light of the COVID-19 environment:



The Razer ecosystem is expected to continue to grow

with sustained market share leadership in Hardware, exponential growth in Software user metrics and phenomenal growth of Services



Continued outsized revenue growth

driven by Hardware new product introductions in the second half of 2020, growing Services revenues supported by ongoing growth momentum from stay-at-home trends



Continued improvements of Gross Profit Margin

due to improving Hardware margins and high margin Services growing as part of the revenue mix of the Razer ecosystem



Continued improvement in bottom-line

having achieved positive Adjusted EBITDA in the first half of 2020, the Company expects the exceptional revenue growth to drive the bottom-line



Supported with a robust balance sheet

with over US\$500 million cash and no debt, the Company will continue with R&D investments in new Hardware categories and development of new Services, continued share buybacks and investment/M&A activities.

On the whole, the fundamentals of our business remain as solid as ever, thanks to our dominant brand position, compelling offerings across hardware, software and services and strong execution. We are confident that these factors, coupled with our strong operating cost discipline, will bring further improvements in our operations. We have no debt, and our strong cash position of over US\$500 million puts us in good stead even during times of challenging global economic conditions.

For Gamers. By Gamers.

Min-Liang Tan

Co-Founder, Chairman and CEO

¹ <https://www.weforum.org/agenda/2020/05/covid-19-taking-gaming-and-esports-next-level/>

² <https://venturebeat.com/2020/05/01/niko-partners-how-the-pandemic-affected-games-in-china/>

³ <https://blog.streamlabs.com/streamlabs-stream-hatchet-q2-2020-live-streaming-industry-report-44298e0d15bc>

⁴ This includes registered accounts and guest accounts. Registered account is a single sign-on with full access to Razer software products, latest gaming deals, rewards redemption, and so on. We rolled out a guest account feature for users who prefer to keep things sleek and simple with quick access to Razer software products. Guest accounts accounted for a very low single percentage of our total user base.

MANAGEMENT DISCUSSION AND ANALYSIS





MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended June 30,	
	2020 US\$'000 (unaudited)	2019 US\$'000 (unaudited)
Revenue	447,549	357,151
Cost of sales	(349,022)	(281,478)
Gross profit	98,527	75,673
Selling and marketing expenses	(54,845)	(54,071)
Research and development expenses	(24,869)	(26,969)
General and administrative expenses	(35,794)	(46,979)
Loss from operations	(16,981)	(52,346)
Other non-operating income	149	1,462
Finance income	4,399	7,190
Finance costs	(877)	(681)
Loss before income tax	(13,310)	(44,375)
Income tax expense	(4,361)	(3,353)
Loss for the period	(17,671)	(47,728)
Loss attributable to:		
Equity shareholders of the Company	(17,343)	(48,076)
Non-controlling interests	(328)	348
Loss for the period	(17,671)	(47,728)
Unaudited non-GAAP measures		
Adjusted loss before income tax	(4,575)	(24,813)
Adjusted EBITDA	3,183	(20,627)

Revenue

Our revenue increased by 25.3% from US\$357.2 million in the six months ended June 30, 2019 to US\$447.5 million in the six months ended June 30, 2020, due to an increase in revenue from both our Hardware and our Software and Services businesses.

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

	Six months ended June 30,			
	2020		2019	
	US\$'000 (unaudited)	%	US\$'000 (unaudited)	%
Segment Revenue				
Hardware				
Peripherals	252,706	56.5	179,364	50.2
Systems	129,967	29.0	124,318	34.8
Software and Services	63,970	14.3	35,733	10.0
Others	906	0.2	17,736	5.0
	447,549	100.0	357,151	100.0

Our *Hardware* business consists primarily of sales of Peripherals and Systems, which increased 26.0% from US\$303.7 million in the six months ended June 30, 2019 to US\$382.7 million in the six months ended June 30, 2020. Revenue from the Peripherals segment increased by 40.9% from US\$179.4 million in the six months ended June 30, 2019 to US\$252.7 million in the six months ended June 30, 2020, primarily due to an overall increase in sales of our mice, keyboards and audio devices. Revenue from the Systems segment increased by 4.6% from US\$124.3 million in the six months ended June 30, 2019 to US\$130.0 million in the six months ended June 30, 2020, primarily due to sales from refreshed model lines.

Software and Services. Revenue from the Software and Services segment increased by 79.3% from US\$35.7 million in the six months ended June 30, 2019 to US\$64.0 million in the six months ended June 30, 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 94.9% from US\$17.7 million in the six months ended June 30, 2019 to US\$0.9 million in the six months ended June 30, 2020, as we had ceased sales of Razer Phone since the beginning of 2020.

Cost of sales and gross profit

Cost of sales increased by 24.0% from US\$281.5 million in the six months ended June 30, 2019 to US\$349.0 million in the six months ended June 30, 2020. Gross profit increased by 30.1% from US\$75.7 million in the six months ended June 30, 2019 to US\$98.5 million in the six months ended June 30, 2020, and gross margin increased from 21.2% for the six months ended June 30, 2019 to 22.0% for the six months ended June 30, 2020.

Peripherals. Segment cost for Peripherals increased by 46.9% from US\$128.9 million in the six months ended June 30, 2019 to US\$189.4 million in the six months ended June 30, 2020, which was generally in line with the increase in our Peripherals revenue. Gross margin for our Peripherals segment decreased from 28.2% for the six months ended June 30, 2019 to 25.0% for the six months ended June 30, 2020 primarily due to higher freight costs related to the COVID-19 pandemic.

Systems. Segment cost for Systems increased by 8.9% from US\$112.2 million in the six months ended June 30, 2019 to US\$122.2 million in the six months ended June 30, 2020, which was generally in line with the increase in our Systems revenue as well as higher freight costs related to the COVID-19 pandemic. Gross margin for our Systems segment decreased from 9.7% for the six months ended June 30, 2019 to 6.0% for the six months ended June 30, 2020, primarily due to higher freight costs related to the COVID-19 pandemic.

Software and Services. Segment cost for Software and Services increased by 66.3% from US\$20.8 million in the six months ended June 30, 2019 to US\$34.6 million in the six months ended June 30, 2020, which was in line with our increase in sales. Gross margin for our Software and Services segment increased from 41.7% for the six months ended June 30, 2019 to 45.9% for the six months ended June 30, 2020, primarily due to the increase in gaming activities and utilisation of Razer Gold.

Others. Segment cost for Others decreased by 85.2% from US\$19.6 million in the six months ended June 30, 2019 to US\$2.9 million in the six months ended June 30, 2020, which was generally in line with the decrease in our Others revenue as we had ceased the sales of our Razer Phone in 2020. Gross margin for our Others segment decreased from (10.4)% for the six months ended June 30, 2019 to (222.2)% for the six months ended June 30, 2020, as we recorded write-down for spare parts relating to Razer Phone.

Selling and marketing expenses

Selling and marketing expenses increased by 1.3% from US\$54.1 million in the six months ended June 30, 2019 to US\$54.8 million in the six months ended June 30, 2020. The increase was primarily due to personnel cost to support the growth in sales and marketing activities in each region. This was offset by an overall decrease in sales and marketing spending as we streamlined marketing programs as well as ceased marketing spend for the Razer Phone business.

Research and development expenses

Research and development expenses decreased by 7.8% from US\$27.0 million in the six months ended June 30, 2019 to US\$24.9 million in the six months ended June 30, 2020. The decrease was primarily due to a decrease of US\$2.2 million in employee benefits, arising from the exit of our mobile handset business.

General and administrative expenses

General and administrative expenses decreased by 23.8% from US\$47.0 million in the six months ended June 30, 2019 to US\$35.8 million in the six months ended June 30, 2020. The decrease was primarily due to a decrease in share-based compensation expense of US\$11.1 million.

Other non-operating income

Other non-operating income decreased from US\$1.5 million in the six months ended June 30, 2019 to US\$0.1 million in the six months ended June 30, 2020. The decrease was primarily due to a foreign exchange loss from our Software and Services business.

Net finance income

Our net finance income decreased from US\$6.5 million in the six months ended June 30, 2019 to US\$3.5 million in the six months ended June 30, 2020 primarily due to a reduction in the interest rate on fixed deposits.

Loss before income tax

As a result of the foregoing, our loss before income tax decreased from a loss of US\$44.4 million in the six months ended June 30, 2019 to a loss of US\$13.3 million in the six months ended June 30, 2020, a decrease of 70.0%.

Income tax expense

Our income tax expense increased from US\$3.4 million in the six months ended June 30, 2019 to US\$4.4 million in the six months ended June 30, 2020 primarily due to a decrease in tax credits in the U.S.

Loss for the period

As a result of the foregoing, our loss for the period was US\$17.7 million for the six months ended June 30, 2020, US\$30.0 million lower than the loss of US\$47.7 million for the six months ended June 30, 2019.

Non-GAAP Measures

To supplement our consolidated financial information which are presented in accordance with IFRS, we also use adjusted loss before income tax and adjusted EBITDA as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-GAAP measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they do for our management. However, our presentation of the adjusted loss 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 IFRS.

Adjusted loss before income tax

We define adjusted loss before income tax as loss for the period added back with income tax expense, share-based compensation expense, restructuring expense and merger and acquisitions expense. The following table reconciles our adjusted loss for the periods presented to the most directly comparable financial measure calculated based on financial information presented in accordance with IFRS, which is loss for the periods indicated.

	Six months ended June 30,	
	2020 US\$'000 (unaudited)	2019 US\$'000 (unaudited)
Loss for the period	(17,671)	(47,728)
Add: Income tax expense	4,361	3,353
Loss before income tax	(13,310)	(44,375)
Add:		
Share-based compensation expense	7,475	17,678
Restructuring expense	1,260	1,800
Merger and acquisition expense	–	84
Adjusted loss before income tax	(4,575)	(24,813)

Adjusted EBITDA

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

	Six months ended June 30,	
	2020 US\$'000 (unaudited)	2019 US\$'000 (unaudited)
Loss from operations	(16,981)	(52,346)
Add:		
Depreciation and amortisation	11,429	12,157
Share-based compensation expense	7,475	17,678
Restructuring expense	1,260	1,800
Merger and acquisition expense	–	84
Adjusted EBITDA	3,183	(20,627)

Liquidity and Capital Resources

Our cash and cash equivalents (comprising of cash at bank and in hand, fixed deposits and money market funds) as at June 30, 2020 and December 31, 2019 were as follows:

	At June 30, 2020	At December 31, 2019
	US\$'000	US\$'000
	(unaudited)	(audited)
Cash at bank and in hand	133,548	121,807
Fixed deposits and money market funds	452,353	406,523
Cash and cash equivalents in the condensed consolidated cash flow statement and consolidated statement of financial position	585,901	528,330

As at June 30, 2020, our cash and cash equivalents were US\$585.9 million. The increase was mainly due to cash generated from operations of US\$68.6 million and was slightly offset by capital expenditure of US\$7.0 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

	Six months ended June 30,	
	2020	2019
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Capital Expenditures		
Acquisition of property, plant and equipment	5,037	3,914
Acquisition of intangible assets	2,006	1,421
Total	7,043	5,335

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

Treasury Policy

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

Foreign Exchange Risk

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

Bank Loans and Other Borrowings

As at June 30, 2020 and December 31, 2019, we did not have any material bank loans, debt securities, borrowings, indebtedness, guarantees, hire purchase commitments or mortgages.

Contingent Liabilities

As of June 30, 2020, and December 31, 2019, we did not have any material contingent liabilities.

Dividends

No dividends have been paid or declared by us during the six months ended June 30, 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 six months ended June 30, 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

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

OTHER INFORMATION





OTHER INFORMATION

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As at June 30, 2020, the interest and/or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

(a) Long positions in the Shares of the Company

Directors	Capacity	Nature of Interests	Number of Shares held	Approximate percentage of shareholding ⁽¹⁾
Min-Liang Tan ("Mr. Tan")	Beneficial owner	Personal interest	379,963,636 ⁽²⁾	4.26%
	Founder of a discretionary trust	Other interest	2,837,935,801 ⁽³⁾	31.81%
Liu Siew Lan Patricia	Beneficial owner	Personal interest	6,493,484 ⁽⁴⁾	0.07%
Tan Chong Neng	Beneficial owner	Personal interest	2,369,707 ⁽⁵⁾	0.03%
Lim Kaling ("Mr. Lim")	Beneficial owner	Personal interest	1,459,062 ⁽⁶⁾	0.02%
	Interest of controlled corporations	Corporate interest	2,126,942,901 ⁽⁷⁾	23.84%
Chau Kwok Fun Kevin	Beneficial owner	Personal interest	1,525,152 ⁽⁸⁾	0.02%
	Founder of a discretionary trust	Other interest	600,000	0.01%
Lee Yong Sun	Beneficial owner	Personal interest	1,109,201 ⁽⁹⁾	0.01%
Gideon Yu	Beneficial owner	Personal interest	5,158,163 ⁽¹⁰⁾	0.06%

Notes:

- (1) The percentage has been computed based on the total number of Shares of the Company in issue as at June 30, 2020 excluding a total of 8,045,000 Shares repurchased by the Company as at June 30, 2020 but not yet cancelled (i.e. 8,921,028,033 Shares).
- (2) Mr. Tan had a beneficial interest in a total of 379,963,636 Shares which included beneficial interest in 156,173,578 Shares underlying 156,173,578 RSUs which have been granted and have not yet vested as at June 30, 2020.
- (3) 2,837,935,801 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of Chen Family Trust, which beneficially owns Chen Family (Global) Holdings Limited which in turn wholly owns Chen Family (Hivemind) Holdings Limited. Chen Family Trust was established by Mr. Tan as the settlor and the investment advisor. Mr. Tan and his family members are the beneficiaries of Chen Family Trust. Mr. Tan is also a director of Chen Family (Hivemind) Holdings Limited.
- (4) Liu Siew Lan Patricia had a beneficial interest in a total of 6,493,484 Shares which included beneficial interest in 1,863,804 Shares underlying 1,863,804 RSUs which have been granted and have not yet vested as at June 30, 2020.
- (5) Tan Chong Neng had a beneficial interest in a total of 2,369,707 Shares which included beneficial interest in 1,245,179 Shares underlying 1,245,179 RSUs which have been granted and have not yet vested as at June 30, 2020.
- (6) Mr. Lim had a beneficial interest in a total of 1,459,062 Shares which included beneficial interest in 531,154 Shares underlying 531,154 RSUs which have been granted and have not yet vested as at June 30, 2020.
- (7) 2,126,942,901 Shares were held by Mr. Lim through his controlled corporations – Voyager Equity Limited, Lim Teck Lee Land Pte Ltd, Primerose Ventures Inc., Archview Capital Ltd and Sandalwood Associates Limited. Lim Teck Lee Land Pte Ltd is 93.66% owned indirectly by Mr. Lim through Lim Teck Lee (Pte.) Ltd, Primerose Ventures Inc., Archview Capital Ltd and Sandalwood Associates Limited are indirectly wholly-owned by Mr. Lim through Immobiliari Limited.
- (8) Chau Kwok Fun Kevin had a beneficial interest in a total of 1,525,152 Shares which included beneficial interest in 925,122 Shares underlying 925,122 RSUs which have been granted and have not yet vested as at June 30, 2020.
- (9) Lee Yong Sun had a beneficial interest in a total of 1,109,201 Shares which included beneficial interest in 672,814 Shares underlying 672,814 RSUs which have been granted and have not yet vested as at June 30, 2020.
- (10) Gideon Yu had a beneficial interest in a total of 5,158,163 Shares which included beneficial interest in 708,206 Shares underlying 708,206 RSUs which have been granted and have not yet vested as at June 30, 2020.

(b) Long positions in the shares, underlying shares and debentures of the associated corporations of the Company

Name of Director	Company in which the interests are held	Class of shares	Capacity	Nature of Interests	Number of shares held	Percentage of shareholding ⁽¹⁾
Min-Liang Tan	THX Ltd.	Common stock	Beneficial owner	Personal interest	900,000 ⁽¹⁾	5.26% ⁽²⁾
Lim Kaling	THX Ltd.	Common stock	Interest of controlled corporations	Corporate interest	3,420,000 ⁽³⁾	20.00% ⁽⁴⁾

Notes:

- (1) Mr. Tan had a beneficial interest in a total of 900,000 common stock underlying 900,000 THX restricted stock units which have been granted and have not yet vested as at June 30, 2020.
- (2) The percentage has been computed based on 900,000 unissued common stock of THX Ltd. underlying the 900,000 THX restricted stock units which have been granted and have not yet vested as at June 30, 2020, expressed as a percentage of 17,100,000 common stock of THX Ltd. in issue as at June 30, 2020.
- (3) 3,420,000 common stock were held by Archview Capital Ltd, which is indirectly wholly-owned by Mr. Lim through Immobiliari Limited.
- (4) The percentage has been computed based on the total number of common stock of THX Ltd. in issue as at June 30, 2020 (i.e. 17,100,000 common stock).

Interests and Short Positions of Substantial Shareholders In Shares and Underlying Shares

As at June 30, 2020, so far as is known to the Directors, the persons or entities, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the number of Shares of the Company were as follows:

Long positions in the Shares of the Company

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate percentage of shareholding ⁽¹⁾
Julius Baer Group Ltd	Interest of controlled corporations	2,837,935,801 ⁽²⁾	31.81%
Julius Baer Trust Company (Channel Islands) Limited	Trustee	2,837,935,801 ⁽²⁾	31.81%
Chen Family (Global) Holdings Limited	Interest of controlled corporations	2,837,935,801 ⁽²⁾	31.81%
Chen Family (Hivemind) Holdings Limited	Beneficial owner	2,837,935,801 ⁽²⁾	31.81%
Risoluto Pte. Ltd.	Trustee	1,673,090,441 ⁽³⁾⁽⁴⁾	18.75%
Voyager Equity Limited	Beneficial owner	1,342,446,474 ⁽³⁾	15.05%

Notes:

- (1) The percentage has been computed based on the total number of Shares of the Company in issue as at June 30, 2020 excluding a total of 8,045,000 Shares repurchased by the Company as at June 30, 2020 but not yet cancelled (i.e. 8,921,028,033 Shares).
- (2) 2,837,935,801 Shares were held by Julius Baer Trust Company (Channel Islands) Limited as the trustee of the Chen Family Trust, which beneficially owns Chen Family (Global) Holdings Limited which in turn wholly owns Chen Family (Hivemind) Holdings Limited. The Chen Family Trust was established by Mr. Tan as the settlor and the investment advisor. Mr. Tan and his family members are the beneficiaries of the Chen Family Trust. Mr. Tan is also a director of Chen Family (Hivemind) Holdings Limited. Julius Baer Group Limited is a parent company of Julius Baer Trust Company (Channel Islands) Limited which has an interest in the shares in its role as trustee of a certain trust.
- (3) 1,342,446,474 Shares were held by Risoluto Pte. Ltd. as the trustee of the Quadri Trust, which beneficially owns Voyager Equity Limited. The Quadri Trust was established by Mr. Lim as the settlor and the investment advisor. Mr. Lim and his family member are the beneficiaries of the Quadri Trust.
- (4) 330,643,967 Shares were held by Risoluto Pte. Ltd. as the trustee of the Campagnion Trust, which beneficially owns Primerose Ventures Inc. The Campagnion Trust was established by Mr. Lim as the settlor and the investment advisor. Mr. Lim and his family member are the beneficiaries of the Campagnion Trust.

Save as disclosed above, as at June 30, 2020, no other person (other than the Directors and chief executive of the Company) had any interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Remuneration Policy

The Directors, senior management and employees receive compensation in the form of salaries, allowances, bonuses, share-based awards and other benefits-in-kind. Their salaries are based on their qualification, position and seniority. The Group had 1,323 employees as of June 30, 2020. The Group also uses independent contractors to provide the Group more flexibility over overall workforce numbers.

In order to assist the Group in attracting, retaining and motivating its employees, Directors and consultants who will contribute to the success of the Group, the Company has adopted the 2016 Equity Incentive Plan, pursuant to which the Company may grant awards to eligible participants. The principal terms of the 2016 Equity Incentive Plan and details of the RSUs which have been granted by the Company are summarised in the section "2016 Equity Incentive Plan" below. Certain subsidiaries of the Company have also adopted equity incentive plans, which are summarised in the sections "THX Equity Incentive Plan" and "Razer Fintech Equity Incentive Plan" below.

2016 Equity Incentive Plan

The Company adopted the 2016 Equity Incentive Plan by a resolution of the Board on July 25, 2016 and a resolution of the shareholders of the Company on August 23, 2016, as further amended by way of a resolution of the Board and a resolution of the shareholders of the Company on October 25, 2017 and by way of a resolution of the Board on March 8, 2019. The terms of the 2016 Equity Incentive Plan governing the grant of RSUs are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve the grant of options by the Company to subscribe for new shares.

The purposes of the 2016 Equity Incentive Plan are (i) to recognise the contributions to the Company by grantees under the 2016 Equity Incentive Plan and for the retention of talent within the Group; and (ii) to attract new hires and to strengthen the talent pool of the Group.

Unless terminated earlier by the Company, terms governing RSUs under the 2016 Equity Incentive Plan shall be valid and effective for a term of 10 years commencing on July 25, 2016, after which period no further RSUs shall be granted or accepted, but the provisions of this Plan shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the 2016 Equity Incentive Plan.

Unless otherwise duly approved by the shareholders of the Company, the total number of shares underlying RSUs which may be granted under the 2016 Equity Incentive Plan shall not exceed 1,594,406,095, equivalent to approximately 18.0% of the total number of issued shares as at November 13, 2017 (the "Scheme Limit").

To facilitate the administration of the 2016 Equity Incentive Plan, an aggregate of 708,104,004 Shares 150,000,000 were issued to the Computershare Hong Kong Trustees Limited, as trustee, on November 13, 2017 and November 1, 2019 respectively. As at June 30, 2020, the number of shares underlying the RSUs which remains available under the Scheme Limit to be granted was 551,095,913 Shares. The grant and vesting of the RSUs granted pursuant to the 2016 Equity Incentive Plan are in compliance with Rule 10.08 of the Listing Rules.

Details of the RSUs granted and outstanding under the 2016 Equity Incentive Plan

Name of grantees of RSUs	Number of Shares underlying RSUs outstanding at January 1, 2020	RSUs granted during the period from January 1, 2020 to June 30, 2020	RSUs vested during the period from January 1, 2020 to June 30, 2020	RSUs cancelled during the period from January 1, 2020 to June 30, 2020	Number of Shares underlying RSUs outstanding at June 30, 2020
Directors of the Company					
Min-Liang Tan	135,386,116	89,369,842	(68,582,380)	–	156,173,578
Liu Siew Lan Patricia	3,058,482	367,243	(1,561,921)	–	1,863,804
Tan Chong Neng ⁽¹⁾	1,336,076	135,984	(226,881)	–	1,245,179
Lim Kaling	467,282	369,816	(305,944)	–	531,154
Chau Kwok Fun Kevin	628,414	677,997	(381,289)	–	925,122
Lee Yong Sun	457,027	493,089	(277,302)	–	672,814
Gideon Yu	599,235	493,089	(384,118)	–	708,206
Subtotal	141,932,632	91,907,060	(71,719,835)	–	162,119,857
Other employees ⁽²⁾	180,085,544	31,464,005	(123,516,238)	(6,274,679)	81,758,632
TOTAL OF ALL GRANTEES	322,018,176	123,371,065	(195,236,073)	(6,274,679)	243,878,489

Notes:

(1) Tan Chong Neng appointed as an executive Director with effect from March 24, 2020.

(2) Comprise 512 and 1,061 other employees as of January 1, 2020 and as of June 30, 2020, respectively.

THX Equity Incentive Plan

Pursuant to the resolutions of THX's directors and shareholders dated May 30, 2019, THX, a non-wholly owned subsidiary of the Company, adopted an equity incentive plan (the "THX EIP"). The THX EIP is designed to attract, retain and motivate THX's employees, directors and consultants through the grant of restricted stock units. The terms of the THX EIP governing the grant of restricted stock units in THX ("THX RSUs") are not subject to the provisions of Chapter 17 of the Listing Rules as the THX EIP does not involve the grant of options by THX to subscribe for new shares in THX ("THX Shares").

Unless otherwise approved by the shareholders of THX, the total number of THX Shares underlying THX RSUs to be granted under the THX EIP shall not exceed 2,900,000 THX Shares (being 14.5% of the issued share capital of THX as at December 31, 2019). As of June 30, 2020, 900,000 THX RSUs underlying 900,000 THX Shares were granted to Mr. Min-Liang Tan, who is the Chief Executive Officer of THX, and were outstanding.

Razer Fintech Equity Incentive Plan

Pursuant to the directors' resolutions and shareholders' resolutions of Razer Fintech Holdings Pte. Ltd. ("Razer Fintech") dated May 29, 2020, Razer Fintech, a non-wholly owned subsidiary of the Company, adopted an equity incentive plan (the "Razer Fintech EIP"). The Razer Fintech EIP is designed to attract, retain and motivate Razer Fintech's employees, directors and consultants through the grant of restricted stock units. The terms of the Razer Fintech EIP governing the grant of restricted stock units in Razer Fintech ("RF RSUs") are not subject to the provisions of Chapter 17 of the Listing Rules as the Razer Fintech EIP does not involve the grant of options by Razer Fintech to subscribe for new shares in Razer Fintech ("RF Shares").

Unless otherwise approved by the shareholders of Razer Fintech, the total number of RF Shares underlying RF RSUs to be granted under the Razer Fintech EIP shall not exceed such number of RF Shares as shall constitute 10% of the fully-diluted share capital of Razer Fintech from time to time, where such fully-diluted share capital shall take into account the RF Shares which may be issued pursuant to awards granted under the Razer Fintech EIP and any other securities and instruments convertible into RF Shares. The adoption of the Razer Fintech EIP did not constitute a discloseable transaction under Chapter 14 of the Listing Rules. As of June 30, 2020, no awards had been granted under the Razer Fintech EIP.

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

During the six months ended June 30, 2020, the Company repurchased 9,675,000 Shares at prices ranging from HK\$1.00 to HK\$1.46 on the Stock Exchange at an aggregate consideration of HK\$13,134,131.75 excluding brokerage fees and other expenses. The repurchase was approved by the Board for the enhancement of shareholders' value for the long term. All 9,675,000 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 six months ended June 30, 2020.

Compliance with the CG Code

The Company has adopted and applied the principles and code provisions as set out in the CG Code contained in Appendix 14 of Listing Rules. During the six months ended June 30, 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 Chief Executive Officer of the Company. Mr. Tan, a co-founder and an executive Director, has served as the Chief Executive Officer since September 2006 and was appointed the Chairman of the Board in June 2017. This is a deviation from code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

Code provision E.1.5 provides that the Company should have a policy on payment of dividend and disclose such policy in the annual report. A policy on payment of dividend while the Company is still in a loss-making position as at June 30, 2020 may not be feasible.

Compliance with the Model Code

The Board has adopted the Model Code as the code of conduct regulating Directors' dealings in securities of the Company. Having made specific enquiry to the Directors, all the Directors confirmed that they have complied with the standards as set out in the Model Code during the six months ended June 30, 2020.

Use of Proceeds from the Initial Public Offering

On November 13, 2017, the Shares were listed on the Main Board of the Stock Exchange. Net proceeds from the initial public offering were approximately US\$596 million. As of June 30, 2020, the Group had:

- used approximately US\$76 million to finance acquisitions that will continue the expansion of the Group's ecosystem;
- deployed approximately US\$79 million for general working capital purposes, including share buyback activities;
- used approximately US\$7 million to develop new verticals such as Razer Fintech; and
- spent approximately US\$12 million for new sales and marketing initiatives including esports.

The remaining balance of the net proceeds of US\$422 million was placed with banks and financial institutions. The Group will apply the remaining net proceeds in the manner set out in the Prospectus.

Changes in Directors' Information

There have been changes in the information of some of the Directors since the date of the Company's 2019 annual report. Details of the changes as reported to the Company and as required to be disclosed under Rule 13.51B(1) of the Listing Rules are set out below:

Min-Liang Tan

- Appointed as a director of MOLPay Philippines Inc. on January 3, 2020.
- Appointed as a director of Sihirli Kule Bilgi Sistemleri Ltd on January 15, 2020.
- Ceased as a director of Zuti-io Pte. Ltd. as Zuti-io Pte. Ltd. has been struck off the Register of Companies, Singapore on March 9, 2020.
- Resigned as a director of Razer Health Pte. Ltd. on April 29, 2020.
- Ceased as a director of Razer Ningmei Pte. Ltd. as Razer Ningmei Pte. Ltd. has been struck off the Register of Companies, Singapore on June 8, 2020.

Liu Siew Lan Patricia

- Appointed as a director of MOL AccessPortal Co. Ltd. on February 5, 2020.
- Appointed as a director of MOLPay Corp (HK) on February 5, 2020 and resigned as Director on May 6, 2020.
- Resigned as a Director of Razer Fintech (M) Sdn Bhd (formerly known as Razer Pay (M) Sdn Bhd) on April 20, 2020.
- Resigned as a Director of Razer Pay Wallet (M) Sdn Bhd on April 20, 2020.
- Resigned as a Director of Razer Wallet Services Sdn Bhd (formerly known as MOL Wallet Sdn Bhd) on April 20, 2020.
- Resigned as a Director of RMS Reloads Sdn Bhd (formerly known as Razer Pay Reloads (M) Sdn Bhd) on April 20, 2020.
- Appointed as a director of Razer Health Pte. Ltd. on April 29, 2020.
- Resigned as a director of Razer Pay Holdings Pte. Ltd. (now known as Razer Fintech Holdings Pte. Ltd.) on May 29, 2020.

Audit and Risk Management Committee

The unaudited interim financial report of the Company and its subsidiaries for the six months ended June 30, 2020 have been reviewed by the Company's auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" and by the Audit and Risk Management Committee of the Company.



FINANCIAL STATEMENTS



REVIEW REPORT



REVIEW REPORT TO THE BOARD OF DIRECTORS OF RAZER INC.

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 30 to 50 which comprises the consolidated statement of financial position of Razer Inc. (the "Company") and its subsidiaries (the "Group") as of June 30, 2020 and the related consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

August 26, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended June 30, 2020 – unaudited (Expressed in United States dollars)

		Six months ended June 30,	
	Note	2020 US\$'000	2019 US\$'000
Revenue	4 & 5	447,549	357,151
Cost of sales		(349,022)	(281,478)
Gross profit		98,527	75,673
Selling and marketing expenses		(54,845)	(54,071)
Research and development expenses		(24,869)	(26,969)
General and administrative expenses		(35,794)	(46,979)
Loss from operations		(16,981)	(52,346)
Other non-operating income		149	1,462
Finance income	6	4,399	7,190
Finance costs	6	(877)	(681)
Loss before income tax		(13,310)	(44,375)
Income tax expense	7	(4,361)	(3,353)
Loss for the period		(17,671)	(47,728)
Other comprehensive income for the period, net of nil tax unless specified			
<i>Items that will not be reclassified to profit or loss:</i>			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		705	(487)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences – foreign operations		(4,375)	37
Remeasurement of net defined benefit liability		9	26
Other comprehensive income for the period		(3,661)	(424)
Total comprehensive income for the period		(21,332)	(48,152)
Loss attributable to:			
Equity shareholders of the Company		(17,343)	(48,076)
Non-controlling interests		(328)	348
Loss for the period		(17,671)	(47,728)
Total comprehensive income attributable to:			
Equity shareholders of the Company		(20,086)	(48,450)
Non-controlling interests		(1,246)	298
Total comprehensive income for the period		(21,332)	(48,152)
Loss per share			
Basic	8	US\$(0.00)	US\$(0.01)
Diluted		US\$(0.00)	US\$(0.01)

The notes on pages 37 to 50 form part of this interim financial report.

Consolidated Statement of Financial Position

at June 30, 2020 – unaudited (Expressed in United States dollars)

	Note	At June 30, 2020 US\$'000	At December 31, 2019 US\$'000
Non-current assets			
Property, plant and equipment	9	27,525	29,982
Intangible assets and goodwill	10	99,421	104,895
Other investments		2,759	1,297
Deferred tax assets		4,200	5,647
Restricted cash	13	2,036	2,047
Prepayments		158	182
Other receivables	12	3,319	2,829
		139,418	146,879
Current assets			
Inventories	11	94,850	74,820
Trade and other receivables	12	255,092	215,096
Prepayments		5,829	6,268
Current tax receivables		2,095	2,785
Other investments		5,759	6,234
Restricted cash	13	19,920	14,395
Cash and cash equivalents	14	585,901	528,330
		969,446	847,928
Total assets		1,108,864	994,807
Current liabilities			
Trade and other payables	15	503,350	377,590
Contract liabilities		1,631	999
Customer funds	16	18,799	12,869
Lease liabilities	17	4,090	4,029
Current tax payables		3,007	3,073
Other tax liabilities		3,209	3,360
		534,086	401,920
Net current assets		435,360	446,008
Total assets less current liabilities		574,778	592,887
Non-current liabilities			
Deferred tax liabilities		2,780	3,265
Contract liabilities		2,403	1,655
Net defined benefit retirement obligation		546	515
Other payables	15	1,469	1,588
Other tax liabilities		1,095	1,095
Lease liabilities	17	7,696	9,981
		15,989	18,099
NET ASSETS		558,789	574,788

Consolidated Statement of Financial Position (Continued)

at June 30, 2020 – unaudited (Expressed in United States dollars)

Note	At June 30, 2020 US\$'000	At December 31, 2019 US\$'000
Capital and reserves		
Share capital	89,385	89,482
Share premium	682,244	683,847
Reserves	(218,307)	(205,054)
Total equity attributable to equity shareholders of the Company	553,322	568,275
Non-controlling interests	5,467	6,513
TOTAL EQUITY	558,789	574,788

The notes on pages 37 to 50 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended June 30, 2020 – unaudited (Expressed in United States dollars)

Attributable to equity shareholders of the Company													
		Share	Share	Merger	Foreign	Fair value	Reserve	Share-	Put option	Accumulated	Total	Non-	Total
Note	US\$'000	capital	premium	reserve	currency	reserve (non-	for	based	written on	losses	US\$'000	controlling	equity
	US\$'000	US\$'000	US\$'000	US\$'000	translation	recycling)	treasury	payment	non-	US\$'000	US\$'000	interests	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 the six months June 30, 2019:													
Loss for the period	-	-	-	-	-	-	-	-	(48,076)	(48,076)	348	(47,728)	
Other comprehensive income	-	-	-	87	(487)	-	-	-	26	(374)	(50)	(424)	
Total comprehensive income	-	-	-	87	(487)	-	-	-	(48,050)	(48,450)	298	(48,152)	
Issuance of vested shares, net of tax	18	-	-	-	-	-	1,872	(40,772)	-	38,900	-	-	-
Share-based compensation expense	18	-	-	-	-	-	-	17,431	-	-	17,431	-	17,431
Remeasurement of put option written on non-controlling interests		-	-	-	-	-	-	-	(298)	-	(298)	-	(298)
Purchase of own shares		(1,680)	(30,229)	-	-	-	-	-	-	-	(31,909)	-	(31,909)
Changes in ownership interests in subsidiaries		-	-	-	-	-	-	-	-	(1,578)	(1,578)	1,578	-
Balance at June 30, 2019 and July 1, 2019	87,981	683,853	(4,000)	(5,627)	511	(22,849)	82,278	(1,865)	(225,276)	595,006	4,008	599,014	

Consolidated Statement of Changes in Equity (Continued)

for the six months ended June 30, 2020 – unaudited (Expressed in United States dollars)

Attributable to equity shareholders of the Company												
	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Fair value reserve (non-recycling)	Reserve for treasury shares	Share-based payment reserve	Put option written on non-controlling interests	Accumulated losses	Total	Non-controlling interests	Total equity
Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Changes in equity for the six months ended December 31, 2019:												
Loss for the period	-	-	-	-	-	-	-	-	(36,103)	(36,103)	361	(35,742)
Other comprehensive income	-	-	-	2,979	(74)	-	-	-	(107)	2,798	(2,156)	642
Total comprehensive income	-	-	-	2,979	(74)	-	-	-	(36,210)	(33,305)	(1,795)	(35,100)
Issuance of vested shares, net of tax	18	-	-	-	-	21	(465)	-	444	-	-	-
Share-based compensation expense	18	-	-	-	-	-	12,723	-	-	12,723	52	12,775
Dividends	-	-	-	-	-	-	-	-	-	-	(191)	(191)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	(4,439)	(4,439)	4,439	-
Issuance of treasury shares	1,500	-	-	-	-	(1,500)	-	-	-	-	-	-
Remeasurement of put option written on non-controlling interests	-	-	-	-	-	-	-	(1,705)	-	(1,705)	-	(1,705)
Purchase of own shares	1	(6)	-	-	-	-	-	-	-	(5)	-	(5)
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

The notes on pages 37 to 50 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Continued)

for the six months ended June 30, 2020 – unaudited (Expressed in United States dollars)

Note	Attributable to equity shareholders of the Company												
	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Fair value reserve (non-recycling)	Reserve for treasury shares (note)	Share-based payment reserve	Put option written on non-controlling interests	Accumulated losses	Total	Non-controlling interests	Total equity	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
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	
Loss for the period	-	-	-	-	-	-	-	-	(17,343)	(17,343)	(328)	(17,671)	
Other comprehensive income	-	-	-	(3,457)	705	-	-	-	9	(2,743)	(918)	(3,661)	
Total comprehensive income	-	-	-	(3,457)	705	-	-	-	(17,334)	(20,086)	(1,246)	(21,332)	
Issuance of vested shares, net of tax	18	-	-	-	-	23,244	(40,077)	-	16,833	-	-	-	
Share-based compensation expense	18	-	-	-	-	-	7,460	-	-	7,460	-	7,460	
Remeasurement of put option written on non-controlling interests		-	-	-	-	-	-	(627)	-	(627)	-	(627)	
Purchase of own shares		(97)	(1,603)	-	-	-	-	-	-	(1,700)	-	(1,700)	
Issuance of ordinary shares to non-controlling interests		-	-	-	-	-	-	-	-	-	200	200	
Balance at June 30, 2020		89,385	682,244	(4,000)	(6,105)	1,142	(1,084)	61,919	(4,197)	(265,982)	553,322	5,467	558,789

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 21). Shares issued to the RSU holders are recognized on a first-in-first-out basis

Condensed Consolidated Cash Flow Statement

for the six months ended June 30, 2020 – unaudited (Expressed in United States dollars)

		Six months ended June 30,	
	Note	2020 US\$'000	2019 US\$'000
Cash flows from operating activities			
Cash generated from/(used in) operations		68,586	(52,564)
Income taxes paid		(2,614)	(1,932)
Net cash generated from/(used in) operating activities		65,972	(54,496)
Cash flows from investing activities			
Interest received		5,487	7,559
Proceeds from disposal of property, plant and equipment		–	5
Acquisition of property, plant and equipment		(5,037)	(3,914)
Acquisition of intangible assets		(2,006)	(1,421)
Investment in financial assets		(1,462)	–
Net cash (used in)/generated from investing activities		(3,018)	2,229
Cash flows from financing activities			
Interest paid		(420)	(101)
Capital element of lease rentals paid		(2,539)	(2,195)
Repurchase of ordinary shares	21(a)	(1,700)	(31,909)
Issuance of ordinary shares of a subsidiary to non-controlling interests		200	–
Net cash used in financing activities		(4,459)	(34,205)
Net increase/(decrease) in cash and cash equivalents		58,495	(86,472)
Cash and cash equivalents at January 1	14	528,330	615,237
Effect of exchange rate fluctuations on cash and cash equivalents		(924)	110
Cash and cash equivalents at June 30	14	585,901	528,875

The notes on pages 37 to 50 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

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, and accessories.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"), and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2019 ("last annual financial statements"). They do not include all of the information required for a complete set of International Financial Reporting Standard ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

These interim financial statements were authorised for issue by the Company's board of directors on August 26, 2020.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 29.

3 USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

4 REVENUE AND 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 management of the Group has determined that its Chief Executive Officer is the chief operating decision maker ("CODM"). 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 products and services which are in the development and/or marketing phase including the Razer Mask, Razer energy drinks and THX.

(a) Disaggregation of revenue

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

	Six months ended June 30,	
	2020	2019
	US\$'000	US\$'000
Sales of goods	382,201	318,190
Services income	64,162	36,528
Royalty income	1,186	2,433
	447,549	357,151

The Group geographically categorises a sale based on the region in which the customer resides. Revenue by regions were as below:

	Six months ended June 30,	
	2020	2019
	US\$'000	US\$'000
Americas ¹	196,761	156,289
Europe, the Middle East and Africa	97,282	86,390
Asia Pacific excluding China ²	99,256	67,991
China	54,250	46,481
	447,549	357,151

1 Revenue from Americas region includes revenue from the United States of America ("U.S.") of US\$183,262,000 for the six months ended June 30, 2020 (six months ended June 30, 2019: US\$143,610,000).

2 Revenue from Asia Pacific region includes revenue from Singapore of US\$33,266,000 for the six months ended June 30, 2020 (six months ended June 30, 2019: US\$12,027,000).

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Information about profit or loss, assets and liabilities

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 and liabilities information.

	Peripherals US\$'000	Systems US\$'000	Software and Services US\$'000	Others US\$'000	Total US\$'000
Six months ended June 30, 2020					
Revenue	252,706	129,967	63,970	906	447,549
Depreciation and amortisation	(3,510)	(2,179)	(5,194)	(546)	(11,429)
Gross profit/(loss)	63,295	7,763	29,420	(1,951)	98,527
Six months ended June 30, 2019					
Revenue	179,364	124,318	35,733	17,736	357,151
Depreciation and amortisation	(1,662)	(764)	(3,889)	(5,842)	(12,157)
Gross profit/(loss)	50,509	12,118	14,888	(1,842)	75,673

5 SEASONALITY OF OPERATIONS

The Group's revenue and operating results have followed seasonal trends in the past which are likely to continue. In particular, the Group typically has higher sales during the second half of each year which is primarily due to a concentration of shipping towards the year-end shopping season.

6 FINANCE INCOME AND FINANCE COSTS

	Six months ended June 30,	
	2020 US\$'000	2019 US\$'000
Finance income		
Interest income on fixed deposits and money market funds	4,399	7,190
Finance costs		
Interest on lease liabilities	(426)	(481)
Bank charges	(98)	(77)
Others	(353)	(123)
	(877)	(681)

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

7 INCOME TAX EXPENSE

	Six months ended June 30,	
	2020	2019
	US\$'000	US\$'000
Current tax expense		
Current year	3,275	2,775
Deferred tax expense		
Origination and reversal of temporary differences	1,086	578
Total income tax expense	4,361	3,353

Taxation is calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

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 Singapore 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\$1,905,000) 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.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share was based on the loss attributable to equity shareholders of the Company of US\$17,343,000 (six months ended June 30, 2019: loss of US\$48,076,000) divided by the weighted average of ordinary shares of 8,788,294,990 shares (six months ended June 30, 2019: 8,712,504,057 shares) in issue during the period.

(b) Diluted loss per share

During the six months ended June 30, 2020 and 2019, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the loss per share. Accordingly, the diluted loss per share is the same as basic loss per share.

9 PROPERTY, PLANT AND EQUIPMENT

	At June 30, 2020 US\$'000	At December 31, 2019 US\$'000
Opening net book value	29,982	31,087
Additions	5,037	15,236
Depreciation for the period/year	(7,239)	(15,462)
Impairment	-	(844)
Disposals	(82)	(102)
Effect of movement in exchange rate	(173)	67
Closing net book value	27,525	29,982

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

10 INTANGIBLE ASSETS AND GOODWILL

	Development cost US\$'000	Purchased technology assets US\$'000	Patents US\$'000	Trademarks US\$'000	Distribution contracts US\$'000	Customer relationships US\$'000	Goodwill US\$'000	Total US\$'000
Cost:								
At January 1, 2019	16,072	12,479	18,539	2,736	17,150	407	74,955	142,338
Additions	3,273	1,113	106	-	-	-	-	4,492
Disposals	(22)	(125)	(67)	-	-	-	-	(214)
Effect of movement in exchange rate	153	43	120	-	207	-	765	1,288
At December 31, 2019	19,476	13,510	18,698	2,736	17,357	407	75,720	147,904
At January 1, 2020	19,476	13,510	18,698	2,736	17,357	407	75,720	147,904
Additions	-	6,011	-	-	-	-	-	6,011
Disposal	(4,005)	-	-	-	-	-	-	(4,005)
Effect of movement in exchange rate	-	152	(180)	-	(761)	-	(2,822)	(3,611)
At June 30, 2020	15,471	19,673	18,518	2,736	16,596	407	72,898	146,299
Accumulated amortisation:								
At January 1, 2019	15,193	5,832	2,957	-	2,071	45	805	26,903
Amortisation for the period	296	3,736	1,498	-	3,125	20	-	8,675
Impairment ¹	-	-	6,476	-	-	-	918	7,394
Disposals	(22)	(86)	-	-	-	-	-	(108)
Effect of movement in exchange rate	4	21	75	-	45	-	-	145
At December 31, 2019	15,471	9,503	11,006	-	5,241	65	1,723	43,009
At January 1, 2020	15,471	9,503	11,006	-	5,241	65	1,723	43,009
Amortisation for the period	-	2,266	394	-	1,520	10	-	4,190
Effect of movement in exchange rate	-	(50)	(25)	-	(246)	-	-	(321)
At June 30, 2020	15,471	11,719	11,375	-	6,515	75	1,723	46,878
Net book value:								
At June 30, 2020	-	7,954	7,143	2,736	10,081	332	71,175	99,421
At December 31, 2019	4,005	4,007	7,692	2,736	12,116	342	73,997	104,895

¹ During 2019, following the Group's decision to discontinue the sales of Razer Phone, the Group has recognised a full impairment on the carrying value of the related cash generating unit's long-lived assets, including goodwill and patents of US\$918,000 and US\$6,476,000 respectively.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

11 INVENTORIES

During the six months ended June 30, 2020, raw materials and changes in finished goods recognised in cost of sales amounted to US\$349,022,000 (six months ended June 30, 2019: US\$281,478,000) including write-down to net realisable value amounting to US\$3,933,000 (six months ended June 30, 2019: US\$1,207,000) for the Group.

12 TRADE AND OTHER RECEIVABLES

	At June 30, 2020	At December 31, 2019
	US\$'000	US\$'000
Trade receivables	234,178	202,896
Less: Allowance for trade receivables	(39,877)	(43,885)
Less: Loss allowance	(2,626)	(598)
	191,675	158,413
Deposits	3,133	3,148
Other receivables ¹	63,353	56,364
Convertible loan	250	–
Trade and other receivables	258,411	217,925
Non-current	3,319	2,829
Current	255,092	215,096
	258,411	217,925

¹ Other receivables mainly comprise primarily of receivables from arrangements whereby the Group purchases components from third-party suppliers and subsequently sells to contract manufacturers.

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

	At June 30, 2020	At December 31, 2019
	US\$'000	US\$'000
Current (not past due)	177,581	141,392
Past due 1-30 days	12,141	14,715
Past due 31-60 days	1,167	1,768
Past due 61-90 days	704	249
Past due more than 90 days	82	289
	191,675	158,413

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

The movement in the loss allowance account in respect of trade receivables during the reporting period is as follows

	At June 30, 2020 US\$'000	At December 31, 2019 US\$'000
At January 1	598	357
Net re-measurement of loss allowance	2,028	241
At June 30	2,626	598

The methodology for the calculation of expected credit loss is the same as described in the last annual financial statements.

13 RESTRICTED CASH

The restricted cash balance is US\$21,956,000 as of June 30, 2020 (December 31, 2019: US\$16,442,000), of which US\$1,541,000 (December 31, 2019: US\$732,000) relates to the unutilised virtual credits, Razer Gold, and mobile wallet (collectively "e-money liabilities") balance. The restricted cash is required to be kept at least at 1.02 times of the total e-money liabilities as per the Guideline on Electronic Money issued by Bank Negara of Malaysia. Currently, the money is held in trust by a trustee and maintained at 1.02 times of the total e-money liabilities.

In addition, restricted cash also consists of security deposits received from customers, amounts held at bank as collateral primarily for letter of credits of the Group and amounts held at bank as required by local regulations for payment related services.

14 CASH AND CASH EQUIVALENTS

	At June 30, 2020 US\$'000	At December 31, 2019 US\$'000
Cash at bank and in hand	133,548	121,807
Fixed deposits and money market funds	452,353	406,523
Cash and cash equivalents in the condensed consolidated cash flow statement and consolidated statement of financial position	585,901	528,330

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

15 TRADE AND OTHER PAYABLES

	At June 30, 2020 US\$'000	At December 31, 2019 US\$'000
Trade payables	420,295	301,318
Accrued operating expenses	45,737	43,600
Provision for warranty expenses	15,104	12,958
Accrued liabilities for materials	1,070	1,043
Deposits received	894	795
Other payables ¹	21,719	19,464
	504,819	379,178
Non-current	1,469	1,588
Current	503,350	377,590
	504,819	379,178

¹ Other payables mainly comprise of sales and withholding taxes and the obligations arising from put option written on non-controlling interests of a subsidiary.

As of the end of the reporting period, the ageing analysis of trade payables, based on due date, is as follows:

	At June 30, 2020 US\$'000	At December 31, 2019 US\$'000
Up to 3 months	416,550	297,416
Over 3 months but within 6 months	2,445	1,214
Over 6 months but within 12 months	832	2,510
Over 12 months	468	178
	420,295	301,318

16 CUSTOMER FUNDS

Customer funds mainly represent Razer Gold customers' unutilized virtual credits stored online and in prepaid cards, customers' stored balances that would later be used to make payments and customers' cash in transit.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

17 LEASE LIABILITIES

The contractual maturities of the lease liabilities are as follows:

	At June 30, 2020 US\$'000	At December 31, 2019 US\$'000
Less than one year	4,815	4,975
Between one and five years	7,530	9,777
More than five years	1,268	1,560
Total contractual cash flows	13,613	16,312
Less: Imputed interest on lease liabilities	(1,827)	(2,302)
Carrying amount	11,786	14,010

18 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. RSUs were granted to certain employees, consultants and the Company's directors. Each RSU will entitle the holder to one ordinary share of the Company.

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

Share-based compensation expense relating to awards granted to employees is recognised on a graded acceleration vesting amortisation method over the 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 the six months ended June 30, 2020 was 123,371,065 (six months ended June 30, 2019: 199,629,424 RSUs). The weighted average grant date fair value of RSUs granted during the six months ended June 30, 2020 was US\$0.14 per share (six months ended June 30, 2019: US\$0.21 per share). During the six months ended June 30, 2020, share-based compensation expenses of US\$7,475,000 (six months ended June 30, 2019: US\$17,678,000) was recognised.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

18 SHARE-BASED COMPENSATION EXPENSE (CONTINUED)

Restricted Stock Units (continued)

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 the Remuneration Committee's discretion on the Subsequent Grant to be substantive and the grant date was not established, and subject to the Remuneration Committee fixing the vesting conditions, approving the grants, and a definitive RSU agreement being executed.

Under the Subsequent Grant, the first and second tranches of the RSUs were granted on March 27, 2019 and the third tranche was granted on March 12, 2020, all upon the approval of the Remuneration Committee.

During the six months ended June 30, 2020 and 2019, US\$7,475,000 and US\$17,678,000 of share-based compensation expense were respectively recognised in the consolidated statement of profit or loss and other comprehensive income in respect of these RSUs.

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.

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial assets and liabilities, such as trade and other receivables, cash at bank and in hand, fixed deposits, money market funds and trade and other payables approximate their fair values due to the short term to maturity.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy. Further, for the current year the fair value disclosure of lease liabilities is not required.

	Quoted prices in active markets for identical assets (Level 1) US\$'000	Significant other inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	Total US\$'000
June 30, 2020				
Financial assets				
Money market funds	–	80,507	–	80,507
Other investments (quoted)	5,759	–	–	5,759
Other investments (unquoted)	–	–	2,759	2,759
	5,759	80,507	2,759	89,025
Financial liability				
Put option liability over non-controlling interest	–	–	7,362	7,362
December 31, 2019				
Financial assets				
Money market funds	–	20,286	–	20,286
Equity investments (quoted)	6,234	–	–	6,234
Equity investments (unquoted)	–	–	1,297	1,297
	6,234	20,286	1,297	27,817
Financial liability				
Put option liability over non-controlling interest	–	–	7,044	7,044

The financial instruments carried at fair value are measured on a recurring basis.

The money market funds are measured on a recurring basis at fair value, based on indicative price information obtained from a third-party financial institution that is the counterparty to the transaction.

The fair value for the quoted investments is determined using quoted prices obtained for those investments as at reporting date. For unquoted investments, fair value is determined using valuation techniques. Such valuation techniques include recent arm's length market transactions. For the put option liability over non-controlling interest, fair value is determined using valuation techniques which consider the present value of the gross obligation, discounted using a risk-adjusted rate.

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

During the six months ended June 30, 2020 and 2019, there were no transfers between Level 1 and Level 2.

The following table presents the change in level 3 instruments:

	2020 US\$'000	2019 US\$'000
Financial assets		
At January 1	1,297	1,210
Additions	1,462	–
Net unrealised loss recognised in other comprehensive income	–	(214)
At June 30	2,759	996
Financial liabilities		
At January 1	7,044	4,973
Net unrealised foreign exchange (loss)/gain recognised in profit or loss	(309)	4
Unwinding of discount	627	298
At June 30	7,362	5,275

The Group does not have any other financial instruments that are measured using fair values as at June 30, 2020 and December 31, 2019.

20 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, is as follows:

	Six months ended June 30,	
	2020 US\$'000	2019 US\$'000
Short-term employee benefits	1,082	1,102
Equity compensation benefits	4,595	15,584
	5,677	16,686

Notes to the Unaudited Interim Financial Report (Continued)

(Expressed in United States dollars unless otherwise indicated)

21 CAPITAL AND DIVIDENDS

(a) Purchase of own shares

During the six months ended June 30, 2020, the Company repurchased 9,675,000 (six months ended June 30, 2019: 167,934,000) of its own shares at prices ranging from HK\$1.00 to HK\$1.46 on The Stock Exchange of Hong Kong at a total consideration of approximately US\$1,700,000.

(b) Dividends

No dividends have been paid or declared by the Company during the six months ended June 30, 2020 and 2019.

Definitions and Glossary of Technical Terms

In this interim report, 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 by the Board and the Company's shareholders on October 25, 2017 and further amended by the Board on March 8, 2019) for the grant of, among others, RSUs to eligible participants
"Board"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China"	the People's Republic of China, which for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company" or "Razer"	Razer Inc., an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1337)
"Director(s)"	director(s) of the Company
"EBITDA"	Earnings before interest, tax, depreciation and amortisation
"GAAP"	Generally Accepted Accounting Principles
"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 the People's Republic of China
"IFRS"	the International Financial Reporting Standard
"initial public offering" or "IPO"	The initial public offering of the shares of Company, further details of which are set out in the Prospectus
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

Definitions and Glossary of Technical Terms (Continued)

“Prospectus”	the prospectus of the Company dated November 1, 2017
“RSUs”	restricted stock units, being contingent rights to receive shares of the Company which are granted pursuant to the 2016 Equity Incentive Plan
“Shares”	ordinary shares of US\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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\$”	United States Dollars, the lawful currency of the United States
“%”	per cent

This glossary contains definitions of certain terms used in this interim report in connection with the Company’s business. These terms and their definitions may not correspond to industry standard definitions or usage and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industry as the Company.

“cloud clubbing”	online video-stream broadcast of a DJ’s live set from a discotheque or nightclub
“cloud gaming”	gaming involving game content being streamed to a gamer’s device
“esports”	professional competitive gaming
“gamers”	individuals who play games across any platform without any time or frequency qualifications
“games”	games played primarily on PC, mobile devices and consoles
“offline-to-online digital payment network”	a payment service where stored value can be converted from physical tangible form to online virtual form. (Eg. gift cards or vouchers can be converted to digital currency)
“PC”	Personal computer
“peripherals”	Hardware devices, such as mice, keyboards, headsets, audio devices and controllers, used to play games in conjunction with a PC or a console

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